



April 16, 2018

Mr. James Cason  
Associate Deputy Secretary  
U.S. Department of the Interior  
1849 C Street NW  
Washington, D.C. 20240

Dear Mr. Cason:

On April 12, the Subcommittee on Energy and Mineral Resources of the House Natural Resources Committee held a hearing on "The Benefits of the Navajo Generating Station (NGS) to Local Economies." Although not directly relevant to the stated topic, several of the speakers at last week's hearing made inaccurate or misleading statements about the Central Arizona Project (CAP), including its relationship to NGS and its efforts to secure reliable, reasonably priced power for project pumping needs after NGS closes. The Central Arizona Water Conservation District (CAWCD) was not invited to testify at the hearing, but as the CAP operator, we did provide testimony for the record before the hearing, and additionally we feel compelled to correct the record on three specific points.

1. NGS is not a federal facility and the US role in NGS is limited.

Contrary to popular misconception, Congress did not "authorize" the construction of NGS. Rather, section 303(a) of the 1968 Colorado River Basin Project Act authorized and directed the Secretary of the Interior to study and provide a recommendation to Congress of the "most feasible plan ... for supplying the power requirements of the Central Arizona Project and augmenting the Lower Colorado River Basin Development Fund." 43 U.S.C. § 1523(a). "If included as part of the recommended plan," Section 303(b) of the Act authorized the Secretary to "enter into agreements with non-Federal interests proposing to construct thermal generating powerplants whereby the United States shall acquire the right to such portions of their capacity ... as he determines is required in connection with the operation of the Central Arizona Project." *Id.* at § 1523(b).

On September 30, 1969, the Secretary submitted the plan required by Section 303(a) of the Act. That plan called for the United States to enter into the "Navajo Project Participation Agreement" with five regional utilities entities to construct NGS, with the United States holding an entitlement to 24.3% of the generating capacity of the project.

The Bureau of Reclamation has no continuing authority to own or participate in NGS after the current agreements end in 2019.

Mr. James Cason  
April 16, 2018  
Page Two

2. CAP is not obligated to buy energy from NGS after current contracts end in 2019.

CAWCD's only current commitment to take and pay for NGS energy stems from Western Area Power Administration (Western) Contract No. 11-DSR-12296 (also known as Reclamation Contract No. 1-CU-30-P1212), an agreement among Western, Reclamation and CAWCD for Administration of the US Entitlement in the Navajo Project. That agreement terminates on December 31, 2019.

3. CAP and its water users will not save money by continuing to buy energy from NGS after 2019.

CAP has significantly reduced pumping energy costs to CAP water users in recent years by curtailing generation at NGS and buying more energy from the market, yielding substantial savings to CAP Indian tribes and municipal providers.

In November 2017, CAP issued a Request for Proposals (RFP) for energy to be delivered beginning January 1, 2020. Eighteen responses were received in January 2018. One witness at last week's hearing asserted that the proposals CAWCD received under the RFP were higher cost than NGS. That statement is misleading, at best. As the RFP process is still ongoing, CAWCD has not released information on any of the specific responses. Nevertheless, the two power portfolios recommended by the Finance Audit and Power Committee of the CAWCD Board both have an aggregate cost that is less than NGS, and those are products that cover the most expensive portion of CAP power needs—summer on-peak pumping. The remainder of the CAP post-2019 power portfolio will be at substantially lower cost. Even including the RFP products, CAP's projected overall energy cost in 2020 is just \$26/MWh, which is about two-thirds the cost of NGS.

I am also enclosing the written testimony that CAWCD submitted to the Subcommittee in connection with last week's hearing. If you have any questions, please feel free to contact me.

Sincerely,



Theodore C. Cooke, D.B.A.  
General Manager

Encl.

Cc: David Palumbo, Deputy Commissioner, Bureau of Reclamation  
Leslie Meyers, Area Manager, Bureau of Reclamation