

Navajo Generating Station BART Proposal

Grant Smedley
Manager, Environmental Policy & Innovation
Salt River Project

October 31, 2013

WESTCAS Meeting

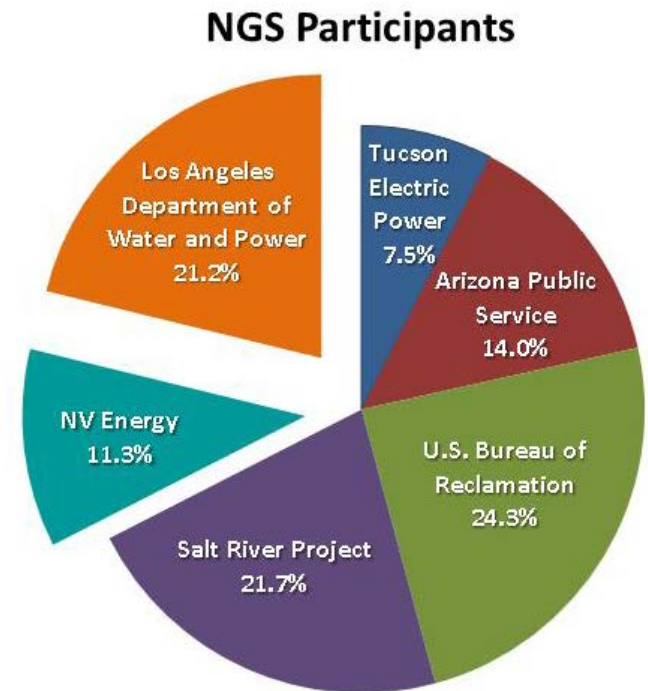
Navajo Generating Station (NGS)

- ❑ 3 coal-fired units, 2250 MW
- ❑ Located on Navajo Nation
- ❑ Six participants, operated by SRP
- ❑ 520 employees, 85% Navajo
- ❑ Provides over 90% of power for Central Arizona Project (CAP)
- ❑ Funds Indian water rights settlements for Central AZ Tribes



Challenges Facing NGS

- ❑ Lease with Navajo Nation must be extended beyond 2019
- ❑ Coal supply agreement must be extended beyond 2019
- ❑ Future ownership uncertain
- ❑ Costly additional emission controls will be required

