

BEFORE THE ARIZONA CORPORATION COMMISSION

Bob Burns, Chairman
Boyd Dunn, Commissioner
Sandra Kennedy, Commissioner
Lea Marquez Peterson, Commissioner
Justin Olson, Commissioner

**RE: APS 2020 RESOURCE PLANNING
AND PROCUREMENT**

DOCKET NO. E-00000V-19-0034

Overview

Diné CARE, Tó Nizhóni Ání and Black Mesa Trust (Navajo and Hopi nongovernmental community organizations or NGOs) respectfully submit the following joint comments for your review in response to the Arizona Corporation Commission's (ACC) consideration of Arizona Public Service Company's (APS) 2020 integrated resource plan and procurement process in the above-referenced docket.

We submitted comments in a previous APS resource planning proceeding, Docket No. E-00000V-15-0094, in 2018, and after reviewing the current plans, we acknowledge the important steps APS has taken to improve on the last iteration of its resource planning. It is notable that in just two short years, the utility has transformed itself from a dramatic over-reliance on coal and natural gas to a commitment to de-carbonizing its generation portfolio over the coming years. That, in itself, is laudable.

However, our review of APS's 2020 IRP still leaves a number of critical issues unaddressed that we first identified in 2018 and which remain deficiencies in the current plan, especially as they relate to the long-term prosperity and wellbeing of the Navajo Nation, the Hopi Tribe and coal-impacted tribal communities. In light of the problems summarized below, we recommend that the Commission take steps to improve this resource plan in ways that provide advantages for both tribes – while still benefiting the utilities' customers and shareholders.

The most appropriate place to start our comments is with the context that for far too many years we have borne witness to business decisions like the ones being made by APS in its resource plan that take place far from Navajo and Hopi communities but which have far-reaching impacts on our people. For the better part of the last half century, we have lived in the shadow of four large power plants and associated coal-mining complexes. Cumulatively, these facilities have had a disproportionate impact on our land, our water, our economies and our health. Pollution from the smokestacks at Navajo Generating Station, Four Corners Power Plant and Cholla Power Plant has precipitated onto our lands and crops. Contamination from coal-ash waste disposed of at these plants has seeped from unlined pits into our groundwater, spreading plumes of toxic chemicals that threaten our water supplies. We are reminded daily, as we look overhead, of the injustice of transmission lines that carry power, made possible by our coal and water, to cities far from us. Navajo and Hopi coal and water have fueled the prosperity of Phoenix, Tucson and other western cities, allowing them to grow into burgeoning metropolises. Pumps once powered by Navajo and Hopi coal, supplied the water that made Arizona's growth possible. Meanwhile, thousands of Navajo and Hopi still lack basic access to water and electricity.

The groundwater aquifer that many of our communities depend on as their sole source of water is steadily being depleted, sapped by decades of misuse and exploitation in the name of coal mining that feeds APS's power plants and insatiable energy appetites throughout the Southwest. Ultimately, such consequences can be directly tied to the resource planning decisions made by APS, TEP and other utilities. To right these wrongs, we feel it is reasonable for these companies to factor into their decisions about future power sources actions that will assist Hopi and Navajo in their transition to post-coal economies. Commitments to tribal clean energy development offer a clear path to rebuilding strong economic foundations for both tribes. The closure of NGS a year ago and

the coming retirements of Four Corners and Cholla present tangible opportunities for the development of tribal renewable energy as replacement resources for the lost capacity.

As we have testified and commented on previously, we believe the owners and operators of power plants have an obligation to support the rebuilding of the economic foundations of communities they benefited from for so long.

While APS's addition of significant renewable capacity is laudable, the omission of any language signaling, even informally, a commitment to ensuring that a share of any new development comes from tribal projects with the Navajo and Hopi is unsettling. APS has an obligation to provide coal-impacted communities with resources to facilitate a just and equitable transition, as Navajo President Jonathan Nez testified to earlier this month.¹ The development of both utility-scale and small-scale renewable energy by APS in partnership with both tribes would be a powerful way to start meeting those commitments.

