

7/1/2017 DEPARTMENT OF THE INTERIOR Mail - Long-Term Future of NGS

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Long-Term Future of NGS

1 message

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Navajo Nation revenue from NGS and Kayenta Mine combine with Peabody Energy profits represent just under 40% of the total MWh cost at NGS after 2019 if the 2013 extension agreements were excuted. I urge you (DOI) to take a closer look at the 2013 lease extension that adds 34M/year (2 units) in the NGS lease payments and look closely at Peabody Energy profits from Kayenta Mine. Consumers of NGS power would be paying almost 120M per year or over 40% of the NGS total 2020 budget to cover Leases, Royalties, and Peabody Energy profit. You will see that it is not really changing energy markets that have made NGS uneconomical.

Persuade the Navajo Nation to less aggressive in their revenue demands. In my opinion, Peabody Energy's operation of the Kayenta Mine constitutes a monopoly. There is no alternative source of coal for NGS. Use the law, to put some profit controls on Peabody Energy by demanding they get in-line with the rest of the coal industry in terms of cost per MBTU at the Kayenta Mine. In this context, that justifies government intervention either by Navajo Nation or DOI. Peabody Energy is using the Kayenta Mine to emerge from bankruptcy and this is contributing greatly to the demise of the NGS economic in the process. Even in this artificially low power market, NGS would be viable if they were getting coal at \$32/ton and the Navajo Nation removed the demand for significant lease payments post 2019. It really is that simple.

Another thing DOI should understand is that NGS MWh rate that has been referenced in the media is very misleading. NGS maintained the Units in 2016 with the expectation that they would be used to their budgeted capacity. Had their owners actually consumed the power they told NGS they would their MWh cost would have been \$35/MWh. Instead they were not used in favor of other sources that are in many cases more expensive like solar in Nevada. NGS put the money into the plant to make sure that capacity was available. Had they told NGS up front, both the last two years, that they would only use using 60% of their budgeted capacity NGS would have drastically reduce their spending accordingly. Instead NGS provided a ready to produce 16,000,000 MWh but NGS was only used for 12,000,000 MWhs.