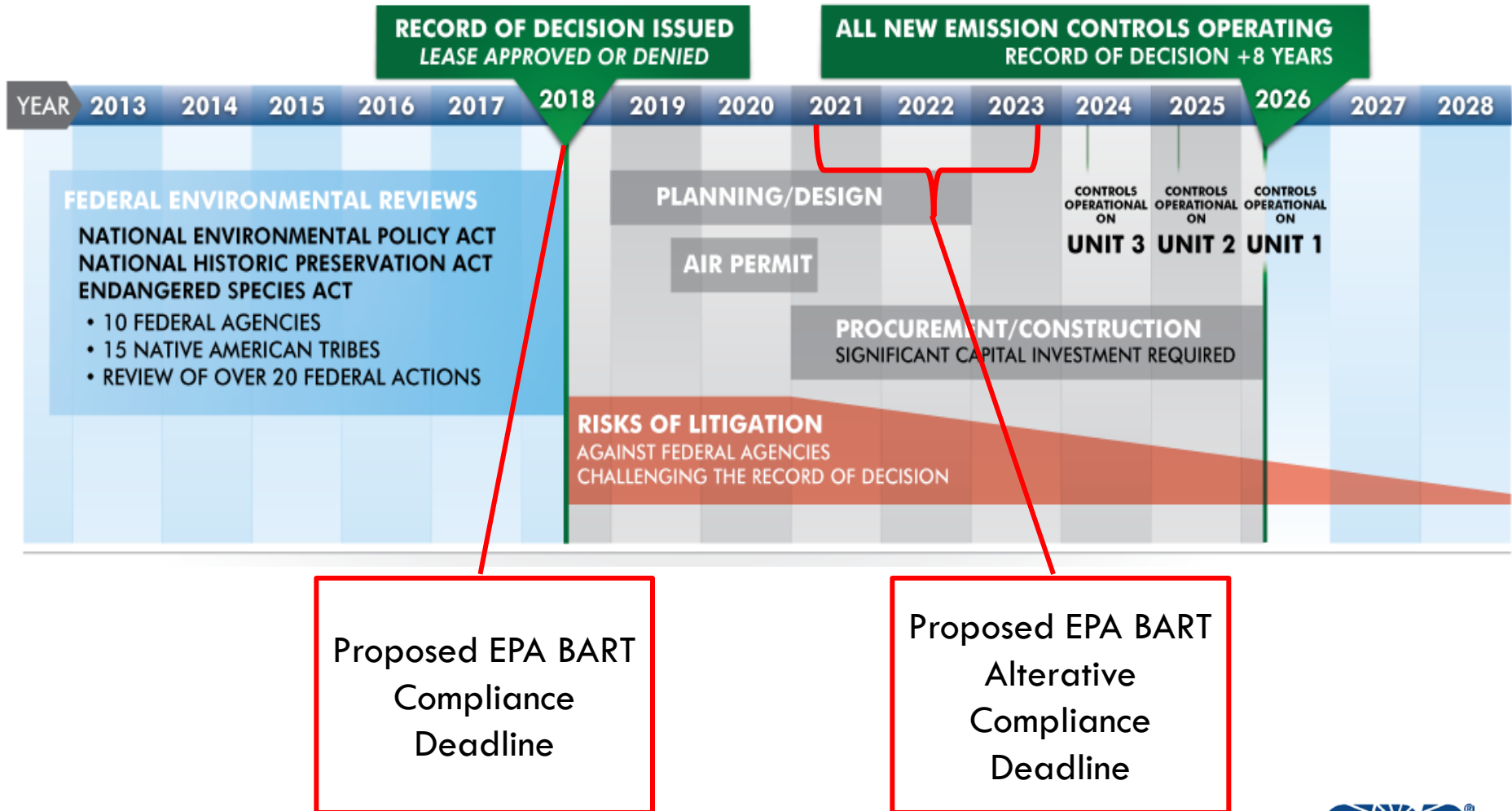


EPA's Emission Control Proposal

- In February, EPA issued a proposed rule for NGS
- Identifies Best Available Retrofit Technology (BART)
 - ▣ BART = Selective Catalytic Reduction (SCR) in 2018
 - ▣ BART Alternative = SCRs in 2021-2023
- Potential Cost = \$544 million - \$1.1 billion
- EPA also invited submittal of other BART Alternatives



Timing Constraints



Technical Work Group (TWG)

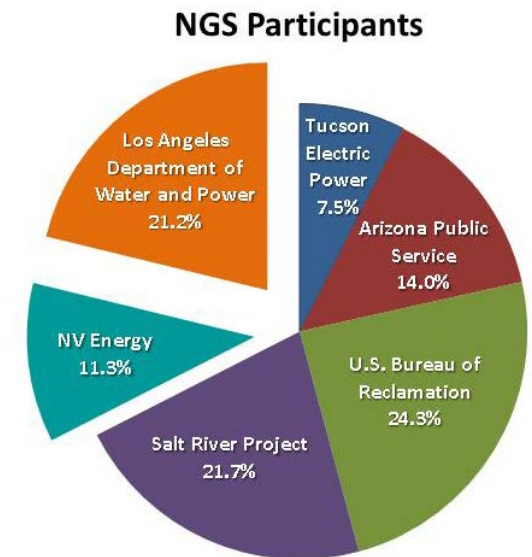
- Central Arizona Project (CAP)
- Environmental Defense Fund (EDF)
- Gila River Indian Community (GRIC)
- Navajo Nation (NN)
- SRP/ NGS Owners
- U.S. Department of Interior (DOI)
- Western Resource Advocates (WRA)



