

United States Department of the Interior



BUREAU OF RECLAMATION
Lower Colorado Region
Phoenix Area Office
6150 W. Thunderbird Road
Glendale, AZ 85306



BUREAU OF INDIAN AFFAIRS
Navajo Regional Office
P.O. Box 1060
Gallup, NM 87301

IN REPLY REFER TO:

PXAO-1500
ENV-6.00

May 23, 2017

MEMORANDUM

Subject: Public Scoping for an Environmental Assessment Covering Navajo Generating Station Operations Through December 2019 and Retirement Activities Beginning in 2020 (Action by June 9, 2017)

Dear Interested Party:

The Navajo Generating Station (NGS) is a three-unit, 2,250 megawatt (MW) coal-fired power plant located on tribal trust lands leased from the Navajo Nation (Nation) near Page, Arizona. The plant operates pursuant to the "Navajo Project Indenture of Lease" (1969 Lease), which expires in December 2019. In February 2017, the non-Federal NGS Participants (utility owners known as the Lessees) announced they no longer intend to operate NGS after December 2019. The 1969 Lease generally requires the retirement¹ of certain NGS facilities after operations end, and the Lessees expect that retirement activities will require two or more years to complete. The NGS Lessees are in ongoing discussions with the Nation for a land use arrangement to allow NGS operations to continue through December 2019, and have retirement activities begin in 2020. Without such an agreement, NGS would need to stop generating electricity by December 2017, so that retirement could be completed before the 1969 Lease expires in December 2019.

Any agreements to allow extra time for NGS retirement will likely require Federal approvals from the Department of the Interior (Department) agencies, such as the Bureau of Indian Affairs (BIA), and the Bureau of Reclamation² because of the Federal role in approving land use agreements on tribal trust lands, and due to the contracts that provide for the Federal share of NGS-generated electricity. These potential Federal approvals may be subject to the National

¹ "Retirement" in this document refers to all work that will occur on the NGS lease site after power generation ends, including: decommissioning, demolition, and removal of facilities, restoration of lands, post-closure monitoring, and access. Retirement does not include reclamation activities associated with the Kayenta Mine, as required by the Surface Mining Control and Reclamation Act and as detailed the approved reclamation plan.

² Reclamation is an NGS Participant; the Federal share of NGS power is used to meet the power requirements for operation of the Central Arizona Project, a Reclamation project that delivers Colorado River water to central and southern Arizona.

Environmental Policy Act (NEPA) process. The exact nature of any Federal approvals will depend on the agreement reached between the Nation and the Lessees, and the rights-of-way required.

PUBLIC SCOPING NOTICE FOR NGS OPERATIONS THROUGH DECEMBER 2019 AND INITIATING NGS RETIREMENT ACTIVITIES BEGINNING IN 2020

The NGS Lessees and the Nation are considering options that would allow NGS operations to continue through December 2019, and provide for retirement beginning in January 2020. Associated transmission uses also are being considered. These matters are the subject of ongoing negotiations between the Nation and the NGS operator, the Salt River Project Agricultural Improvement, and Power District (SRP). The form and terms of a potential agreement are unknown at this time. Regardless of the form and terms of a potential agreement, the current Lessees do not plan to generate coal-fired electrical energy at NGS after December 2019.

As an NGS Participant, Reclamation may need to provide written approval for any land use agreement executed by SRP pursuant to its agreements with the NGS Participants. In addition, the Secretary of the Interior or the BIA may need to approve aspects of the agreement on behalf of the Nation. It is likely that one, or both, of the Federal agencies will need to complete an Environmental Assessment (EA) regarding the pending Federal approvals related to NGS.

To aid in the development of this EA, the Department is seeking public input regarding the potential impacts of these possible Federal decisions related to the operation of NGS through the end of December 2019, followed by retirement activities, as well as input regarding alternatives that enable retirement activities to begin after December 2019, and other concerns that should be addressed in the EA. To be most helpful, comments should be as specific as possible. Please send written comments to:

NGS Retirement EA Scoping Comments
ERO Resources Corporation
1842 Clarkson Street
Denver, CO 80218

You also may fax your comments to ERO Resources Corporation at 303-830-1199, or send your written comments by email to NGS-EA@eroresources.com. To ensure comments are considered in the preparation of the EA, they must be postmarked by the end of the scoping period on June 9, 2017.

Before including your name, address, phone number, email address, or other personal identifying information in your submittal, you should be aware that your entire comment — including your personal identifying information — may be made publicly available at any time. While you may request that we withhold your personal identifying information from public review, we cannot guarantee that we will be able to do so.

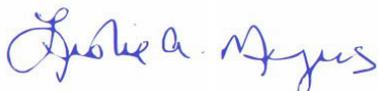
RELATIONSHIP BETWEEN THIS NOTICE AND STATUS OF THE PROPOSAL TO OPERATE NGS FROM 2020 THROUGH 2044

An Environmental Impact Statement (EIS) process was started in 2013 to describe the effects of operating NGS from 2020 through the end of 2044. That EIS process analyzes the potential environmental impacts from extending the operations of NGS for 25 years after the end of the 1969 Lease term, and associated changes to the Kayenta Mine life-of-mine plan. Reclamation issued a draft EIS for public review and comment on September 30, 2016, and the review and comment period ended on December 29, 2016.

Whether NGS will continue to operate in general is uncertain because of the Lessees announcement to end NGS operations after December 2019. There is a potential NGS will continue to operate after December 2019 with new ownership. The current Lessees have indicated they are open to working with new owners to operate NGS after December 2019. If NGS ownership changes, Federal approvals for such new operations are likely to be required. Based on ownership changes, the existing EIS process will be evaluated to determine how to comply with NEPA and other statutes. Until more information about operating after December 2019 is known, the Department intends to focus its efforts on an EA for continuing NGS operations through the end of December 2019. The decisions being analyzed in this EA will not: (1) authorize coal-fired generation at NGS after December 2019; (2) authorize additional coal mining at the Kayenta Mine; or (3) limit future decisions about uses of the NGS site if the NGS facilities are retired.

We appreciate your interest in this project. If you have any questions regarding the information in this memorandum, please contact Mr. Sean M. Heath, Bureau of Reclamation Phoenix Area Office at 623-773-6250, or Ms. Harrilene Yazzie, Bureau of Indian Affairs-Navajo Region at 505-863-8287.

Sincerely,



Leslie A. Meyers
Phoenix Office Area Manager
Lower Colorado Region
Bureau of Reclamation



Sharon Pinto
Regional Director
Navajo Region
Bureau of Indian Affairs