

FINDING OF NO SIGNIFICANT IMPACT NAVAJO GENERATING STATION EXTENSION LEASE

Decision to Approve Extension Lease Consisting of:

Extension Lease Between the Navajo Nation and Salt River Project Agricultural Improvement and Power District, Arizona Public Service Company, Tucson Electric Power Company, Nevada Power Company d/b/a NV Energy, and Department of Water and Power of City of Los Angeles

Amendment No. 1 to Existing Lease – Indenture of Lease Navajo Units 1, 2, and 3 Between the Navajo Tribe of Indians and the Arizona Public Service Company, Department of Water and Power of the City of Los Angeles, Nevada Power Company, Salt River Project Agricultural Improvement and Power District, and Tucson Gas and Electric Company (December 23, 1969)

Restrictive Covenant (Solid Waste Landfill and Pond Solids Restriction) Between the Navajo Nation and the Salt River Project Agricultural Improvement and Power District and the Salt River Improvement and Power District, Arizona Public Service Company, Tucson Electric Power Company, Nevada Power Company d/b/a NV Energy, and Department of Water and Power of City of Los Angeles

Restrictive Covenant (Ash Landfill Restriction) Between the Navajo Nation and the Salt River Project Agricultural Improvement and Power District, Arizona Public Service Company, Tucson Electric Power Company, Nevada Power Company d/b/d NV Energy, and Department of Water and Power of City of Los Angeles

Co-Lead Agencies:

Bureau of Reclamation
Bureau of Indian Affairs

Cooperating Agencies:

Gila River Indian Community
Hopi Tribe
Navajo Nation
Pueblo of Zuni
Tohono O'odham Nation

Applicants:

Salt River Project Agricultural Improvement and Power District
Arizona Public Service Company
Tucson Electric Power Company
Nevada Power Company d/b/d NV Energy
Department of Water and Power of City of Los Angeles

**FINDING OF NO SIGNIFICANT IMPACT
ENVIRONMENTAL ASSESSMENT EA-17-19708
NAVAJO GENERATION STATION EXTENSION LEASE PROJECT**

Salt River Project Agricultural Improvement and Power District (SRP), Arizona Public Service (APS), Los Angeles District Water & Power (LADWP), Nevada Power Company d/b/a NV Energy, Tucson Electric Power Company (TEP), and U.S. Department of Interior Bureau of Reclamation (BOR)

Location: LeChee Chapter, Coconino County, Arizona

The Department of the Interior’s Bureau of Reclamation – Lower Colorado Region (Reclamation) and Bureau of Indian Affairs – Navajo Region (BIA) have prepared an Environmental Assessment (EA), which describes potential environmental impacts resulting from federal actions that would approve a new lease for the Navajo Generating Station and associated facilities (NGS). The new lease and its interrelated agreements are known as the Extension Lease.¹ The Extension Lease and grants of right-of-way (ROW) and easements pursuant to 25 U.S.C. Section 323 (§ 323 Grants) would enable the NGS to operate until December 22, 2019, after which no coal combustion would occur, and retirement of the NGS would commence. The Extension Lease also would allow the portions of the Southern Transmission System and its associated communication sites (STS) and portions of the Western Transmission System (WTS) that are located on Navajo Nation Tribal Trust Lands to continue to be operated and maintained through 2054 in the same manner that they have been since they were constructed in the 1970s, with an option to decommission by 2056 or extend through 2089 including decommissioning.

Reclamation and BIA were co-leads in the preparation of the EA, which evaluated the potential environmental effects of the Proposed Action and the No Action alternative. It was prepared in compliance with the requirements of the National Environmental Policy Act of 1969, as amended (NEPA) (Public Law 91-190), Council on Environmental Quality (CEQ) regulations for implementing NEPA (40 Code of Federal Regulations [CFR] Parts 1500-1508), and DOI regulations implementing NEPA (43 CFR Part 46). This FONSI applies only to the BIA as it relates to the NGS Extension Lease.

BIA has complied with Executive Order 131756, Consultation and Coordination with Indian Tribal Governments (November 6, 2000); Section 7 of the Endangered Species Act, 16 USC 1536; and Section 106 of the National Historic Preservation Act (NHPA), 54 USC 306108; by completing its consultations with tribal governments, the U.S. Fish and Wildlife Service (USFWS), and government agencies.