APS cannot be permitted to simply walk away after 50 years of exploiting tribal resources. It is the operator and majority owner of the Four Corners and Cholla plants, and it was a co-owner in NGS for the duration of its four and a half decades of operation. The company has earned hundreds of millions, if not billions, of dollars through the sale of electricity generated by these plants. APS owes much of its success to inexpensive, tribal coal and water. These plants and their associated mining complexes, to be certain, created significant revenue for tribal governments and hundreds of jobs filled by Navajo and Hopi workers. After decades in operation, though, they also created forced economic dependence on coal, not to mention damaging health and environmental impacts. Ethically responsible companies do NOT turn their back on the people and communities who have helped make them successful.

Developing tribal renewable energy resources holds some of the biggest potential for creating new jobs and revenue streams for the Navajo Nation and Hopi Tribe to replace the losses related to the closure of NGS, and for the Navajo Nation as it plans for the coming closures of Four Corners and Cholla. The utility's obligations to clean energy development also extend to making right with the tribal communities that APS has ignored from the beginning. It's unconscionable to think that in the shadow of some of the largest coal-burning power plants in the western United States that there are still thousands of Navajo and Hopi families living without access to electricity. Commitments for tribal clean energy development will be a step to rectifying this economic injustice. Navajo and Hopi lands are blessed with world-class clean energy potential, making them an ideal location to site new solar and wind projects with reasonable access to existing transmission facilities.

While we are encouraged by the general direction that APS appears to be taking with its transition to clean energy, we remain concerned that there is not yet a clear path in its plans that includes Navajo and Hopi interests. We respectfully request that the Commission, following through on recent actions recognizing utility responsibility for ensuring a just and equitable transition for coal-impacted communities, to direct APS to re-evaluate its resource planning to include explicit commitments to tribal clean energy development.

Summary of deficiencies

APS overlooks opportunities to develop utility-scale wind, solar and storage technology projects on tribal lands, to the detriment of Navajo and Hopi efforts to rebuild economies disrupted by the closure of NGS last November and to plan for coming coal closures. The main problems with the IRP in this respect include:

1. **A minimal suite of portfolios.** By providing only three final portfolios to choose from, APS severely limits the possibility for tribal clean energy development to be part of its resource planning. Given the potential of tribal lands for solar and wind development, this is a glaring oversight. Expanding the number of potential portfolios with additional carve-outs explicitly identifying potential tribal clean energy development as part of its modeling would open the door to actual projects moving forward.

¹ Testimony of Navajo Nation President Jonathan Nez in Commission Docket No. E-01345A-19-0236.
<https://docket.images.azcc.gov/E000009349.pdf>

2. **Continued presence of gas.** As noted above, the lack of options in the IRP short-changes potential tribal clean energy development. On top of that constraint, two of APS's three scenarios include a significant reliance on natural gas capacity (both new generation and contract purchases). The company falsely supports this preference with unrealistically low natural gas pricing assumptions. The fact that APS so clearly favors the option of expanding its gas capacity closes another door. With a finite amount of needed power, the more gas that APS includes in its resource mix, the less room there is for tribal clean energy projects.
3. **Continued operation of Four Corners Power Plant to 2031.** As the Institute for Energy Economics and Financial Analysis detailed in recent testimony² in the APS rate case (Docket Docket No. E-01345A-19-0236), there is every indication that the Four Corners plant will not remain economically viable until 2031 and that APS will indeed decide to close it far earlier than that. Commission Chairman Burns hinted at the same concerns in his request in that docket for APS to evaluate the impact of stranded costs in Four Corners for a number of accelerated retirement dates, the earliest as soon as 2023.³ APS's failure to acknowledge the economic realities of keeping Four Corners running for another decade is a disservice to the communities that will have to plan around its closure. The sooner the utility acknowledges the plant's limited future, the sooner it can begin to partner with the Navajo and Hopi on developing the plant's replacement power with tribal resources.
4. **Inaccurate renewable cost assumptions.** By putting its thumb on the scales and discounting the continued cost competitiveness of solar, wind and storage, APS falsely creates scenarios in which the status quo appears more economically appealing than accelerating the transition to clean energy, thus preventing tribal clean energy development opportunities. Because Navajo and Hopi lands have such high clean energy potential, overpricing the costs of wind and solar conversely undervalues the opportunities for the tribes to advance wind and solar projects.

