

Potential Tribal Socioeconomic Impacts of the No Action Alternative

(Approximate annual values from the NGS-KMC draft EIS unless otherwise noted)

1. Jobs across northern Arizona
 - a. 3,000 permanent jobs lost
 - i. 1,000 direct (90% tribal)
 - ii. 2,000 indirect (majority tribal)
 - b. Regional labor income reduced \$260M
2. Navajo and Hopi
 - a. Between \$58.5M (currently) and \$101.5M (under new lease) in lost revenue from NGS and PWCC lease, royalty, bonus and water payments
 - b. General fund reductions between 18 to 80 percent
 - i. Navajo: -18% currently (\$42.5M); -37% under new lease (\$85.5M)
 - ii. Hopi: -80% (\$16M)
3. CAP-affected Tribes (information from CAWCD)
 - a. CAP annual water delivery is ~1.5 MAF (39% M&I; 35% tribal; 26% recharge)
 - b. All users pay energy portion of the CAP water delivery rate
 - i. Energy rate currently \$76/AF; projected up to \$114/AF in 2022 (assumes NGS operating)
 - c. Without NGS:
 - i. Energy rate for all CAP users (including M&I) varies depending on energy costs
 - ii. Wholesale energy costs will likely be driven primarily by natural gas pricing
 1. Natural gas prices are projected to remain relatively low and stable through 2040 (EIA Annual Energy Outlook 2017)
 2. Projected wholesale energy costs through 2040 are consistently below NGS cost projections (NREL Report dated November 2016)
 - iii. Current wholesale energy cost projections would likely reduce the energy rate for all CAP users
 1. If natural gas prices exceed current projections, and CAP energy rate increases were necessary, M&I users would see first increase followed by Tribal users
4. Overall impact on the Development Fund
 - a. CAP repayment obligation is approximately \$55M in 2017
 - b. Without NGS:
 - i. Development Fund annual revenues not impacted; will remain \$55M deposited by CAWCD
 - ii. Any NGS annual revenues from surplus power sales provide repayment assistance for CAWCD, which reduces annual M&I capital charges and taxes
 - iii. Without repayment assistance, the capital repayment portion of the CAP water delivery rate would be expected to increase, but could be offset by reductions in the energy rate (see bullet 3.c.iii)