The EA is incorporated by reference into this FONSI. Five tribes—the Gila River Indian Community, Hopi Tribe, Navajo Nation, Pueblo of Zuni, and Tohono O’Odham Nation—were cooperating agencies in the EA process.

¹ “Extension Lease” refers to a set of interrelated agreements: Extension Lease, Memorandum of Extension Lease (action by Reclamation only), Amendment No. 1 to Existing Lease, and two Restrictive Covenants. These agreements are described in Section 2.3.1 of the EA.

Background

The NGS is a three-unit, 2,250-megawatt (MW) coal-fired power plant located on tribal trust lands leased from the Nation about 5 miles east of Page, Arizona. The NGS is operated pursuant to a 1969 “Navajo Project Indenture of Lease” (Existing Lease). The Existing Lease terminates on December 22, 2019, and requires the retirement of most NGS facilities within 1 year (i.e., by December 22, 2020).

In February 2017, SRP, the operator of the NGS, and the other NGS non-federal Participants (Lessees) announced they no longer intend to operate the NGS after the Existing Lease expires. Planned closure of the NGS is primarily the result of lower-cost energy sources, such as natural gas, which have made the coal-fired NGS plant less economically viable in recent years (SRP 2017).

NGS retirement involves many activities.² While the Existing Lease provided for a 1-year retirement period when executed in 1969, SRP has determined that current requirements for retirement would take a minimum of 2 to 3 years to complete the major retirement activities, followed by additional time for long-term monitoring and remediation. To enable NGS operations to continue until December 2019 and retirement to begin in 2020, the Nation and SRP (on behalf of the NGS Lessees) have agreed to the Extension Lease. Without the Extension Lease, the NGS would cease operations by the end of December 2017 so that retirement could be completed by the end of 2019 or in 2020.

The EA considered two alternatives:

- The No Action alternative, under which retirement of the NGS would be completed no later than December 22, 2020. The plant would be shut down no later than December 2017 to allow sufficient time for SRP to complete retirement activities for the plant, related facilities, and ash landfill. A separate agreement would need to be negotiated between the Nation and the NGS Lessees for access to certain areas in order to conduct long-term monitoring and remediation activities that must be carried out for a minimum period of 30 years once the coal combustion residue (CCR) landfill has been closed and notice of the closure has been submitted to the U.S. Environmental Protection Agency (EPA). Another separate agreement would need to be negotiated to continue operating the portions of the STS and WTS that are located on Navajo Tribal Trust Lands. Without an agreement, the portions of the STS and WTS located on Navajo Tribal Trust Lands would be decommissioned and retired, and the land reclaimed and restored.
- The Proposed Action, under which retirement of the NGS would occur after December 22, 2019. Following cessation of operations on December 22, 2019, most NGS facilities would be retired and the area restored within 5 years (specific facilities selected for retention by the Nation would remain). Long-term monitoring and remediation would occur for up to 35 years, until the end of 2054. The Proposed Action also would enable portions of the STS and WTS that are located on Navajo Tribal Trust Lands to continue

² NGS “retirement” refers to all work that would occur on the NGS to remove facilities and restore the land, including decommissioning, dismantling, removal, reclamation, restoration, and monitoring and remediation where applicable.

operating (in conjunction with the remainder of the NGS Transmission System off tribal trust lands) for 35 years, through the end of 2054, with one automatic option to renew for 2 years (for retirement), or another 35 years of operation and subsequent retirement. The terms of the Extension Lease also provide the Nation with an option to use up to 500 MW of the United States' capacity on the NGS Transmission System. To become effective, the Proposed Action requires BIA's approval of the Extension Lease (except for the Memorandum of Extension Lease) and issuance of § 323 Grants for the Navajo Tribal Trust Lands under the Extension Lease. The Proposed Action also requires Reclamation to provide its consent for SRP to execute the Lease for the United States' share of NGS capacity that SRP holds, by contract, for the use and benefit of the United States.

The Proposed Action does not require a federal action related to the Kayenta Mine (KM); however, because the NGS is the sole customer of the KM, selection of the Proposed Action or the No Action alternative would affect when KM mining operations cease. Under either alternative, the KM is anticipated to operate under its existing Surface Mining Control and Reclamation Act permit to mine and supply the coal required for NGS generation until it is no longer needed.