Recommended Remedies

APS owned a 14 percent share of Navajo Generating Station's 2,400-megawatt output. It owns 63 percent of the capacity and is the operator at Four Corners Power Plant, which is situated on Navajo land in New Mexico. It owns the full capacity of two of the three remaining units at the Cholla Power Plant, as well as Unit 2, which it closed in 2015. As with Four Corners, APS is the operator of the Cholla facility. APS has dramatically moved up the retirement date for all three of these plants, giving impacted communities minimal time to plan for sweeping economic transitions. NGS was supposed to operate into the 2040s but closed last November, more than two decades ahead of schedule. Four Corners was also supposed to operate into the 2040s, but APS has accelerated its retirement timeline twice, so that the plant will now close no later than 2031. Likewise for the Cholla plant, which is now scheduled for shutdown in less than five years.

At a bare minimum, the APS resource plan should reflect a long-term commitment to developing clean energy projects that replace any retired coal capacity with an equal proportion – one-to-one per megawatt of peak ownership – of tribal wind, solar and storage projects. In all, that means the Commission should require APS to commit to adding at least 2,097 MW (1,145 MW for Four Corners, 337 MW for NGS, and 616 MW for Cholla) of new tribal clean energy resources to its system over time as part of long-term resource acquisition planning. This should be the ground floor, and the Commission can and should play a role in ensuring that commitments happen by establishing a renewable resource target for projects on Navajo and Hopi lands.

Solar holds the most obvious potential for tribal clean energy development. The success of the two Kayenta solar projects demonstrate the viability of tribal solar. There have been other successes as well. The Moapa

² Testimony of IEEFA's David Schlissel in Commission Docket. No. E-01345A-19-0236, Oct. 2, 2020.
<https://docket.images.azcc.gov/E000009351.pdf>

³ Correspondence from Commission Chairman Bob Burns in Docket No. E-01345A-19-0236, Oct. 2, 2020, Sept. 1, 2020.
<https://docket.images.azcc.gov/E000008707.pdf>

Band of Paiutes have successfully installed and are operating 250 MW of utility-scale solar on their land in Nevada.⁴ And just this week, Public Service of New Mexico broke ground on a 50-megawatt solar project in partnership with Jicarilla Apache Nation that will provide power to Western New Mexico University and the city of Albuquerque.⁵ Our groups have advocated and been involved with development discussions for Navajo projects with the Los Angeles Department of Water and Power and Hopi projects near Flagstaff and south of Winslow. Both tribes are setting the stage for clean energy development; the Navajo through President Nez's Háyoolkáál (Sunrise) Proclamation⁶ in 2019, and the Hopi through a 2018 Comprehensive Economic Development Strategy.⁷ Given our tireless advocacy and the two tribes' movement in the right direction, there here is no reason APS cannot replicate similar partnerships with the Navajo and Hopi.

Based on the steadily advancing economic advantages of clean energy, the Commission should expect the cost efficiencies of building projects on tribal land to improve as more are built, no different than what is happening across the United States. The cost of generating electricity from utility-scale solar PV has fallen dramatically in recent years. According to energy consulting firm Lazard's latest analysis (2019), the levelized cost of energy (LCOE) from utility-scale PV technologies has declined rapidly (see Figure 1 below),⁸ and is now far below the cost of coal-fired generation and even out-competes new-build gas generation (see Figure 3 below).⁹ However, in its over-reliance on gas in its proposed portfolio options, APS dismisses these economic realities and short-changes the potential for tribal clean energy projects.

