



April 1, 2011

PRESIDENT SHELLY'S STATEMENT

Tribal Development of Energy and the Creation of Energy Jobs on
Indian Lands
Subcommittee on Indian and Alaska Native Affairs
Washington, D.C.

NAVAJO NATION BACKGROUND

The Navajo Nation (Nation) wants to attract businesses and lay down a track for investments in infrastructure, development and renewable energy that will create a stronger-driven, prosperous Nation. We have significant renewable and non-renewable natural resources, including substantial reserves of coal, oil and natural gas.

It has been exciting to be part of a new beginning for our Nation to restructure and streamline, using our fresh ideas and traditional teachings to complete our challenges and lay a solid foundation for future generations.

Our Nation has approximately 300,000 members and covers more than 27,000 square miles within the exterior boundaries of Arizona, New Mexico, and Utah, also occupying parts of 13 counties in those states.

The Navajo people also combat extreme poverty placing the reservation among the lowest echelons of socio-economic indicators for any geographic region in the United States. The latest statistics indicate that 48% of the Navajo people are unemployed and 40% live below the federal poverty line.

Our living conditions are considered substandard. An estimated 25% of homes on the reservation are traditional Navajo dwellings, called hogans. The remaining 75% of housing is comprised of mobile homes, modular buildings, and standard homes. Basic amenities are lacking in the following areas: 31% do not have complete plumbing, 28% do not have operational kitchen facilities, 38% do not have water services, 32% are without electricity, 86% do not have natural gas services, and 60% of the homes lack telephone service.

We are all in this together and as neighbors, we have to work together to create jobs and improve our economies.

MULTI-PRONG APPROACH TO ENERGY DEVELOPMENT

The Navajo Nation prefers a multi-prong approach to capitalize on our energy needs. Several energy options are at our disposal. We balance our economic opportunities with our environmental concerns and take a realistic view of the following energy packages: 1) Renewable Energy: a) wind, b) solar, c) other technologies, and d) extend the production tax credits and investment tax credits which support the growth of renewable energy, 2) A viable future with coal: a) clean coal technology and, b) applying sophisticated best available retrofit technology for existing coal development, and 3) Natural gas fired power plants.

Additionally, we oppose uranium mining on the Navajo Nation reservation. In the same vein, the Navajo Nation opposes any budget cuts to the Surface Mining Control and Reclamation Act (SMCRA) that funds Navajo Nation Abandoned Mine Lands (AML) Reclamation Program.

1) Renewable Energy

We are blessed with an abundance of natural resources including coal, oil and natural gas, as well as renewable resources, such as wind and solar. The Navajo Nation endorses renewable energy resources and embraces a vision for an energy economy that ensures long-term economic and social progress that positively impacts the regional economies of the Four Corner States.

A. WIND GENERATION

The Navajo Nation is working on three sites for utility-scaled wind generation development:

1. **Boquillas Ranch (Seligman, Arizona):** Potential for up to 500 Mega Watt (MW) wind farm. Leases for phase 1A and 1B were approved by the Navajo Nation Council in December 22, 2009, with groundbreaking anticipated in December 2011.
2. **Gray Mountain (Cameron, Arizona):** Potential for up to 500 MW wind farm. Grey Mountain is likely the best wind site on the Nation. We are working with the local community and potential developers to realize this project. We have secured the interconnection queue position to transmit power from this proposed wind farm.
3. **Black Mesa (Kayenta, Arizona):** Potential for up to 200MW wind farm. Preliminary wind data warrants formal wind study at two sites on Black Mesa.

The Navajo Nation is actively exploring other potential wind sites.

B. SOLAR GENERATION

The location of the Navajo Nation (its latitude and elevation) makes it extremely attractive for solar generation development. To accelerate solar development, we are partnering with the U.S. Environmental Protection Agency (USEPA) to assess and prioritize potential sites for solar development.

C. OTHER TECHNOLOGIES

The Navajo Nation is exploring additional technologies such as: waste-to-energy, geothermal, and biomass opportunities available to our Nation.

D. CONGRESS SHOULD EXTEND PRODUCTION AND INVESTMENT TAX CREDITS FOR RENEWABLE ENERGY

The Navajo Nation has benefitted from the American Recovery and Reinvestment Act of 2009, which extends both the production and investment tax credits. Some companies that generate wind, solar, and geothermal energy benefit from the tax credits and are incentivized to develop renewable energy projects on reservation. These tax credits will end in 2013. Congress should renew this legislation today to provide additional time for entrepreneurs to plan ahead so they are able to make investments that promote economic development on the reservation.

CLEAN COAL TECHNOLOGY

A) DESERT ROCK

Desert Rock Energy Project (Desert Rock) is proposed by Sithe Corporation (Sithe) in partnership with Diné Power Authority (DPA), a Navajo Nation Enterprise. Desert Rock is a merchant power plant, meaning that Sithe plans to sell power on the open market and has no current contracts. Sithe has suggested that Desert Rock “off-takers” (buyers of power) include

Arizona Public Service, Nevada Power, and the Salt River Project, for energy primarily slated for Tucson/Phoenix and the Las Vegas markets. A small percentage, up to 5%, of the proposed power from Desert Rock would stay on the Navajo Nation, where many citizens continue to live without electricity.

