

Kristin Darr, DOI Facilitator, emailed group leads on March 14, 2017 requesting status updates as follows:

- Please indicate the parties that are working together on this item, with individual names and the organizations they represent
- Please indicate your schedule of interactions (e.g., meetings, conference calls, etc.) with this group leading up to the next meeting (scheduled for April 12) and any to-do list that you have developed for this task
- If possible, please provide a high-level overview of the information you plan to present at the April 12 meeting, and which media you are planning to use for your presentation (e.g., PowerPoint, handouts, etc.)
- Please let me know if you would like any assistance from me—the DOI has made me available as facilitator for this process. I can help schedule, facilitate and/or document meetings, develop presentation materials, etc.

## **SUBGROUP STATUS REPORTS**

### **SUBGROUP TO EXPLORE POTENTIAL NEW OWNERS/OPERATORS**

Explore potential options for potential new owners/operators. The current Co-Tenants (SRP, TEP, APS and NVE) do not currently intend to operate the plant following the end of the current lease (December 22, 2019). This Follow-up Item is to explore if there is/are any party/parties that might own/operate starting on December 23, 2019. The Current Co-Tenants have explored this in the past, without success. Peabody Energy/Lazard (lead) in coordination with Navajo Nation Task Force, SRP, and Reclamation.

#### ***Status:***

Kristin emailed Mr. Forkin and Mr. Bilicic on Tuesday, March 14 and received no reply.

### **SUBGROUP TO EXPLORE POTENTIAL FUEL COST REDUCTIONS**

Peabody Energy (lead) in coordination with Hopi Tribe, Navajo Nation, and Reclamation.

#### ***Status:***

Per Chris Walker (Peabody):

While Peabody continues to work and communicate closely with the tribes and Reclamation across the work streams, we believe reducing the cost of fuel rests on Peabody's shoulders. Our initial firm 2025 pricing proposal to the NGS participants substantially reduced fuel costs and uncertainty, however, was based on preliminary

mine plans and assumptions given the urgency of the request from SRP. We are aggressively working internally on a complete set of refined mine plans to deliver the quality, volume and pricing that will support the competitiveness of NGS in the southwest power market. We continue to take measures to optimize costs prior to and beyond 2025. Peabody will present our most current view of fuel costs at the April 12 meeting.

#### **SUBGROUP TO EXPLORE POTENTIAL NON-FUEL COST REDUCTIONS**

Peabody Energy/Navigant (lead) in coordination with SRP, Navajo Nation, and Reclamation

##### ***Status:***

Per Dale Probasco (Navigant):

Navigant has a large database of cost and performance information on operating coal plants in North American and other international plants. This database provides us significant insights into what the level of Non-Fuel Operations and Maintenance (NFOM) costs are for plants similar to NGS. The database also has operating performance information for these plants in terms of availability, outages (forced and planned) and a cadre of other performance metrics.

Combined these metrics will provide significant insights into how well plants similar to NGS can operate.

Having said that to complete the comparison to NGS we will need to gather similar data from NGS regarding their cost and performance data as well as other general information about NGS. I have attached a list of information we would look to receive regarding NGS. This will help close the loop on these comparisons. Additionally, Navigant is continuously engaged in his type of benchmarking and plant assessment work and have consultants with deep experience in plant operations.

As you know we are working for Peabody now on this very item. The people actually involved in this effort include myself and Mr. Bob Ruhlman from Navigant. Bob works in my group (Global Generation Services)

By the end of this week we will have gathered the cost and performance data for plants similar to NGS. Once we receive the data regarding NGS it will take us approximately 3 days to complete the initial comparison after which there will likely be some additional questions for clarification to ensure we have an honest and accurate comparison.

For the April 12<sup>th</sup> meeting we would expect to have available the following cost/performance metrics for comparison

- NFOM (\$/kw and \$/MWh)
- Operations costs (\$/kw and \$/MWh)
- Maintenance costs (\$/kw and \$/MWh)
- Key performance indicators for plant availability, forced and planned outages, plant usage levels (capacity factors)
- Expected staffing levels (Recognize that typically 65 – 70% of NFOM costs are related to staffing levels)

Any assistance in gathering the data requested in the attached document would be very helpful for us in conducting our work. Obviously the sooner we receive that information the better.

#### **SUBGROUP TO PURSUE POTENTIAL NEW CUSTOMERS/LOAD**

Explore potential customers post-2019. Would existing owners be potential customers? Where/to whom can power/energy be sold if generated? Arizona Corporation Commission (lead) in coordination with Navajo Nation Task Force.

#### ***Status:***

##### Subgroup Members:

- Matt Gress, ACC
- Erin Ford Faulhaber, ACC
- Dave Hutchins, TEP
- Jo Smith, TEP
- Jeff Guldner, APS
- Greg Bernosky, APS
- Robert Taylor, SRP
- George Bilicic, Lazard
- Robert Joe, Navajo Nation
- Bryan Galli, Peabody Energy

*March 9* -- First conference call among TEP, APS, and ACC to discuss other participants to invite into this discussion and also what topics to research. A recap email was sent to participants that included action items (included below).

*March 10* – Matt Gress sent email to current participants as well as SRP, the Navajo Nation Working Group, Peabody representatives and George Bilicic that solicits a time for a conference call the *week of March 20th* to discuss the PowerPoint slides.

Conference Call conducted March 23, 2017. PowerPoint slides attached from March 23 call highlight:

- Overview of NGS transmission availability in the region to consider for potential customers;
- A Q-3 operating profile for NGS and how such an operations strategy affects owners/operators, customers, coal production, etc.; and
- A discussion of how decisions at NGS can affect other baseload plants as well.

Conference call recap attached.

*Week of March 27* – Available time to revise presentation

*March 31* – Matt Gress will resend revised presentation (if necessary) for further feedback

***April 7*** – **Finalize presentation and send to DOI.** The group plans plan to use PowerPoint presentation and provide handouts of the slides at the meeting.

#### **SUBGROUP TO IDENTIFY STRATEGY TO MINIMIZE SOCIOECONOMIC IMPACTS OF A POTENTIAL CLOSURE**

DOI will coordinate with Navajo Nation, Hopi Tribe, GRIC, Tohono O’odham Nation, Navajo County, Coconino County, SRP, and Reclamation

##### ***Status:***

Kristin emailed Mr. Keel on Tuesday, March 14 and received no reply.

#### **SUBGROUP TO IDENTIFY ECONOMIC IMPACTS TO CENTRAL ARIZONA PROJECT (CAP) TRIBES**

GRIC (lead), Reclamation, and CAWCD.

##### ***Status:***

Kristin emailed Governor Lewis on Tuesday, March 14 and received no reply.