The EA provides a description of the existing conditions of resource areas that could be affected and potential impacts that are anticipated as result from the Extension Lease, when compared to the No Action alternative. The BIA's deliberation as to whether a Finding of No Significant Impact (FONSI) is appropriate, or, whether an Environmental Impact Statement (EIS) should be prepared, took into consideration, the following issues, which are addressed in the environmental assessment (EA).

Beneficial and adverse environmental impacts

Here is a summary of effects based on the EA. The approval of the Extension Lease will not result in adverse environmental impacts. In addition, there will be no cumulative significant impacts under the Proposed Action, when compared to the No Action Alternative.

Resource	EA Section	Overall Effects	
		Short-Term	Long-Term
Air Quality	3.3	Negligible to minor adverse	Minor beneficial
Climate and Climate Change	3.4	Negligible	Negligible
Geological, Mineral, and Paleontological Resources	3.5	Negligible	Negligible
Soils	3.6	Negligible to minor adverse	Minor beneficial
Solid and Hazardous Waste	3.7	Minor adverse	Negligible
Water Resources	3.8	Minor adverse	Minor beneficial
Special Status Species	3.9	Negligible to minor adverse	Negligible
Fish and Wildlife	3.10	Negligible to minor adverse	Negligible to minor beneficial
Vegetation	3.11	Negligible to minor adverse	Negligible to minor beneficial
Land Use and Recreation	3.12	Minor adverse	Minor adverse and beneficial

Resource	EA Section	Overall Effects	
		Short-Term	Long-Term
Public Health and Safety	3.13	Negligible to moderate adverse; minor beneficial	Minor to moderate adverse and beneficial
Cultural Resources	3.14	Minor adverse	Minor to moderate beneficial
Socioeconomics & Environmental Justice	3.15	Moderate adverse and beneficial	Moderate adverse and beneficial
Indian Trust Assets	3.16	Minor to moderate adverse and beneficial	Minor to moderate adverse and beneficial

Public Health and Safety

The Proposed Action will not result in any significant adverse effects on public health or safety. Under the Proposed Action, the NGS will operate until December 22, 2019. The 2 years of operation will provide continued employment, income, and revenues to local residents. The economic benefits associated with continued employment are expected to lead to continued access to health services, better nutrition, and better overall well-being. The continued tribal revenues will support tribal social programs that promote overall community health.

The Proposed Action will result in continuation of the existing emissions and resultant impacts for 2 additional years. The Human Health Risk Assessment (HHRA) results indicate that negligible impact on human health will occur in the vicinity of the NGS during these additional years of operation. Similarly, the human health impacts from KM operations also will be negligible. A possible exception could be the potential impacts on sensitive subpopulations with existing conditions that could be exacerbated by slight increases in emissions of particulate matter with an aerodynamic diameter of 2.5 microns or less (PM_{2.5}). Adverse impacts associated with continued operations at maximum capacity could increase the current 24-hour and annual PM_{2.5} concentrations; however, the maximum cumulative impact on 24-hour and annual PM_{2.5} concentrations will still meet the National Ambient Air Quality Standards (NAAQS) criteria protecting human health.

Under the Proposed Action, 2 additional years of NGS operations will result in a short-term additional risk of an accident or event that could result in risk of exposure to sensitive receptors or the public; this additional risk is not considered to be significant. The NGS must comply with regulations and public safety procedures; this will result in a low likelihood of accidents or risk exposures occurring, and a low magnitude of consequence. The effects on public health will be negligible and short-term.

Noise from the NGS operations will not change from current levels. There are no sensitive receptors within 0.5 mile of the NGS or 200 feet of the Black Mesa and Lake Powell (BM&LP) Railroad. At these distances, sound levels will not approach levels that are associated with hearing impairment at these sensitive receptors, and no adverse noise impacts are anticipated to occur during these 2 additional years of NGS operation. Similarly, noise and vibrations associated with current mining operations will not change over the 2-year period of additional mining activities. Noise reduction measures that are currently implemented will continue to be followed during the 2 or less years of additional operations. Noise and vibration levels from blasting will typically remain within standards established in 30 CFR 816.67, related to use of explosives and control of adverse effects. Based on the relatively short duration (2 additional

years), the overall health and safety impacts from both the NGS and KM operations will be adverse, but not at significant levels. The nearest noise-sensitive receptors to the NGS are four scattered residences approximately 1 to 2 miles to the southeast near Arizona Highway 98; no noise impacts from blasting during retirement activities are anticipated to affect sensitive receptors.

