



NAVAJO GENERATING STATION OUTLOOK

NORTHERN ARIZONA ECONOMIC OUTLOOK
CONFERENCE
MAY 18, 2017

Presented by: Joe Frazier, NGS Plant Manager

NAVAJO GENERATING STATION (NGS)

- Size: 2250 MW (3 Units, 750 MW each)
- Location: On the Navajo Nation near Page, Arizona
- Fuel Source: Peabody Western Coal Company's Kayenta mine located 78 miles to the southeast of NGS
- Commission Dates: 1974, 1975, and 1976
- Current Ownership:
 - Salt River Project: 42.9%
 - U.S. Bureau of Reclamation: 24.3%
 - Arizona Public Service: 14.0%
 - NV Energy: 11.3%
 - Tucson Electric Power: 7.5%



WHAT CHANGED?

2016 Presentation

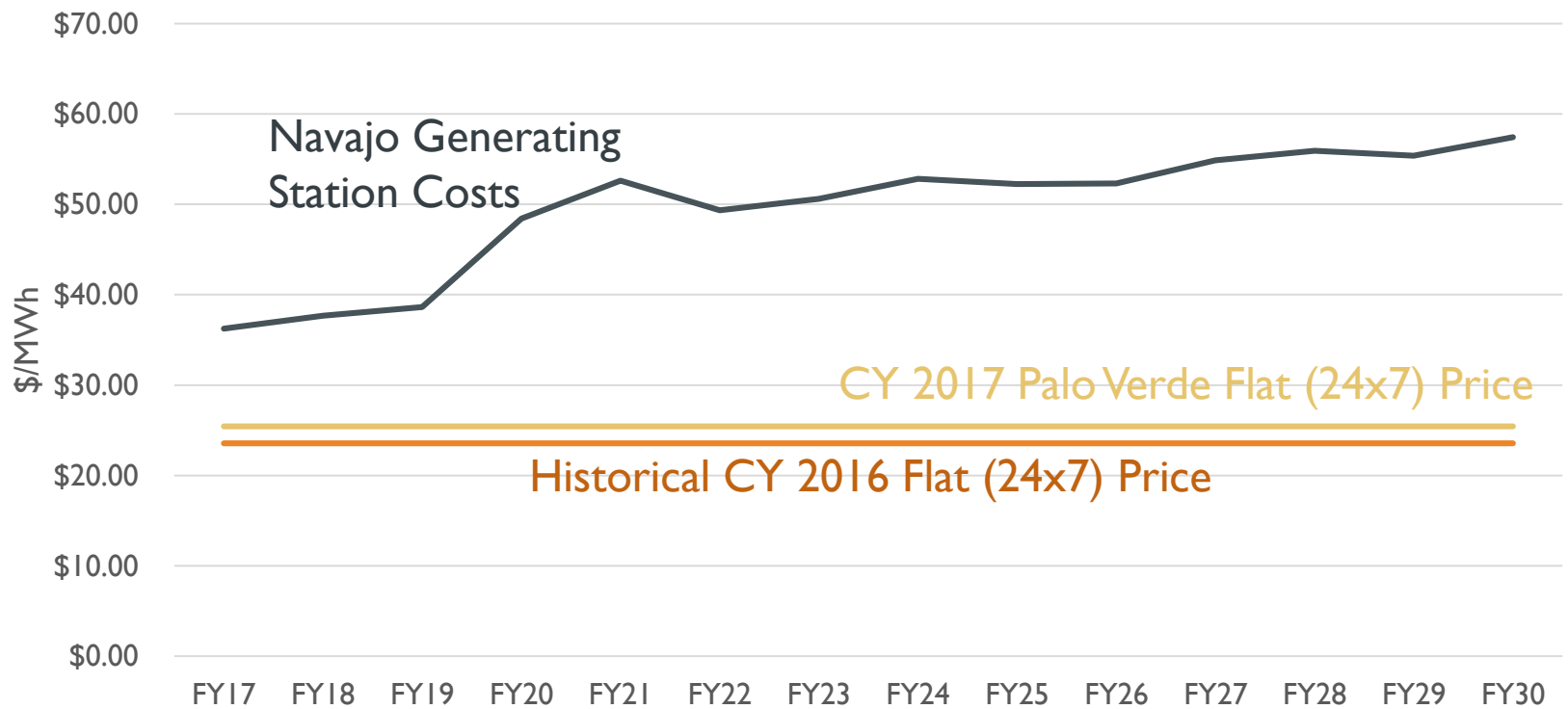
Discussed Shutting Down of Unit 1 Only

Presented Staffing Plan for 2 Unit Operation

2017 Presentation

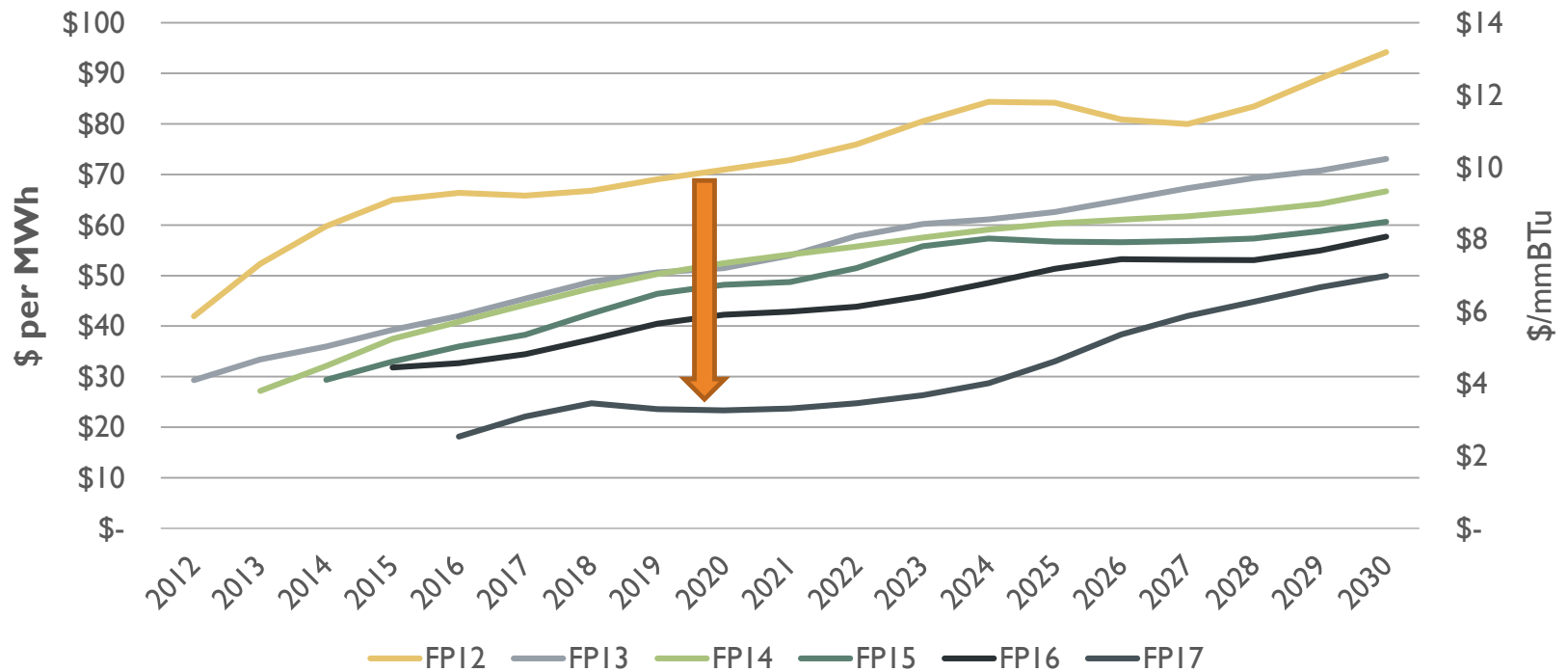
Discuss Reasoning Behind Shutting Down of NGS

