

May 14, 2024

The Honorable City Council  
Office of the City Clerk  
Room 395, City Hall  
Mail Stop 160

Attention: Councilwoman Katy Yaroslavsky  
Chairperson, Energy and Environment Committee

Honorable Members:

Subject: Council File No. 22-1467 – Navajo Generation Station and Mojave  
Generation Station Decommissioning Report

Enclosed is an executive summary for the subject referenced motion that requests the Los Angeles Department of Water and Power report to the Energy and Environment Committee.

If you have any questions or if further information is required, please call me at (213) 367-1338, or have your staff contact Mr. Paul Habib, Director of Legislative and Intergovernmental Affairs, at (213) 367-3846.

Sincerely,



Martin L. Adams  
General Manager and Chief Engineer

PH:tf

Enclosure

c/enc: Councilmember Tim McOsker, Energy and Environment Committee  
Councilmember Nithya Raman, Energy and Environment Committee  
Councilmember Bob Blumenfield, Energy and Environment Committee  
Councilmember Kevin De León, Energy and Environment Committee  
Mr. Paul Habib

## **Executive Summary for Council File No. 22-1467 – Navajo Generation Station (NGS) and Mojave Generation Station (MGS) Decommissioning Report**

This report is submitted in response to a request by the Los Angeles City Council (Council) for the Los Angeles Department of Water and Power (LADWP) to report to the Council on the efforts to engage Peabody Energy, the U.S. Department of Interior and others in the funding, cleanup and complete remediation of both the Black Mesa and Kayenta Coal mines, as well as the Mojave Generating Station and the Navajo Generating Station, and related areas, including buildings, roads and rail lines. Motion 22-1467 states the following:

1. "I THEREFORE MOVE that the Department of Water and Power (LADWP) be requested to report to the Council in 30 days on the efforts to engage Peabody Energy, the U.S. Department of Interior and others in the funding, cleanup and complete remediation of both the Black Mesa and Kayenta Coal mines, as well as the Mojave Generating Station and the Navajo Generating Station, and related areas, including buildings, roads and rail lines.
2. I FURTHER MOVE that the LADWP be requested to include the Navajo Nation and Hopi tribal members in these efforts of engagement and, with them, to explore the cleanup efforts and the options to reinvest in green renewable energy production within these areas as a way to help improve their local economies in only ways desired by them."

### **SUMMARY**

This report, submitted in response to a request by the Los Angeles City Council, details the efforts of the Los Angeles Department of Water and Power (LADWP) involvement with decommissioning activities at Mojave Generating Station (MGS), and Navajo Generating Station (NGS).

- In relation to MGS, LADWP transferred all responsibilities for cleanup and remediation of the Black Mesa Coal mine to Peabody Energy in a 2002 settlement agreement which included Final Remediation Costs.
- In relation to NGS, LADWP transferred all responsibilities for cleanup and remediation of the Kayenta mine to Peabody Energy in a 2008 settlement agreement which included Final Remediation Costs.
- The Navajo Generating Station is undergoing decommissioning and will be completed by December 22, 2024. Ongoing efforts are for site disposition, maintenance, and environmental support. LADWP's complete divestiture from NGS in 2016 was accomplished through the transfer of ownership to the Salt River Project (SRP), with limited continued responsibility for certain costs.
- The Mohave Generating Station has been completely decommissioned. The co-owners of the MGS have made approximately 80% of the property available for public sale. The remaining property is being evaluated for retention by the co-owners for ongoing monitoring, maintenance, environmental compliance purposes and transmission right of way.

## **BACKGROUND**

Navajo Generating Station was a coal-fired generation station located near Page, Arizona. It was comprised of three units of 750 MWs each, a coal train transportation system from Kayenta Mine to the power plant, an ash landfill area, a water pumping station near Lake Powell, and a water pipeline system. The land on which NGS is located was leased by the Navajo Nation to the Co-Tenants under the Indenture of Lease dated September 29, 1969. The Extension Lease was approved as part of Board Resolution 018-044, commenced on December 23, 2019 for 35-year term, expiring on December 22, 2054, in which NGS participants maintain interest in NGS transmission systems. Pursuant to Resolution No. 015 2014, LADWP divested its ownership interest in the NGS on July 1, 2016 under the Navajo Asset Purchase and Sales Agreement. Under the Asset Purchase and Sale Agreement dated July 24, 2015, between SRP and LADWP (the "LADWP Sale Agreement"), LADWP sold its undivided interest in NGS to SRP, effective July 1, 2016, but retained responsibility for payment of a share of costs, 19.7%, associated with the lease of the NGS Site, such as the closure and decommissioning of NGS, demolition and the remediation of the NGS Site.

Mohave Generating Station was a coal-fired generating station located in Laughlin, Nevada. It was comprised of two units and a total nameplate rating of 1,510 MWs. Both units entered commercial operation in 1971, and were removed from service in December 2005. As of October 2007, the MGS was in permanent shutdown status. Decommissioning activities began in 2009 and were completed in 2013. The MGS co-owners continue to own approximately 2,500 acres of land in Clark County, Nevada. Pursuant to a separate transaction with SRP related to LADWP's divestiture from NGS, LADWP acquired SRP's 20 percent ownership interest in MGS on July 1, 2016, which resulted in the following ownership breakdown: Southern California Edison (SCE) at 56.0 percent, Nevada Energy (NVE) at 14.0 percent, and LADWP at 30.0 percent. MGS co-owners are progressing with a site disposition plan to sell approximately 2,000 acres (80 percent) of the 2,500 acres of the MGS site that is no longer needed on behalf of all MGS co-owners through public sale.