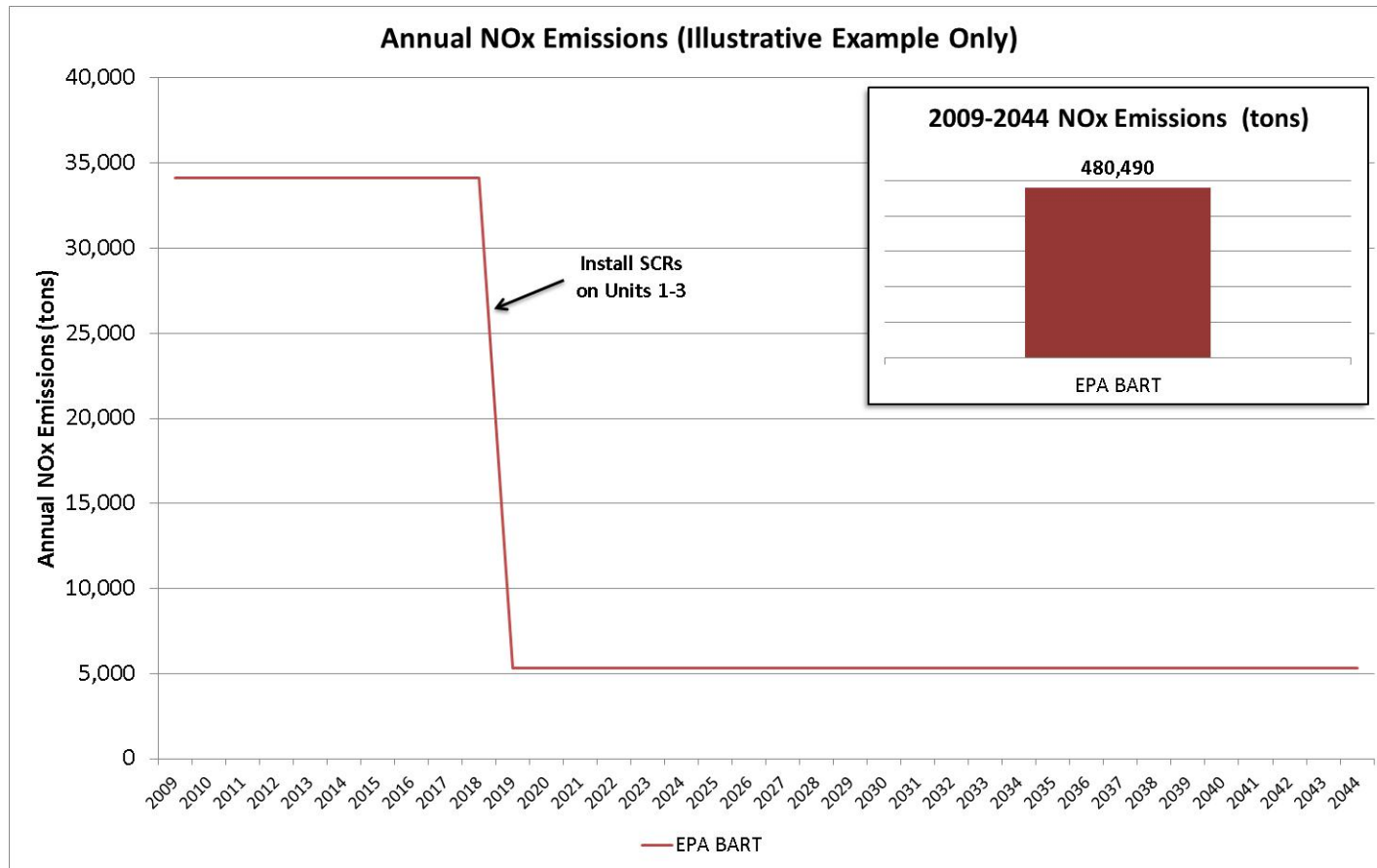
TWGW BART Proposal

- Alternative A (if certain ownership changes occur)
 - Shut down one unit or reduce generation by 2020
 - SCR or equivalent on two units by 2030