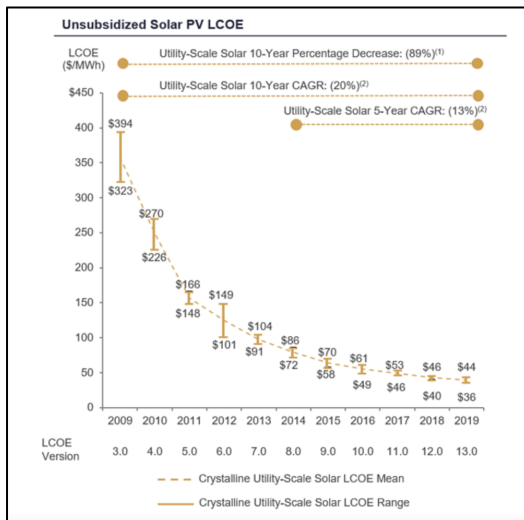


Figure 1.

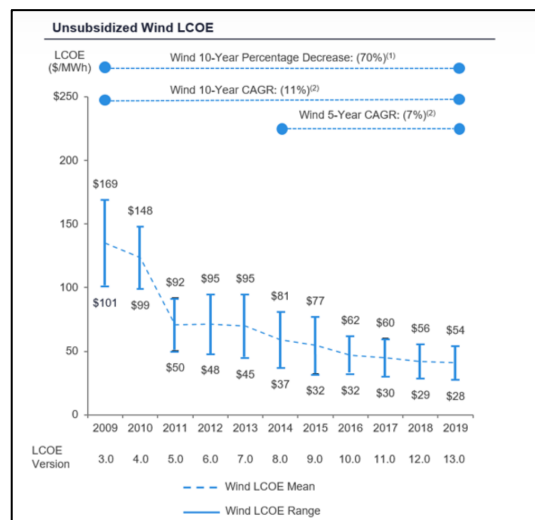


Figure 2.

The same is true for wind. (see Figure 2 above).¹⁰ While solar may hold more potential, northern Arizona in particular has potential for utility-scale wind development. Gray Mountain, which sits on the Navajo Nation, has some of the highest quality wind resources in the state and development of it is logical, in particular because it is in close proximity to existing transmission lines where APS owns capacity.

⁴ <https://www.moapasolarenergycentereis.com/>

⁵ <https://apnews.com/article/new-mexico-albuquerque-57b9a0bb329e3b82585d3aa5c3add5cd>

⁶ <https://www.opvp.navajo-nsn.gov/Portals/0/Files/PROCLAMATION/Navajo%20Hayoolkaal%20Declaration.pdf>

⁷ <https://www.hopi-nsn.gov/wp-content/uploads/2018/10/2018-Hopi-Tribe-CEDS.pdf>

⁸ <https://www.lazard.com/perspective/lcoe2019>

⁹ Ibid.

¹⁰ Ibid.

