



Palumbo, David &lt;dpalumbo@usbr.gov&gt;

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**Fwd: NGS Ownership Transition Priorities**

1 message

**Cameron, Scott** <scott\_cameron@ios.doi.gov>

Fri, Sep 1, 2017 at 2:49 PM

To: Andrea Travnicek <andrea\_travnicek@ios.doi.gov>, Keith Saxe <keith.saxe@sol.doi.gov>, Gavin Clarkson <gavin.clarkson@bia.gov>, James Cason <james\_cason@ios.doi.gov>, Carter Brown <carter.brown@sol.doi.gov>, "Palumbo, David" <dpalumbo@usbr.gov>

FYI, Peabody and the Navajo purportedly are in agreement on this document.

(b) (5)

A large black rectangular redaction box covers the majority of the email's body text.

Thanks,  
Scott  
Scott J. Cameron  
Principal Deputy Assistant Secretary for Policy, Management and Budget  
Office of the Secretary of the Interior  
Desk 202 208 4242  
Cell 202 706 9031

----- Forwarded message -----

From: **Shepherd, Ray** <rayshepherd@peabodyenergy.com>  
Date: Fri, Sep 1, 2017 at 1:11 PM  
Subject: NGS Ownership Transition Priorities  
To: "scott\_cameron@ios.doi.gov" <scott\_cameron@ios.doi.gov>

Scott--

This is something we developed to align significant stakeholders on what is required to get the NGS ownership transition executed. We've been through it with the Navajo twice and they are committed to keeping focus on these items over the next several months. I wanted to make sure you saw it before Wednesday and thought this might be something you want to share with Jim. Let me know if you'd like to discuss.

Thanks,

Ray

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**2 attachments**

 **ATT00001.htm**  
2K

 **NGS Ownership Transition Priorities (3).pdf**  
55K

The NGS stakeholders have a great deal to lose if a new ownership group is not put in place very soon.

This new ownership process is extremely difficult and complicated. Collectively, we need to simplify this process as much as possible and focus on the key tasks as outlined below.

One thing is for sure, we need an extraordinarily high level of alignment and collaboration between the Navajo Nation, The U.S. Government, Peabody and the state of Arizona. If these parties don't come together in a spirit of cooperation, determination and fairness, NGS will not operate beyond 2019.

Based on our view and initial feedback from investors looking to invest in NGS, stakeholders must step up now to ensure 7 critical objectives are achieved with urgency for the ownership transition to take place and NGS to run post 2019

1. The current owners need to have a realistic value expectation for NGS. Liabilities for mine reclamation and decommissioning will have to be settled as part of the ownership transfer. The current owners will need to cooperate fully to facilitate this ownership transition process.
2. Arizona Corporation Commission— has been very supportive to date.

- a. We presented the Navigant report to the full Commission and have been discussing potential reliability issues associated with the closure of NGS and the possibility of a Diverse Portfolio Standard that would ensure the required operation of NGS
  - b. Support for Power Purchase Agreements with utilities under their jurisdiction at prices that will support NGS and provide reliable, affordable electricity to the ratepayers of Arizona
3. Department of Interior and Bureau of Reclamation- has provided excellent leadership.
- a. Continued leadership of stakeholders to achieve our objective of keeping NGS open beyond 2019
  - b. Maintain BOR's ownership position in NGS
  - c. Monitor and insure cooperation from the exiting participants as negotiations with new ownership takes place
  - d. Use every possible resource to require or encourage CAP to continue to take their portion of NGS generation (24%)
  - e. Ensure necessary maintenance and upkeep of NGS is done properly over the next 2 years

#### 4. EPA

- a. Continue to drive regulatory relief that will make NGS more competitive and attractive to new owners
- b. Specifically, elimination of \$1.1 Billion in SCR and baghouse requirements by 2030. This requirement is a significant obstacle for new ownership.
- c. We are confident there is a path within the Federal Implementation Plan (FIP) to accomplish this.

## 5. DOE

- a. Complete Black & Veatch study to improve efficiency of NGS
- b. Support technology upgrades and new efficiency technology development at NGS
- c. Build off of the DOE grid reliability study and specifically support NGS as a premature baseload retirement that should be avoided

## 6. Peabody

- a. Continue to explore every possible option to reduce the price of coal in order to make NGS even more efficient
- b. Work with the new owners on more flexible pricing arrangements to share risk and reward during periods of market volatility
- c. Continue to facilitate the ownership transition and execution of a transaction

- d. Collaborate with the Navajo and Hopi to determine royalty structures that are equitable and enable NGS to be as competitive as possible

## 7. Navajo Nation

- a. Express a strong and unified voice for the long-term, post 2019 operation of NGS
- b. Expeditiously execute a fair, long-term lease agreement with new ownership. The long-term lease will need to be structured to allow NGS to compete effectively against natural gas and renewables.