

Mr. Chairman and Members of the Committee,

Thank you for the opportunity to testify on a very important matter to the people of Arizona, and in fact, multiple tribal nations and the various western states. While the unjust war on coal was prosecuted by both government and non-government entities, under the guise of the continuously rebranded moniker of climate crisis, the attack has always been about an alternative industrial complex.

Approximately one year ago I was one member on a team of Arizona Legislators who held a public hearing in Page Arizona. One might say that Page is a small town in the middle of nowhere, with few employment opportunities that are not linked to Lake Powell tourism in some way. The purpose of the hearing was to assess the depth, and breadth of economic fallout that would surely occur if a land lease extension for the Navajo Generating Station (NGS) to 31 December 2019 was not negotiated and signed. Ultimately a short extension was agreed upon and signed by the Navajo Nation and Salt River Project (SRP), the prime operator of NGS.

During the hearing, we learned that the source of urgency was a move to shut down the NGS by 31 July 2017 that was already underway, but stoppable if a lease extension could be signed, within a 90-day time line. I was told by a number of my peers at the legislature that SRP was doing everything possible behind the scenes to shut down the hearing, the very hearing that was intended to rally support for keeping both the NGS and Kayenta Mine open. I never received direct confirmation from an SRP employee.

Prior to the April hearing in Page, and for briefing purposes, members of the hearing team received a private report that had been commissioned by SRP from the W. P. Carey School of Business at Arizona State University. It is the very same report that I have offered as an exhibit with my written remarks. The report communicated a bleak outlook for the City of Page, Coconino and Navajo Counties and even the State of Arizona. In 2012 Dollars the State Budget would recognize a nearly nine-billion-dollar net revenue loss if decommissioned early; in 2018 Dollars we project that loss to be over \$10 Billion over 10-years. That is a staggering loss to our State Budget when you consider that we must pinch pennies to fund education, infrastructure, welfare programs and the rest of state government responsibilities, because of the unequal footing compared to eastern states -land area control- that Arizona suffers through to this day.

The loss of approximately 800 well-paying jobs at NGS and the Kayenta Mine, that are both situated on Navajo Nation land, would have done more damage than just unemployment at those sites. For example, Banner Page Hospital's COE testified that the facility would have lost every one of their critical care nurses, because they are married to NGS employees. The employees would have had to move out of the area to find other employment. This of course, leads to the diminishment of the local Navajo population through disbursement, a condition that would work against their collective interests.

What has not made sense during the one year journey is that while SRP officials have communicated a message of open invitation to new operators to take over the NGS, and made due diligence data available for potential new owners of the NGS for inspection, and while SRP has expressed their interest in working with a new entity to make for orderly transfer of the NGS, at the same time leaders have been quoted as saying, things like, "It's closing," and "Absent a unicorn energy company dropping in,"<sup>1</sup> and, "efforts to keep the plant open are a "distraction" from SRP's efforts to work with the tribe on new economic opportunities once the plant and mine close,"<sup>2</sup> all in the same news article. It appears through the reassignment of key personal to other SRP locations and reports of increased deferred maintenance, that SRP has already begun a soft shutdown. At the very least, these actions show disingenuousness, and at their worst they point to bad faith. Promoting a sale while publicly trashing the prospects for operation do not appear to serve the interests of the junior stakeholders, including the American people, by way of the Bureau of Reclamation.

The simple truth is, baseload power fills the gaps that wind, and solar cannot. Battery technology has not yet matured enough to store sufficient electricity for use when the wind ain't blow'in and sun ain't shine'in. Baseload power keeps critical infrastructure operating when other sources cannot.

Since the NGS was authorized by Congress as a federally chartered utility station, and commissioned in 1974, it has been a stabilizing force in the northern Arizona economic fabric. With a construction cost of over \$600 million (nearly \$3 billion in 2018 dollars) the American taxpayers underwrote this 2,250 megawatt, baseload electric generation asset, which was a trade off to the construction of more hydroelectric generation dams on the Colorado River. A trade off that by the way, was endorsed by the Sierra Club as less damaging to the environment. In addition, NGS is the primary baseload power source for the Central Arizona Project, which moves Colorado River water around central and southern Arizona.