NGS COST VS MARKET COMPARISON



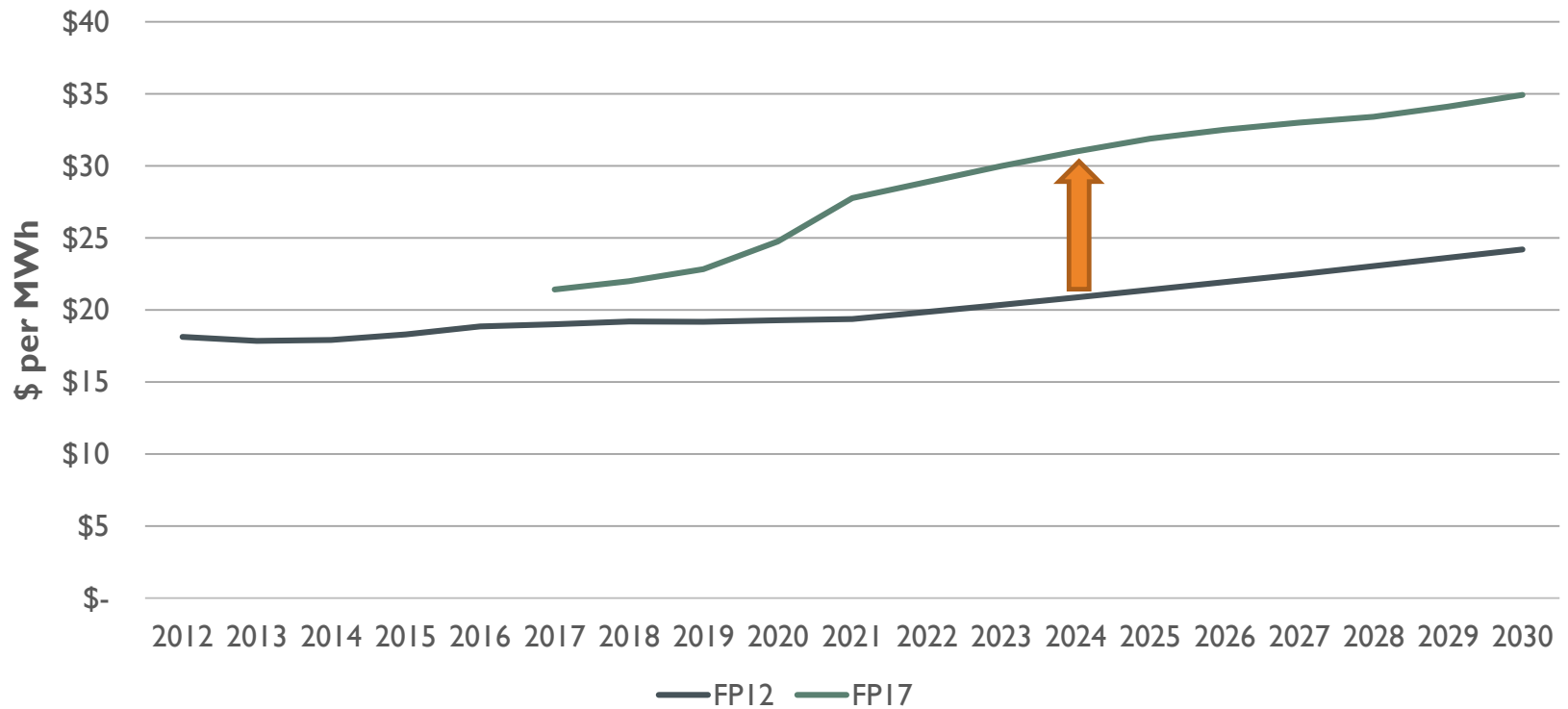
FORWARD GAS PRICE CURVE DROPS

Combined Cycle



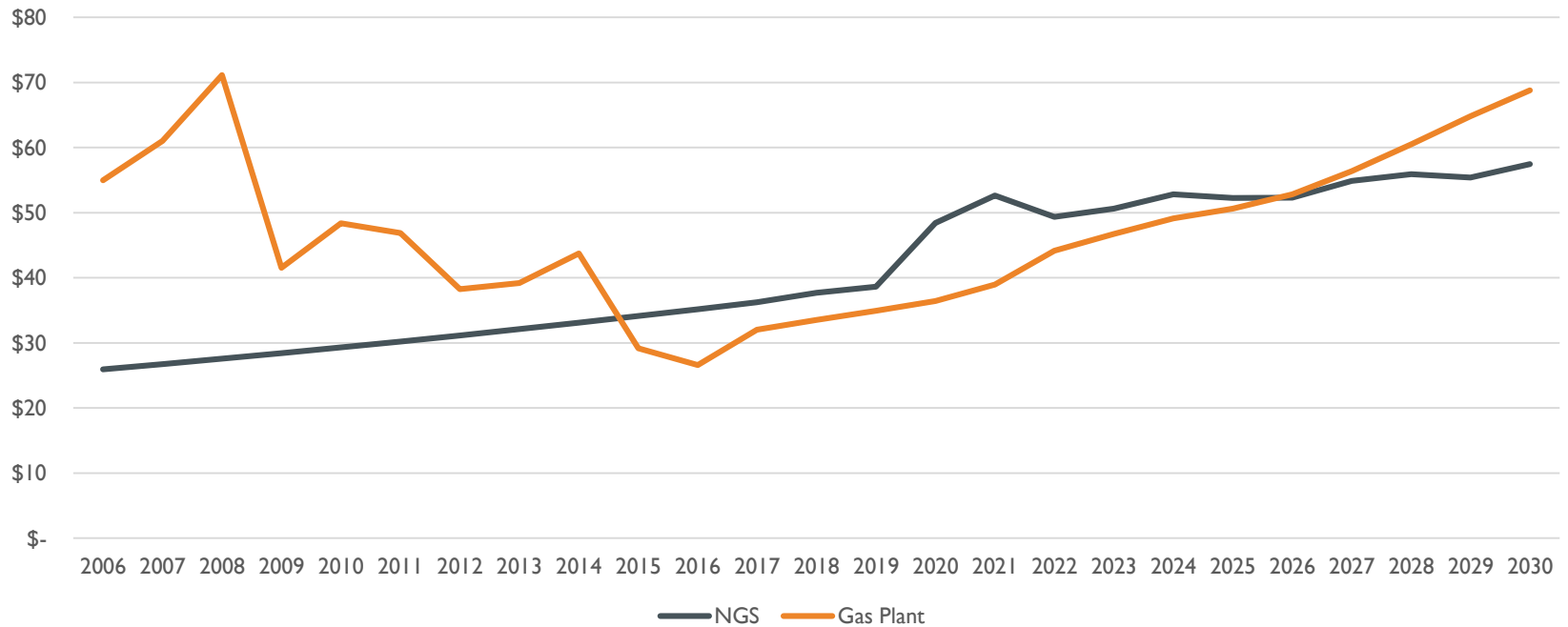
COAL PRICE CHANGES

Navajo Generating Station

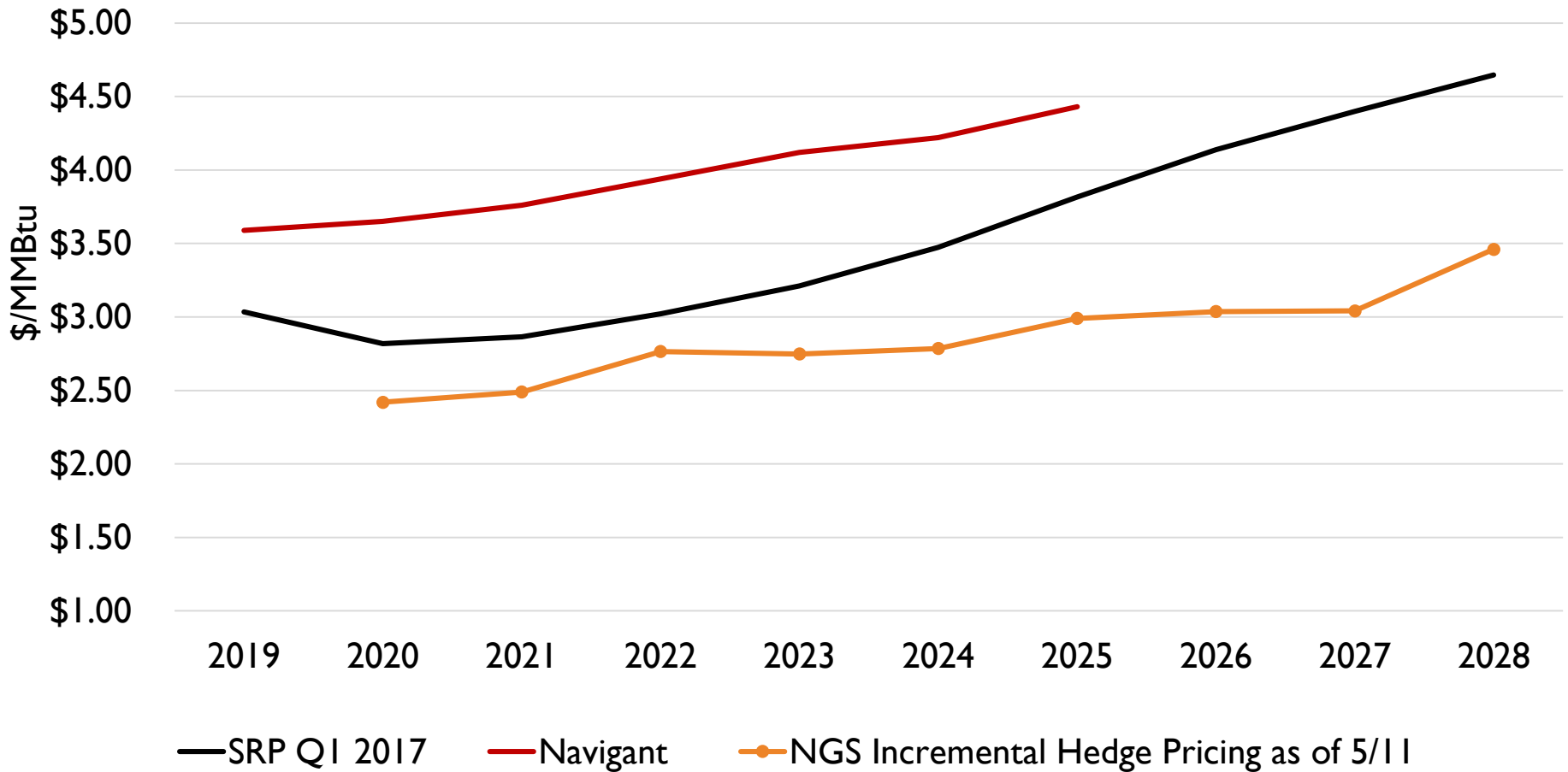


HOW THE NGS PICTURE HAS CHANGED

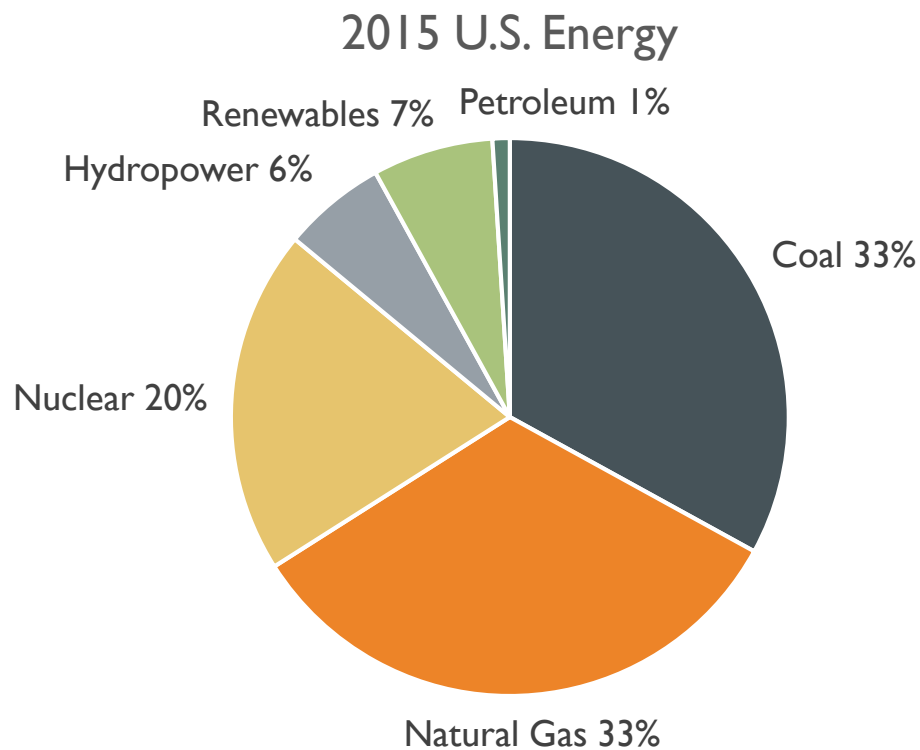
\$/MWh Costs of NGS vs Gas Plant



UNDELIVERED GAS PRICE FORECASTS AND NGS ACTUAL HEDGES

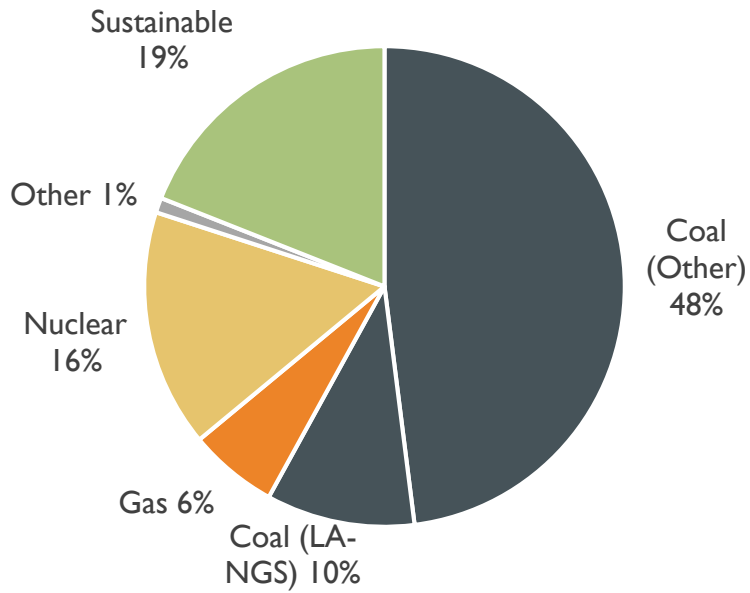


U.S. ELECTRICITY GENERATION BY SOURCE

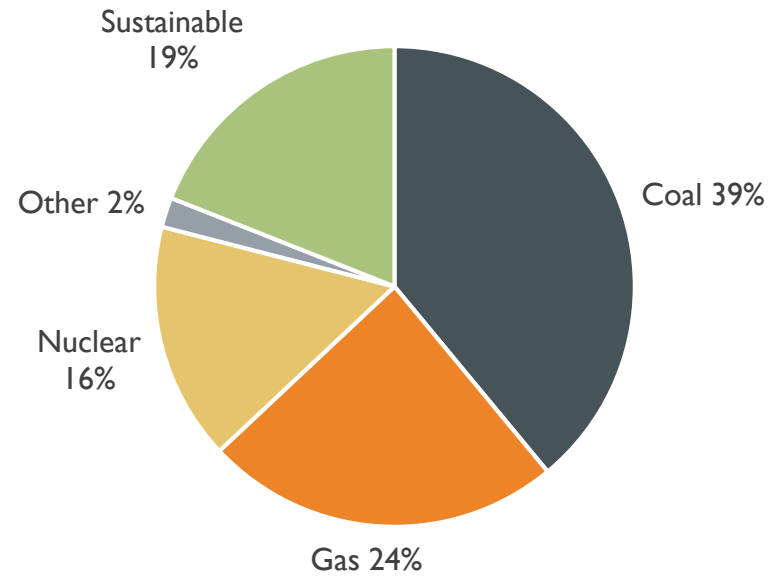