Adverse air quality and health risk impacts during retirement activities will be localized and limited to the period in which retirement activities occur. Furthermore, best management practices for dust control will be adopted to minimize emissions, protect air quality, and reduce health risk impacts. Retirement of the NGS will eventually eliminate emissions of PM and chemicals of potential concern from the facility and vicinity. The long-term ambient air quality will improve.

Transport of hazardous materials will follow federal and state regulations. There will be no change to transportation incident risks involving hazardous materials; however, the risk will continue for an additional 2 years or less during NGS and KM operations. Transportation of hazardous materials during retirement activities will be the same as under the No Action alternative but will occur over 5 years instead of 3 years for NGS retirement activities. Hazardous materials and solid waste impacts due to retirement will, in the long term, be negligible, because removal and cleanup of potential contaminants and restrictions on future use of the NGS sites and landfill areas will contribute to overall restoration of the site and reduce the risk of exposure of hazardous materials to sensitive receptors in the future. This is not considered to be a significant adverse effect.

Maintenance activities for the STS and WTS on Navajo Tribal Trust Lands will result in exhaust emissions and fugitive dust emissions from vehicular traffic on unpaved roads. Similar impacts will occur as a result of ultimate retirement of the STS and WTS. Air pollutant emissions from these activities will be infrequent, of short duration, and localized, and are not considered to be significant.

Unique Characteristics of the Geographic Area:

Implementing the Proposed Action is not anticipated to result in direct adverse impacts on unique characteristics of the geographic area such as proximity to historic or cultural resources, park lands, prime farmlands, wetlands, wild and scenic rivers, or ecologically critical areas. The degree to which the Proposed Action will impact historic or cultural resources is described below under Consideration (8). Any changes in wetland or riparian vegetation from increases in storage volume at Lake Powell will be negligible. No prime farmlands, wild and scenic rivers, or ecologically critical areas are in the vicinity of the project area. Upon removal of NGS facilities, any NGS-related contribution to the impairment of the viewsheds of Glen Canyon National Recreation Area and Antelope Canyon Tribal Park will cease; however, implementation of the Proposed Action will delay NGS retirement by 2 years. This is not considered to be a significant impact.

Degree to which the effects on the quality of the human environment are likely to be highly controversial:

The effects on the quality of the human environment are not likely to be highly controversial, as defined in 43 CFR § 46.30.³ The public health analysis follows National Research Council and the North American Health Impact Assessment Practice Standards Working Group guidelines for assessing public health impacts of potential projects. The human health risk assessments summarized in the EA were conducted in accordance with standard EPA risk assessment methodology (Section 3.13). Air quality analyses utilized publicly available data used for regulatory reporting purposes, and follow EPA methodologies (Section 3.3). None of the methods or tools used in the evaluation of potential effects are scientifically controversial.

Degree to which the effects are highly uncertain or involve unique or unknown risks:

Highly uncertain, unique, or unknown risks affecting the human environment are not anticipated to occur as a result of this Proposed Action. Both the NGS and KM have operated for 40 or more years; these operations will not change over the next 2 years. The Retirement Guidelines and subsequent Retirement Plan, which will dictate how retirement is to be accomplished, will ensure compliance with all federal regulations and industry standards regarding safety and material handling procedures.

Degree to which this action will establish a precedent for future action with significant effects:

The Proposed Action will not establish a precedent for future actions and will not represent a decision in principle about a future consideration. While the EA indicates efforts are underway to secure new owners to operate the NGS after December 2019, it specifically states the decisions being analyzed in the EA will not authorize coal-fired generation at the NGS after December 2019 (Section 1.3). Any proposal to operate the NGS post-2019 will require compliance with NEPA and other related environmental regulations.

