



# United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240

NOV 06 2017

Mr. Ted Cooke  
General Manager  
Central Arizona Water Conservation District  
P.O. Box 43020  
Phoenix, Arizona 85080-3020

Dear Mr. Cooke:

The Department of the Interior sincerely appreciates and values the near-50 year long and mutually beneficial relationship we maintain with the Central Arizona Water Conservation District (CAWCD) not only related to the Central Arizona Project (CAP) and its delivery of 1.5 million acre-feet annually of water throughout central and southern Arizona to millions of residential, industrial, and agricultural users, including Tribes, but on many important Colorado River Basin-wide programs and initiatives.

The Department further appreciates CAWCD's support of the Navajo Generating Station (NGS) lease extension discussions with the Salt River Project (SRP), NGS's operating entity, on behalf of the NGS participants and the Navajo Nation. As you know, this lease extension would allow for the continued operations of NGS through 2019, and thus, avoid an abrupt shutdown as soon as the end of 2017.

The Department is deeply concerned about the economic state of those entities that currently benefit directly and indirectly from NGS, including Tribal Nations and millions of people and thousands of businesses in the State of Arizona. The lease extension delays dire economic consequences that would result from a NGS shutdown. Such a shutdown would result in a loss of nearly 1,000 direct jobs in Northern Arizona, over 90 percent of which are held by Native Americans, and a loss of approximately 20 percent of the Navajo Nation's and approximately 80 percent of the Hopi Tribe's general revenue. Additionally, an NGS shutdown would result in a loss of approximately 2,000 indirect jobs. NGS operations also currently represent a large block of reliable, baseload power in the region, and the Department of Energy is assessing the potential effect of an NGS closure on grid stability and energy reliability, two matters that are important to the regional economy and the Department.

NGS has been a reliable, cost effective, well operated and maintained power generation facility historically providing approximately 90 percent of the power and energy needs of the CAP as well as tens of millions of dollars in surplus power revenues to assist CAWCD in its CAP repayment obligations.

Given the current owners stated intentions of divesting their power generation interest post-2019, we understand that CAWCD is preparing a request for proposal (RFP) to solicit sources for CAP power and energy needs post-2019.

As you are also aware, Peabody Energy has hired Lazard to seek new owners for NGS. The Department has facilitated many conversations among individual entities, including northern, central, and southern Arizona Tribes, the current owners, other federal agencies, and state and local governments. We thank you for your participation and input in this process. We understand that activities related to this effort have yielded potential financial savings and efficiency gains that could be part of an economically viable pathway forward for NGS producing cost-effective and market-competitive power.

As CAWCD considers its future power needs, the Department requests that it seriously and fully consider NGS as being its primary source of baseload power for the CAP.

The Department is committed to protecting the interests of current NGS beneficiaries and CAP water users, including Arizona Tribes, and stands ready to continue our efforts to find manners in which to continue NGS operations post-2019 and encourages CAWCD to be a part of this effort.

I would like to set up a meeting in the very near future to speak with you and others at CAWCD, at your discretion, regarding this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Travnicek', with a long horizontal flourish extending to the right.

Andrea Travnicek, Ph.D.  
Acting Assistant Secretary for Water  
and Science