The USEPA issued a Prevention of Significant Deterioration permit in 2008; but remanded the approved permit in 2009. Currently, the permit is under appeal. The denial of the permit has stopped the Desert Rock Project.

Desert Rock will be one of the newest and cleanest coal generating plants in the country. Revenues from Desert Rock will be about one-third of the entire Navajo Budget and will allow us to head towards the path of self-sufficiency. Thousands of construction and high paying full-time jobs will be lost.

B) CURRENT POWER PLANTS NEED TO APPLY SOPHISTICATED BEST AVAILABLE RETROFIT TECHNOLOGY FOR EXISTING COAL DEVELOPMENT

The Navajo Nation seeks a balance between environmental protection to promote human health and economic opportunities supporting job sustainability. It is important for the federal government to make good on its responsibilities to properly consult with the Navajo Nation regarding any policies or decisions that could affect us since these pending Proposed Rules and future Rules could devastate the Energy Industry.

Accordingly, last year the Navajo Nation submitted comments to USEPA regarding the Advance Notice of Proposed Rulemaking: Assessment of Anticipated Visibility of Improvements at Surrounding Class 1 Areas and Cost Effectiveness of Best Available Retrofit

Technology (BART) of the Four Corners Power Plant and Navajo Generating Station. The Navajo Nation recommended the following:

- a. A phased approach to emissions reductions for the plants, in coordination with the glide path from 2004 to 2064, and
- b. Combustion controls - low NO_x burners, or LOX and separated over fire air technology or SOFA, are BART for both Plants at this time (we did not agree to the use of Selective Catalytic Reduction (SCR) technology, and
- c. USEPA should incorporate the use of real, recorded, and available data be used in its decision making instead of relying solely on modeling data, and
- d. USEPA should seriously consider the potential negative impacts to the fragile Navajo Nation economy due to a decision that requires the use of high cost SCR technology.

There are many important considerations that federal agencies, such as the USEPA, must review in light of any rulemaking that may affect the energy development goals of the Navajo Nation. The USEPA has a framework in place to guide government-to-government consultation and policies that consider impacts to Indian lands. The Navajo Nation has provided many of its natural resources for the benefit of its own people and many others throughout the Southwest. We know our coal reserves can continue to supply solid base load electricity, and we know it is important to expand our renewable energy portfolio. We are ready to work side-by-side with you to address and resolve energy demands in our local communities and across the Southwest.

3) NATURAL GAS POWERED POWER PLANTS

The Navajo Nation is looking at all future viable alternatives in energy development. Natural gas generated power plants have limited environmental degradation potential. It's estimated that the Navajo Nation has 25 trillion cubic feet of natural gas. It is one of our top alternative energy resources.

NAVAJO OPPOSES URANIUM MINING

The Dine Natural Resources Protection Act of 2005 is still in effect which essentially bans uranium mining and processing on the Navajo Nation.

We are deeply empathetic to this subject and we stand against uranium mining on the reservation. The Navajo Nation contributes to the energy needs of the American public, however, we still suffer devastating health impacts from uranium mining that took place during World War II efforts.

We are very concerned about the long-term health impacts from uranium that have affected our people and communities. Today, there are still uranium hot spots on the reservation. Some of the abandoned uranium mines even impacts our groundwater resources and our drinking water.

We are asking Congress to do everything possible to continue the scientific research regarding the health impacts and put all federal agencies attached to the World War II efforts on notice to REMEDIATE continued hotspots on the Navajo Nation and to deal with this legacy of government sponsored uranium mining.

I would like to express my appreciation for the Congressional leadership since 2007 to initiate a multi-agency, and a multi-year plan to address the impacts of uranium mining on the

Navajo Nation. Working with seven federal agencies, under direct oversight of the Committee of Oversight and Government Reform and the Committee of Energy and Commerce, we are now past the mid-point of a five-year plan. There are a growing number of accomplishments, but one thing is evident – there is still a lot more work to be done to address the many issues, especially the need for more resources for mine assessments, cleanup, and health assessment projects. I look forward to continuing this important effort beyond the scheduled five-year term, which ends in 2012.

NAVAJO AML-CONTINUE FUNDING

In the same vein, the Navajo Nation opposes any budget cuts that go to the Surface Mining Control and Reclamation Act that fund the Navajo Nation AML Reclamation Program. The Navajo AML projects have a fundamental commitment to assure the wellness and safety of the Navajo people by safeguarding abandoned mines and basic vital community infrastructure.

CONCLUSION

The Navajo Nation believes in taking the initiative to be more competitive to fulfill the dynamic demands of social, economic, political and environmental issues. We will continue to collaborate with our partners and neighbors in order to accomplish all of our priorities for this administration.

Aheehe', thank you.