

To ensure grid reliability, keep Navajo Generating Station operating

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OPINION

The state of Arizona – much like the rest of the nation – is at an energy crossroads. As demand for electricity grows, residents and policymakers are wrestling with questions that will define the future of the state’s energy grid, and will determine Arizona’s ability to keep its lights on and its economy vibrant in the years to come.

At the heart of the discussion is the Navajo Generating Station, the largest coal-fired power plant in the West. The plant’s owners recently voted to close the plant ahead of schedule, in 2019, but stakeholders – from tribal communities to energy analysts and workers to federal and state regulators – have pressed, since the vote, to find pathways to sustain operation beyond the premature close date.

Arizonans have significant reason to hope that they succeed in their effort, given the crucial role that the plant is projected to play in the future of the state’s – and indeed the entire region’s – energy grid reliability. And a new study, prepared by Navigant Consulting, shows clearly that continued operation of the plant would be economically competitive relative to alternative sources like natural gas.

It is difficult to overstate the stakes of the debate, and the importance of the plant’s future to the region’s energy outlook. Coal has served as the baseload fuel for Arizona for decades. The Navajo Generating Station, in particular, plays an indispensable role providing power not just to household and business consumers, but also to the Central Arizona Project, which uses the plant’s power to pump water to customers in Phoenix and Tucson.

Those who support the plant’s closure say that natural gas will serve as an affordable replacement for the immense baseload power that has been churned out for decades by the Navajo Generating Station. But others aren’t so sure, and worry that in turning its back on coal, Arizona is setting itself up for a future plagued by an unreliable power grid subject to volatile prices and inconsistent supply.

Andy Tobin, a member of the Arizona Corporation Commission, points out that losing the Navajo Generating Station’s capacity would leave the state disproportionately reliant upon natural gas and solar imports, a particularly concerning dynamic given that nearly all of Arizona’s supply of natural gas is imported, with 70 percent coming from a single source in the El Paso Pipeline.

A more diverse energy portfolio – one that continues to draw significant baseload power from the Navajo Generating Station – would position the state better for the future, and would serve as a critical guard against natural gas price fluctuations.

Natural gas, after all, has been historically cheap in recent years, but is notoriously volatile in its price structure. As coal-fired plants continue to be knocked offline, and as demand for natural gas increases amid rising demand from

heavy industry and expanded levels of exported liquefied natural gas (LNG), analysts expect the price of the commodity to rise steadily.

The Navajo Generating Station would guard against such price increases, protecting consumers in Arizona and throughout the Southwest from price spikes and the possibility of interrupted power supply. One of the most significant benefits to coal-fired power like that provided by the Navajo Generating Station is its intrinsic reliability. The sudden shutdown of the power plant – and the resulting turn to a greater reliance on less stable sources of energy – could have a negative impact on Arizonans.

Analysis conducted by Navigant research makes it clear that the plant can be economically competitive with natural gas and other coal alternatives through 2040. In fact, beyond being competitive, their analysis finds that NGS would actually cost nearly \$400 million less to operate than it would cost to replace the plant's energy and capacity from 2020 through 2040.

This means that in addition to being more reliable than alternatives, continued operation of the Navajo Generating Station would also be more affordable both to ratepayers and to the plant's future owners and operators.

Energy policy is complex, and no single power source is a cure-all. But that complexity adds to the case for continued operation of the Navajo Generating Station. The plant is well-positioned to continue to deliver affordable, reliable power – in addition to jobs and economic input – to consumers across the Southwest for decades to come.

It is imperative that stakeholders continue to work together to secure the plant's future and, in doing so, help ensure the energy diversity that Arizona needs to maintain a bright economic future.

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The views expressed in guest commentaries are those of the author and are not the views of the Arizona Capitol Times.