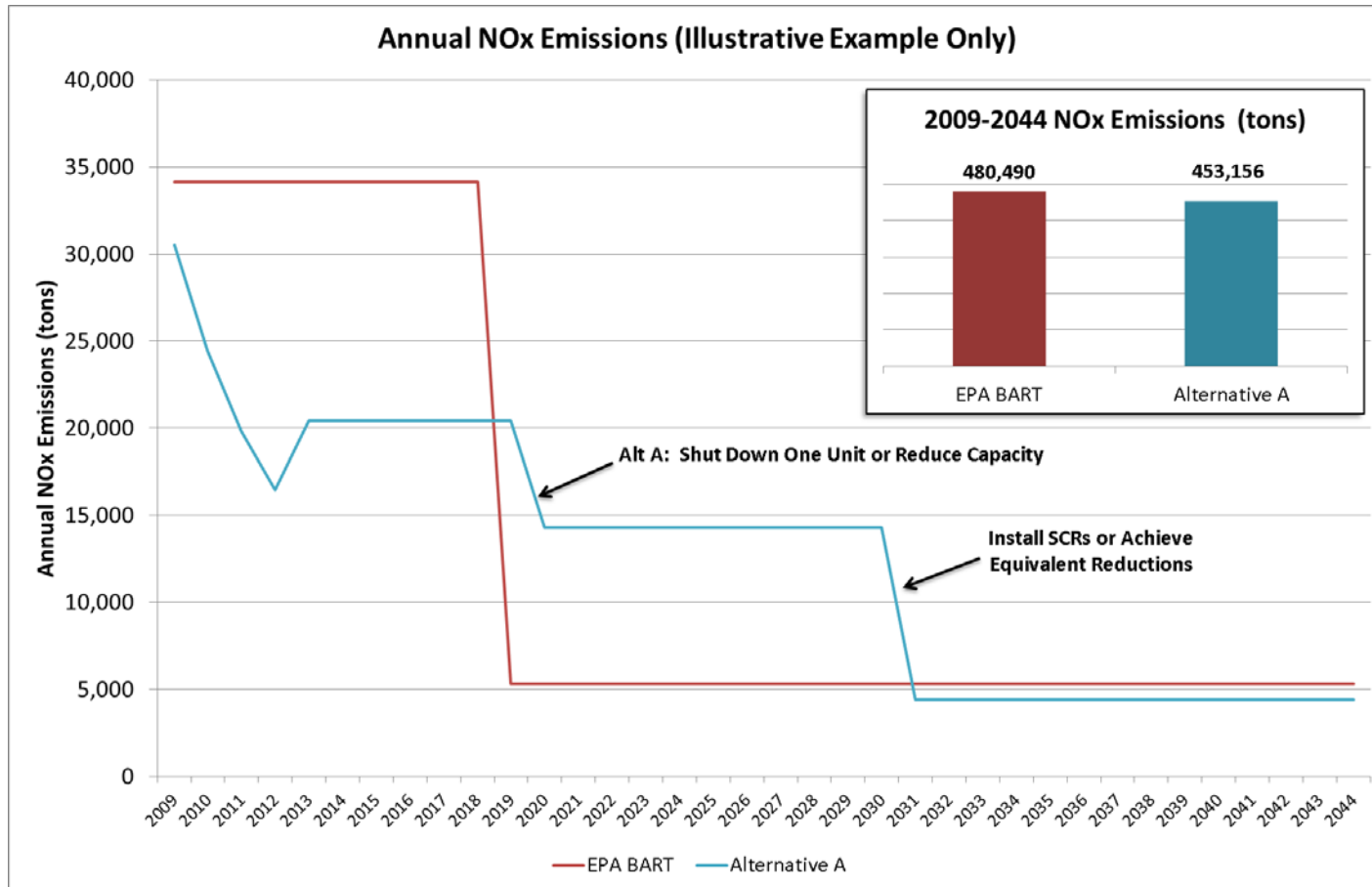
- Alternative B (all other circumstances)
 - NO_x reductions equivalent to shutdown of one unit from 2020 to 2030
 - Submit annual plans with potential future operating scenarios beginning in 2020