Relationship to other actions with cumulatively significant impacts:

Cumulatively significant impacts are not anticipated to occur as a result of the Proposed Action. Cumulative impacts include past and present actions that have occurred or are ongoing in the analysis area, as well as reasonably foreseeable future actions. The past, present, and reasonably future actions that were considered in the EA are briefly described in Section 3.2. No adverse or beneficial impacts from the Proposed Action are considered to be significant, when added to past, present, and reasonably foreseeable future actions. Cumulative impacts on special status species will be minor. N-Aquifer water will be used for an additional 2 years for mining operations, and then at a reduced rate until 2035 for mine reclamation and restoration purposes. Water levels are expected to rebound due to reduced and then eliminated pumping; however, this rebound is anticipated to be offset by increased Navajo and Hopi community pumping. NGS and KM operations for an additional 2 years and shutdown thereafter will not result in a significant addition or elimination of greenhouse gas emissions statewide, nationally, or globally.

³ *Controversial* refers to circumstances where a substantial dispute exists as to the environmental consequences of the proposed action and does not refer to the existence of opposition to a proposed action, the effect of which is relatively undisputed (43 CFR § 46.30).

Degree to which the action may affect districts, sites, objects, or structures listed on, or eligible for, the National Register of Historic Places, or may cause loss of significant cultural resources:

The Class I Inventory for the NGS indicates that the location of past survey and the locations of previously documented cultural resources within the NGS remain essentially unknown and recommends resurvey of areas of the NGS not previously disturbed and potentially affected by new ground-disturbing activity. NGS retirement actions will be implemented per the Retirement Plan. SRP will survey the areas within the NGS plant site and ash disposal area that have not been previously disturbed to identify historic properties. Retirement activities that cannot avoid historic properties will be evaluated for project effects, and any adverse effects will be resolved under a memorandum of agreement among the lead federal agencies, the Nation, and SRP.

Unanticipated discoveries could occur during continued KM operations and remediation activities; effects on unknown historic properties will be short-term and adverse. Potential discoveries will be mitigated per existing Nation policy.

Continued operations and remediation of the KM will continue to affect Black Mesa as a traditional cultural property (TCP). However, effects on Black Mesa from the KM have already occurred. Once KM operations cease, mine reclamation and remediation activities will continue to adversely affect Black Mesa as a TCP. However, once mine reclamation and remediation activities have been completed, the effect of the Proposed Action on Black Mesa will be beneficial in the long term.

Compliance surveys have taken place for both the STS and WTS ROWs on Navajo Tribal Trust Lands. Section 106 compliance for the STS and WTS ROWs has concluded, and no further identification efforts within the ROWs are necessary. Access roads outside the ROWs, however, will need to be inventoried for historic properties if greater than routine ground disturbance is anticipated.

Removal of either transmission system will be considered an individual undertaking pursuant to Section 106. Operation and maintenance of the STS and WTS over the life of the Extension Lease will also be considered individual undertakings pursuant to Section 106 if it is determined that the action(s) will have the potential to affect historic properties.

In the event of a discovery of a previously unidentified or incorrectly identified cultural resource(s), all operations in the immediate vicinity of the discovery must cease, and the Navajo Nation Historic Preservation Department must be notified.

Degree to which the action may affect threatened, endangered, or sensitive species or their habitat:

No federally protected species or areas designated as critical habitat will be adversely affected by the Proposed Action. For impacts related to the Proposed Action, Reclamation and BIA have made a determination of “may affect, not likely to adversely affect” for the following federally threatened, endangered, and candidate wildlife and plant species: Mexican spotted owl, Southwestern willow flycatcher, Western yellow-billed cuckoo, bonytail, Colorado pikeminnow, Humpback chub, razorback sucker, Fickeisen plains cactus, Brady’s pincushion cactus, and Welsh’s milkweed. Reclamation and BIA have made a determination of “may affect, not likely to adversely affect” designated critical habitat for the razorback sucker, bonytail, Colorado

pikeminnow, and humpback chub. A Biological Assessment of the project has been submitted to USFWS, and informal Section 7 consultation has been initiated.

Whether the action violates Federal or local laws or requirements imposed for the protection of the environment:

The Proposed Action does not threaten to violate federal, state, local, or tribal laws or requirements imposed for the protection of the environment. The NGS Lessees, the Nation, and federal agencies are required to comply with all applicable requirements in the implementation of the Extension Lease.

Conclusion

BIA has determined that approving the Extension Lease⁴ will not result in significant environmental impacts on the human environment that would merit preparation of an environmental impact statement.

⁴ BIA has no action on the Memorandum of Extension Lease.