



Timothy L. Nuvangyaoma
CHAIRMAN

Clark W. Tenakhongva
VICE-CHAIRMAN

House Sub-Committee on Energy and Mineral Resources

Oversight Hearing “The Benefits of the Navajo Generating Station to Local Economies”

Testimony Submitted By:

Chairman Timothy Nuvangyaoma
The Hopi Tribe
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Good afternoon Chairman Gosar, Ranking Member Lowenthal, and Honorable Members of the House Subcommittee on Energy and Mineral Resources. My name is Timothy Nuvangyaoma and I have the honor of serving as Chairman of the Hopi Tribe. I am joined today by Hopi Vice Chairman Clark Tenakhongva and several members of the Hopi Tribal Council.

We travelled here to discuss an issue of major concern to the Hopi Tribe and our neighbors in northern Arizona – the potential closure of the Navajo Generating Station (“NGS”). I want to thank Chairman Gosar and the Subcommittee for convening this oversight hearing to discuss the benefits of the NGS. However, it is not enough to only explore the benefits of NGS, we also must consider the economic devastation that will occur across our communities should it close.

I. Navajo Generating Station

Construction on the Navajo Generating Station began in 1969 to help provide a reliable power source to the growing Arizona population. The plant was also meant to provide a power source to pump water to the Central Arizona Project (“CAP”), which delivers water from the Colorado River to southern Arizona. The plant began operating in 1974 and has a capacity of 2,250 megawatts.

The NGS is powered by coal from the Kayenta Mine through lease agreements with the Hopi Tribe and the Navajo Nation. The NGS is the sole customer for coal from the Kayenta Mine because it is the only place that the mine is linked to by rail. Since its construction it has produced reliable and cost-effective energy for customers in Arizona and Nevada.

NGS is unique because the federal government owns a 24% stake in the plant through the Bureau of Reclamation (“BOR”). The federal government’s interest has to do with the delivery of water through the CAP. NGS supplies more than 90% of the power needed to pump water through the CAP.

Southern Arizona’s massive growth has been fueled with power and water delivered by NGS on tribal lands with tribal resources. For years southern Arizona benefitted from the plant’s operation and low-cost energy created by a captive system where the plant was supplied with a constant stream of cheap tribal coal. It is beyond frustrating to see our neighbors to the south abandon the plant and the Hopi and Navajo because of a perceived short-term cost-savings. Considering the years of benefits Arizona and the owners of NGS received, the Hopi Tribe and Navajo Nation deserve better.

There is also the real concern that premature closure could leave Arizona liable for almost \$1 billion in outstanding loans. The federal government authorized and paid for the CAP at the request of the State of Arizona. Arizona is required to repay the federal government for these outlays through revenue associated with the NGS, but if the NGS closes there will be no revenue. It is our understanding that the State of Arizona still owes the federal government \$1.2 billion.

II. Impacts to the Hopi Tribe

The Hopi Tribe will suffer an economic catastrophe if the NGS closes. The revenues generated from the NGS and Kayenta Mine operations provide approximately 85% of the Hopi Tribe's general fund budget and are vital to the Tribe's ability to provide essential government services. The NGS is the sole purchaser of coal from the Kayenta Mine and if NGS prematurely closes, the Kayenta Mine would be forced to close as well. These closures would have a dire impact not just on my Tribe, but the state and local economies.

The Hopi Tribe utilizes its coal revenues from the Kayenta Mine to bolster and supplement the insufficient federal funds we receive to provide essential government services. The Kayenta Mine is the primary source of revenue for the operation of the Hopi tribal government and the primary source of revenue to pay the employees of the Hopi Tribe. Loss of revenue from the Kayenta Mine would result in a severe curtailment of Hopi governmental functions. Hopi tribal citizens can hardly afford a reduction in governmental services and programs.

The Hopi Tribe already suffers from an unemployment rate of more than 60%. The Hopi tribal government is the primary employer on the reservation. If the Tribe is forced to reduce governmental services, it will coincide with significant layoffs at the Hopi tribal government as the Tribe will no longer be able to meet its current payroll obligations. This will dramatically increase the already high unemployment rate.

I cannot stress enough the severity of the financial consequences to the Hopi Tribe should NGS close. The Hopi Tribe is landlocked and economic diversification on the reservation is incredibly difficult. We lack clean water, reliable electricity, and access to reliable and fast internet. These are unthinkable conditions in a country this prosperous – but it is our reality. These circumstances will only get worse if NGS closes.

III. Federal Government's Trust Responsibility to the Hopi Tribe

The federal government has a legally binding trust responsibility to the Hopi Tribe because of its status as a federally recognized tribe. The United States Supreme Court described this obligation in *Seminole Nation v. United States* when it declared the federal government "has charged itself with moral obligations of the highest responsibility and trust" toward tribal nations. The trust responsibility is a sacred obligation and duty.

The federal government's trust responsibility to the Hopi Tribe in the present situation is heightened because of the nexus of federal ownership of NGS. Since the federal government is a partial owner of NGS it cannot blindly agree that the plant should be shuttered for economic reasons. Shutting down NGS requires direct federal action that conflicts with the trust responsibility owed to the Hopi Tribe and the Navajo Nation.

Presently, the federal government is carrying responsibilities on two shoulders: on one shoulder it has its responsibility as an owner of NGS, and on the other it has its trust responsibilities to the Hopi and Navajo. It must weigh the responsibilities carried on both

shoulders when making its decision. Any argument that states it is cheaper to shutter NGS ignores the cost to the Hopi and Navajo people. The other owners of NGS are not bound to consider that cost in their calculations, but the federal government must.

IV. NGS's & Kayenta Mine's Impact to Surrounding Communities

The Kayenta Mine created approximately \$200 million in direct economic benefits in 2015 and \$800 million in direct and indirect benefits. This included dollars for royalties, business payments, taxes, water fees, wages and benefits, capital, outside services, and scholarships. The majority of the earned income of Hopi tribal citizens is spent off of the reservation in the surrounding communities, which will be hard hit by that loss of purchasing power.

Arizona State University conducted a study in 2012 that found the NGS and Kayenta Mine would indirectly account for more than \$20 billion in gross state product for Arizona between 2011 and 2044. The plant and mine contribute approximately 3,000 jobs to the economy annually. These are high-paying and valuable jobs in northern Arizona. The northern Arizona economy cannot absorb the loss of that many jobs and wages.

V. Conclusion

The Hopi Tribe appreciates Congress' and the Administration's support for the continued operation of the Navajo Generating Station. We need to work quickly to identify a new ownership group ahead of the current lease's expiration at the end of 2019. It is a daunting task but I feel optimistic given the allies and support this undertaking has received.