I have never heard of a case that involves the construction of such an expensive asset, that once in operation is targeted for demolition before it is paid off, and before the investors, in this case the American people, have received the fullest possible benefit from its operation. The proposed premature decommissioning and shutdown of NGS, nearly 26 years before its planned life cycle ending, is absurd. The reality of the situation is the natural resource that the Navajo and Hopi rely on for over 65% of their income will be stranded, and the rare earth elements in the area of the mine will be sequestered.

I ask you to consider the following issues:

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<sup>1</sup> Randazzo, R., (2018). Public comments from SRP leadership on progress of finding a new NGS operator, <https://www.azcentral.com/story/money/business/energy/2018/02/06/navajo-generating-station-plant-arizona-open/310809002/>

<sup>2</sup> ibid

*NGS Cannot be Shut Down Absent an Act of Congress.*

NGS was created by an act of Congress, and is owned in part (24.3%) by the United States Government through the Department of the Interior. This is due to its essential role in providing required electricity to the pumps which run the Central Arizona Project (“CAP”). CAP is a federal infrastructure project encompassing a 336-mile long system of aqueducts, tunnels, pumping plants and pipelines. CAP is designed to bring about 1.5 million acre-feet of water from the Colorado River to Central and Southern Arizona every year. More than 5 million people, or more than 80% of the state's population, live in Maricopa, Pima and Pinal counties, where CAP water is delivered. CAP is the largest single resource of renewable water supplies in Arizona. Its continued operation is absolutely essential to the future of Arizona, and the continued operation of NGS is essential to CAP. Congress recognized this when it authorized the creation of NGS through legislation creating and funding the project. This Congressional authorization has never been rescinded, absent which neither SRP nor the Executive Branch is able to unilaterally shut down the project, as is currently underway.

*The Obama Administration’s Plan to Shut Down NGS Was Based on a Faulty and Incomplete Analysis.*

The misguided plan to shut down NGS fails to take into consideration the fact that no alternative base load generating capacity exists. Removing such a large base load generating plant from the grid simply cannot take place without a substitute base-load in place. However, no such replacement base-load exists, and an unstable grid will inevitably be the result. An unstable grid, and the resulting widespread brown-outs and black-outs, is life-threatening in Arizona, home to a large population of senior citizens in a region that routinely experiences temperatures above one hundred degrees. The grid stability is increasingly critical with the growing use of electric vehicles, which are recharged primarily in the evenings when solar power is unavailable, and the increasing use of power hungry blockchain technology. This factor was not considered by the Sierra Club and the politicians that decided to shut down NGS. Moreover, no alternative power source for CAP exists, which means that not only will power for the citizens of Arizona be at risk, but water resources will be threatened as well. The Obama Administration’s Sierra Club supported War on Coal also failed to consider the use of available clean coal technology, which may allow the environmentally responsible use of coal as a fuel source for power generation. Finally, inadequate consideration was given to the devastatingly negative economic impact on the citizens of Arizona, and the members of the Hopi Tribe and Navajo Nation. With regard to the Hopi Tribe and Navajo Nation, terminating NGS will dramatically increase their dependence on the federal government, contrary to long-standing goals of the BIA. In short, the Obama’s Administration plan to shut down NGS was based on a faulty and incomplete analysis, and must be reconsidered.

*There are many unanswered questions.*

We respectfully ask that you consider the many questions that ought to be asked including:

- Higher than market coal purchase price, making NGS appear to be non-competitive when in fact it is not,
- Load to Capacity dark space, a lucrative black hole for hiding profitability,
- Inflated labor costs,
- Premature launch of a decommissioning plan, allegedly already underway,
- The economic impact to the Navajo nation, the Hopi Tribe, the State of Arizona and America,
- Why a public utility monopoly spends so much on advertising when the power cost curve could be bent downward,

In closing, I reiterate, it is the belief of myself and many of my colleagues in the Arizona Legislature that since an act of Congress commissioned NGS, only an act of Congress can authorize a premature decommissioning, prior to 31 December, 2044.

Keeping NGS operating in an environmentally responsible way has tremendous benefits in public safety (avoidance of brown-outs, black-outs, and resulting deaths that would occur if it is shut down), job creation, water resource management, and economic development stimulated by affordable baseload power. Please work with us to keep this essential element of Arizona's infrastructure operating.