## **RESPONSE #1**

*"...efforts to engage Peabody Energy, the U.S. Department of Interior and others in the funding, cleanup and complete remediation of both the Black Mesa and Kayenta Coal mines, as well as the Mojave Generating Station and the Navajo Generating Station, and related areas, including buildings, roads and rail lines."*

### **Navajo Generation Station, Kayenta Coal mines, and related areas**

Under the Navajo Generating Station Decommissioning and Monitoring Agreement, NGS participants, including the Department of Interior, Arizona Public Service Company (APS), LADWP, Nevada Energy (NVE), Salt River Project Agricultural Improvement and Power District (SRP), and Tucson Electric Power Company (TEP), have agreed to undertake decommissioning activities for the Navajo Generating Station (NGS). SRP,

acting as the appointed agent, oversees the closure of various facilities, removal of power units and equipment, and long-term monitoring. The NGS site, under the Extension Lease, will be surrendered to the Navajo Nation by December 22, 2024, with removal of facilities, surface restoration, and adherence to Navajo Project Retirement Guidelines. Decommissioning, closure of facilities, and site remediation are set for completion by 2023, with ongoing monitoring until 2054. The decommissioning cost, estimated at \$258 million, with LADWP's share at \$50.8 million, is being managed as per approved resolutions and ordinances. Annual lease payments to the Navajo Nation, initiated in December 2019, will continue until December 2054, as outlined in LADWP Board Resolution 018-044.

Following the 2008 Settlement Agreement between Peabody and NGS participants, the participants committed to paying Peabody the Final Reclamation Cost (FRC). This cost specifically pertained to the closure, decommissioning, and reclamation of the Kayenta Mine. Each NGS participant's share of ownership in NGS determined their individual contribution to the FRC. In turn, Peabody Energy, the recipient of these settlement payments, was obligated to use the funds for the closure, decommissioning, and reclamation of the Kayenta Mine. As part of the Settlement Agreement, NGS participants were released from any further liability or action related to the mine owned and operated by Peabody Energy. This resolution aimed to address financial responsibilities and legal considerations for NGS parties involved.

#### Mojave Generation Station, Black Mesa Coal mines, and related areas

Under Resolution 017-044, LADWP received approval for a budget of \$1,437,498.15 covering the Administrative, Maintenance, and Disposition costs for FY 2016-2019 at MGS. The budget included expenses for the site disposition plan, maintenance, environmental requirements, dam repair, well removal, general requirements, administrative costs, and annual property taxes. Despite MGS decommissioning in 2013, ongoing costs persist, encompassing Mohave Site Disposition Operations, Operation Support Services, and Environmental Site Support.

In compliance with the Nevada Division of Environmental Protection, minor clean up, groundwater monitoring, and upkeep of the plant site will continue for a number of years after the decommissioning to ensure that the integrity of the coal ash landfill is maintained and that the groundwater is protected from contamination. In accordance with the approved site disposition plan, the co-owners of MGS have made approximately 80% of the property of the Mohave Generating Station available for public sale. The remaining property would be retained by the co-owners for ongoing monitoring, maintenance, and environmental compliance purposes. Any sale transaction will require approval from the Board of Water and Power Commissioners and City Council.

As a result of Settlement Agreement in 2002, MGS participants agreed to pay Peabody a settlement cost which included FRC for the Black Mesa Mine from 2003 to 2006. As part of the Settlement Agreement, Peabody agreed to close, decommission, and

reclaim the Black Mesa Mine and release the MGS participants from any liabilities or claims on the mine that Peabody owned and operated.

## **RESPONSE #2**

*“...explore the cleanup efforts and the options to reinvest in green renewable energy production within these areas as a way to help improve their local economies in only ways desired by them.”*

LADWP values its long-standing partnership with the Navajo Nation, notably through initiatives like the Light Up Navajo program, which have not only fostered mutual learning but also significantly benefitted local communities. LADWP is committed to continuing this spirit of collaboration for mutual benefit.

While LADWP does not have any current power purchase agreements directly with the Navajo Nation, it is interested in exploring further opportunities to support Navajo Nation’s economic growth through renewable energy projects. LADWP’s commitment to achieving 100% carbon-free energy aligns with enhancing the Navajo Nation’s potential for the production of renewable energy.

LADWP’s recent engagements, such as the proposed solar project with battery storage, reflect its dedication, even though increased financial and market conditions posed some serious challenges – LADWP is interested to work closely with the Navajo Nation and relevant stakeholders to overcome these challenges. In addition, LADWP aims to leverage available transmission capacity at the Navajo Switchyard to develop projects that not only contribute to environmental sustainability but also bring economic benefits to the Navajo Nation.

LADWP looks forward to further discussions on how it can align its efforts with the aspirations of the Navajo community, honoring both environmental goals and the cultural significance of the lands involved.