ENERGY MIX FY19

With NGS



Without NGS





Result of Change in Economy

- Owners voted to not be participants past 2019
- NGS Shut Down in 2017 or 2019
- 2 years to decommission
- Milestone Date: July 1
- Retention Phase
- Employees leaving

REQUIREMENT FOR 2019 SHUT DOWN NN/NGS AGREEMENT SCHEDULE

- Agreements Completion May 18, 2017
- Nation's Public Process May 19 thru 23
- Nation Council Committee Review/Education May 24 - June 16
- Agreements Approved and Executed by Nation July 1, 2017
- Agreements Executed by SRP, APS, TEP and NVE July 1, 2017
- Agreements Executed by USBR and LADWP Dec. 1, 2017

Timeline

2017	2018	2019	2020	2021
Retention Phase		Redeployment Phase		Decommissioning Phase
Normal Business Operations with focus on employee retention <ul style="list-style-type: none">• Annual Retention Payment• Normal Bidding• Standard Relocation• Job Search Training• 1:1 Employee Discussions<ul style="list-style-type: none">– Career options & preferences– Financial planning• EAP		Focus on next career step for all employees (SRP job, external position, retirement) <ul style="list-style-type: none">• Opportunities to remain at SRP provided to regular employees• Annual Retention Payments• Redeployment• Standard Relocation (hourly employees included)• Retirement• Intensive Outplacement• EAP		Retain limited number of employees as needed for decommissioning <ul style="list-style-type: none">• Opportunities to remain at SRP provided to regular employees• Redeployment or Retirement• Jobs with decommissioning contractor may be available



FINISH STRONG