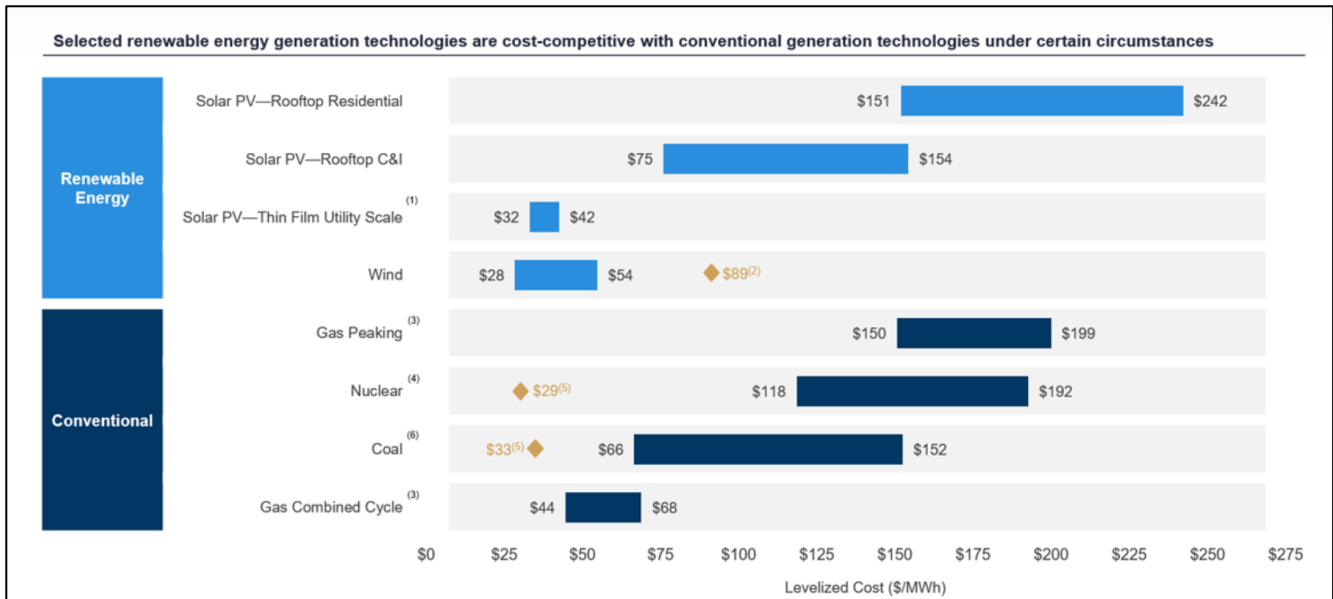


Figure 3

Meanwhile, as APS maps out a future lacking commitments to just and equitable transition for coal-impacted communities and tribal clean energy procurement, Arizona’s neighbors are setting an embarrassingly high bar in comparison. Last year’s passage of the Energy Transition Act in New Mexico – which was strongly supported by Public Service of New Mexico (PNM), the state’s largest utility and APS’s co-owner in the Four Corners plant – carved out \$40 million dedicated specifically to assisting communities in the Four Corners region in the transition away from coal as part of the planned closure of San Juan Generating Station. And just this month, PNM further cemented the law’s reach by approving a package of four replacement power projects that will be built in communities near the plant (650 MW of solar and 300 MW of battery storage).¹¹

Conclusion

The partnership between Arizona’s utilities and the Navajo Nation and Hopi Tribe is more than a half century old. An honest evaluation of the historical nature of that partnership would show the scales tilted heavily in favor of the companies, its customers and shareholders. Deals that provided cheap coal, cheap water and the labor to turn them into electricity underpinned the growth and prosperity of Phoenix, Tucson and all of Arizona. The coal era is now over, and the exploitation of the Navajo and Hopi is now hopefully a relic of the past. But there is no reason that the relationship has to disappear into the past, as well. APS can – and should be required to – act responsibly by supporting the people and tribal communities that fueled its success. One of the key ways to ensure this happens is through enforceable requirements that help build the foundation for a vibrant tribal clean energy sector. APS’s resource plan can solidify that objective by making tribal clean energy commitments a core feature of its resource planning. Revising it to reflect APS’s corporate obligation to a just and equitable transition for the Navajo and Hopi should be a prerequisite for the Commission’s acknowledgement.

Respectfully submitted to the Commission on Oct. 15, 2020 by the authorized representatives of the following groups:

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¹¹ See <https://pv-magazine-usa.com/2020/10/12/solar-plus-storage-replaces-coal-plant-in-new-mexico-makes-carbon-capture-retrofit-moot/>