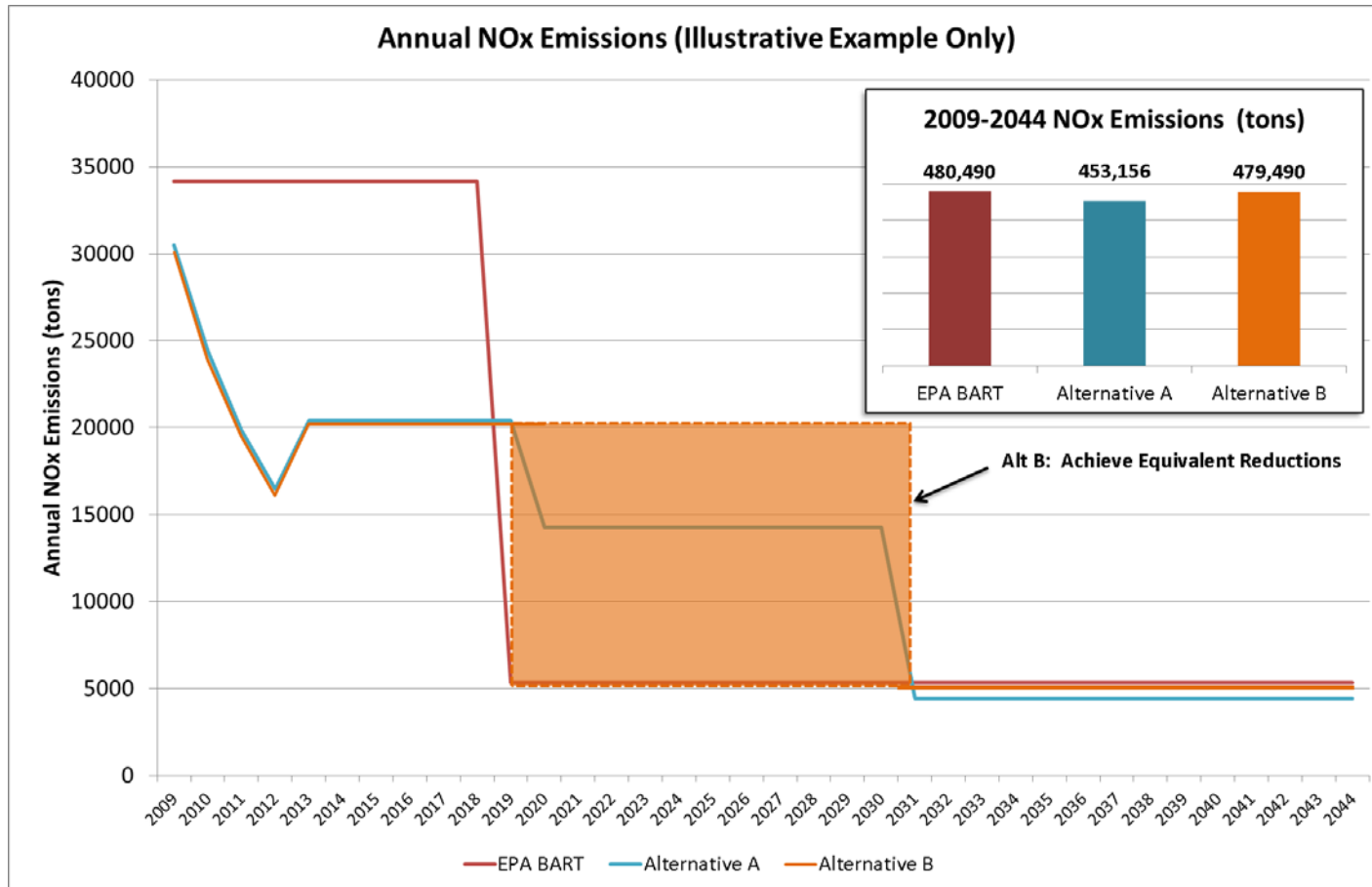
Illustrative Example – EPA BART



Illustrative Example – Alternative A



Illustrative Example – Alternative B



Value of TWG Alternative

- Best way to ensure continued operation of NGS
- Provides time to resolve outstanding uncertainties
- Maintains Arizona utility interests in NGS
- Defers significant cost of additional controls
- Provides assurance of support from TWG

EPA Supplemental Proposal

- In September, EPA issued a Supplemental Proposal that adopts, in large part, the TWG Alternative
- EPA is requesting comments on the following:
 - Proposed BART determination (installation of three SCRs by 2018)
 - EPA BART Alternative (installation of three SCRs in 2021, 2022 and 2023)
 - TWG BART Alternative
- Comment deadline is January 6, 2014

Public Hearings

- EPA has scheduled five public hearings
- Hearings are scheduled for week of November 12th
- Dates, times and locations are listed on SRP's website (NGSPower.com)



Questions?

Grant Smedley
(602) 236-2928
grant.smedley@srpnet.com

Visit www.NGSPower.com