Power Plant Operator Objects Navajo Nation's Changes to Lease

PHOENIX (AP) — The owners of a northern Arizona coal plant that sends water to the state's biggest cities has objected to changes made by the Navajo Nation in approving a lease extension.

The plant's operator, Salt River Project, told tribal officials this week that amendments dealing with water rights, hiring preferences and having the federal government sign on as a lessee are unacceptable. If the tribe insists on the changes, it's unlikely the two sides will reach a resolution to keep the Navajo Generating Station near Page running beyond 2019, said SRP associate general manager Mike Hummel.

Under legislation signed by tribal President Ben Shelly last month, the lease for the power plant would expire in 2044. The agreement also boosts yearly payments to the Navajo Nation from $3 million to $43 million.

A spokesman for Shelly said Thursday that tribal officials will meet to determine the next step.

Tribal Council Speaker Johnny Naize told the Gallup Independent (http://bit.ly/174umXh) that he believes the agreement is workable and that tribal lawmakers would meet in a special session to address it.

"To me it's just a matter of clarifying exactly what we meant to say in the legislation, or in the amendment," he said. "I'm just positive it's going to work out. They did ask us to meet with them again, which is a good sign. I want to talk with them again."

Extending the lease would preserve jobs and revenue to the Navajo Nation, and keep a coal mine that feeds only the Navajo Generating Station in operation.

A shut-down of the power plant would have a cascading effect across much of the state. The power generated from it delivers water through a series of canals to Arizona's biggest cities and ensures water rights settlements with American Indian tribes are met. The utilities that share ownership in the plant could replace the power generation, but the U.S. Bureau of Reclamation likely would have to buy it on the open market, potentially boosting rates for those who get water from the canals.

Environmentalists want the Navajo Nation to stand its ground on the amendments as a way to bolster any water rights the tribe asserts in the upper Colorado River basin or reject the lease so that the tribe can focus on renewable energy.

The Navajo Nation wants assurances from the power plant owners that they won't hinder or oppose its claims to water and for the U.S. Bureau of Reclamation to sign the lease.

SRP said it cannot agree to be the tribe's ally in water rights, particularly when it's not sure how much the Navajo Nation would claim. The utility also said conflicting language regarding hiring preferences for American Indians or Navajos also needs to be cleared up.

Hummel said that the tribe also didn't meet the conditions for a $1 million signing bonus even though Shelly approved the agreement by the April 30 deadline. Hummel said that's because the tribal lawmakers included amendments that SRP already had said would be unacceptable.

Bates said the Navajo Nation can say "no thank you" to SRP's proposed new language or try to find some common ground.

"The nation is going to have to deal with this one way or the other," he said. "But I can tell you this — the next debate will be much more intense."

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