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## **ARIZONA CORPORATION COMMISSION**

FOR IMMEDIATE RELEASE: 2/9/2017

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### **Commission Supports Commissioner Tobin's Proposal to Get Answers from TEP Regarding the Navajo Generating Station**

(Phoenix) Arizona Corporation Commissioner Andy Tobin released the following statement today on the Commission's adoption of his amendment to the rate case for Tucson Electric Power (TEP), which requires the company to evaluate how the potential closing of the Navajo Generating Station (NGS) will impact customers and the reliability of the electric grid:

*"I am grateful for the support from my fellow Commissioners to get answers about the future of NGS. The seriousness of this matter cannot be understated. The closure of NGS would inflict immediate economic hardship on the Navajo Nation, the Hopi Tribe, and the northern Arizona economy. Thousands of jobs are hanging in the balance.*

*NGS is distinctly Arizonan. The coal is mined by Arizonans, transported in Arizona to our generating station in Arizona, and the major source of power for Arizonans. Shutting down an Arizona institution, like NGS, is a decision that must not be made unilaterally. The Commission should convene ALL of the stakeholders and meaningfully discuss NGS's future.*

*A transition plan for the people of northern Arizona, the state's economy, and our energy infrastructure must be clearly articulated and inclusive.*

*That's what "good neighbor" Arizonans expect and they deserve nothing less."*

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## ANDY TOBIN'S PROPOSED AMENDMENT NO. 1

TIME/DATE PREPARED: February 7, 2017

COMPANY: Tucson Electric Power Co.

AGENDA ITEM NO.: 22

DOCKET NO.: E-01933A-15-0239 and OPEN MEETING DATE: February 7 and 8, 2017  
E-01933A-15-0322

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INSERT as new findings of fact on page 188, line 10:

78. In recent days, we have learned that there are plans to shut down the Navajo Generating Station ("NGS") in 2019. NGS is jointly owned by Salt River Project, Arizona Public Service Company, and TEP.

79. The Commission is concerned that closing NGS may have serious consequences for the entire state.

80. Closing NGS will require our load serving entities to replace NGS' coal-fired generation with other resources. It appears that the initial intent is to replace those resources with natural gas. Although natural gas prices may be favorable at the present time, there are no guarantees that those prices will remain constant.

81. The choice to transform Arizona's resource portfolio from a balanced approach (that includes a mix of resources) to a more limited approach (that relies disproportionately upon natural gas) will expose our citizens to the price volatility associated with natural gas and increased uncertainty regarding grid reliability, especially because there is currently no natural gas storage facility capable of holding emergency reserves in the event of a gas outage inside or outside of the state.

82. We are also concerned that shuttering NGS may increase the costs borne by consumers of Central Arizona Project ("CAP") water. As a result, the closure of NGS is likely to negatively impact water rates.

83. Finally, we must acknowledge the high potential for general economic devastation that may be experienced throughout the entire state if NGS were to close. The negative economic impacts to the Hopi and Navajo communities, as well as to the Kayenta Mine, are too obvious to require elaboration.

84. Under these circumstances, it is difficult for the Commission to sit idly by as these events unfold, and we anticipate that the public will also want a thorough explanation of these developments.

85. TEP is a co-tenant under the leasing arrangements for the operation of NGS. It is the Commission's understanding that there are multiple committees among the co-tenants that address operational and other issues that arise under the co-tenancy agreement. It is also our understanding that one or more of these committees will be responsible for addressing any plans to close NGS and that TEP will have representatives on these various committees.

86. The co-tenancy agreement also provides for a right of first refusal among the existing co-tenants if any one of the remaining co-tenants wishes to transfer its ownership interest in NGS to any other entity.

87. Without a full understanding and evaluation of the reasons for closing NGS, we are uneasy about these developments, and we therefore direct TEP to file a report ~~within 30 days~~ of the date this order. In its report, TEP shall address the following issues in detail: By April 1st

- a. How does the co-tenancy agreement govern the potential closure of the NGS?
- b. How does the right of first refusal affect the potential closure of NGS?
- c. Has TEP considered purchasing additional shares in NGS?
- d. What is the status of any discussions/efforts to close NGS?
- e. What are the pros and cons of closing NGS?
- f. What analyses has TEP undertaken to determine if closing NGS is in the public interest?
- g. What will be the effect of closing NGS upon the rates that TEP's ratepayers are required to bear?
- h. What will be the effect of closing NGS upon the reliability of the electric grid, both in TEP's service territory and throughout the state?
- i. Are there other issues surrounding the potential closure of NGS that have a substantial bearing upon the public interest?

88. In its report, TEP should include any other information that TEP believes will be relevant to the Commission's full consideration of the issues surrounding NGS' closure.

89. After TEP has filed its report, our Hearing Division will issue a procedural order to undertake a proceeding on these issues, to provide an opportunity for other entities to intervene, to establish a schedule for pre-filing testimony, and to set a date for a hearing.

90. In this proceeding, TEP will submit its report as evidence. TEP may also submit any additional evidence that it would like us to consider.

~~91. Until the Commission has had an opportunity to review TEP's report and complete the proceeding contemplated by Findings of Fact 90 and 91, TEP shall not agree to the closure of the plant or take any other action that would require closure of the plant. *also unless it relates to extending existing lease.*~~

~~92. Until the Commission has had an opportunity to review TEP's report and complete the proceeding contemplated by Findings of Fact 90 and 91, TEP shall not take any action that would result in less than full operation of NGS before the expiration date of the lease.~~

93. We undertake this proceeding to ensure that we will have a full understanding of the rate and reliability impacts that this potential plant closure would cause for Arizona's ratepayers.

**ADD APPROPRIATE ORDERING PARAGRAPHS, AND MAKE ALL CONFORMING CHANGES.**

**\*\* Make all conforming changes**

<b>THIS AMENDMENT:</b>		
_____ Passed _____	Passed as amended by _____	
_____ Failed	_____ Not Offered	_____ Withdrawn