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AZ CORP COMMISSION
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November 7, 2017

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Room 108
Phoenix, AZ 85007

Arizona Corporation Commission

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**RE: Evaluating Arizona's current & future baseload security
Doc. No. E-00000Q-17-0293**

Lazard has been engaged by Peabody, with the support of all other stakeholders involved, to facilitate ownership transition alternatives for the Navajo Generating Station (“NGS”) that would enable the plant to remain in long-term operation.

NGS is a 2,250 MW coal-fueled power plant that provides affordable, reliable electricity and is an integral part of the economy and infrastructure in northern Arizona and the southwestern United States more broadly. The plant has historically operated with high utilization rates and at the lower end of regional dispatch curves. In addition, the plant meets all federal air quality standards and emissions limitations—over \$650 million has been spent on environmental controls over the last decade.

Lazard believes that NGS is a critical resource in the region from a power generation and resource diversity perspective, and more importantly, from a total regional economic impact perspective. Lazard has decided to take on this assignment because we believe that there will be an optimal path forward that solves the needs of the many stakeholders involved.

The current owners have indicated that they plan to operate NGS through 2019; however, the plant could continue to operate through the mid-2040s, within its expected useful life. Thus, the abovementioned process has been initiated to identify potential new owners that would continue plant operation beyond 2019. Interest in NGS has primarily come from well-respected financial investors with strong track records in the power generation sector. Lazard is encouraged by the number and quality of potential new owners that have submitted ownership proposals for NGS that has included 15 private equity firms and power plant operators showing initial interest.

The ownership transition process remains on track with the transition timeframe outlined by operating agent Salt River Project, which has agreed to help facilitate an ownership transition subject to negotiation of definitive agreements. In the next phase, we will continue an intense focus to develop a new ownership structure, working toward a final selection of investors and negotiating definitive agreements by the end of the first quarter of 2018.

GEORGE W. BILICIC

Lazard Frères & Co. LLC
300 North LaSalle Street
Chicago, IL 60654

We look forward to working with the Arizona Corporation Commission in facilitating an ownership transition of NGS that would enable the plant to remain in long-term operations and provide reliable, affordable electricity to the state of Arizona.

If you have any questions regarding this information, please contact me at 312-407-6673.

Sincerely,

A handwritten signature in blue ink, appearing to read "George W. Bilic". The signature is fluid and cursive, written in a professional style.

George W. Bilic
Vice Chairman of Investment Banking
Global Head of Power, Energy & Infrastructure
Head of Midwest Investment Banking