

A horizontal banner with a complex, colorful pattern of geometric and organic shapes in shades of blue, green, yellow, and red.

The Treatment of Newmont Nevada Energy Investment's TS Power Plant Under EPA's Clean Power Plan

Meeting with the Office of
Management and Budget
June 24, 2015

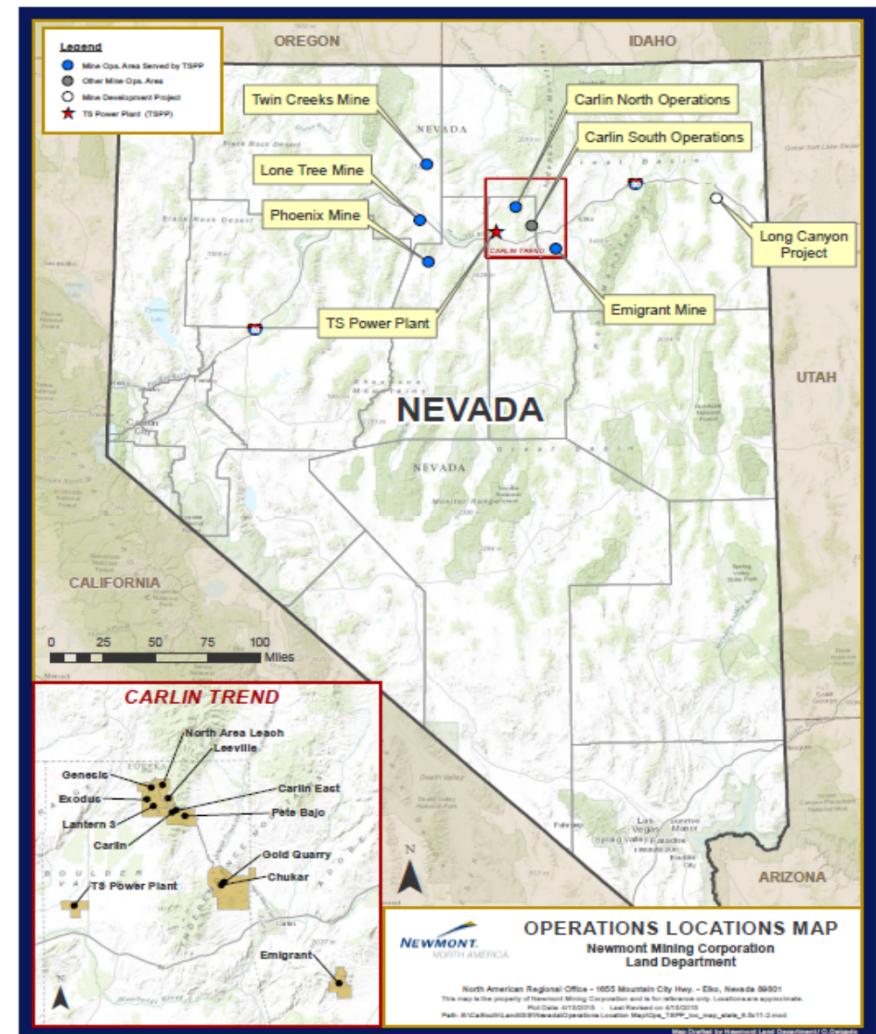
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Summary of Position

- TS Power Plant should not be included in the Clean Power Plan:
 - TS Power Plant is an industrial boiler and not subject to standards applicable to electric generating units (EGU).
 - Constructed for the sole purpose of providing power to Newmont mines and therefore is not an affected EGU subject to the rule.
- Good policy reasons support this exclusion.
 - Would require premature closure of a new, state-of-the-art power plant, ignoring the congressional directive to consider remaining useful life.
 - The plant is a captive company plant and can't avail itself of the flexibility offered in the rule for EGUs that are part of an interconnected utility.

TS Power Plant is a Unique Company-Owned Facility

- 242 MW power plant cost \$630 million; started up in 2008.
- Owned and operated by Newmont Nevada Energy Investment (NNEI), a wholly-owned subsidiary of Newmont.
- Constructed for the sole purpose of providing electric power to Newmont's operations in northeastern Nevada.
- One of the newest and most efficient coal-fired power plants in the country.



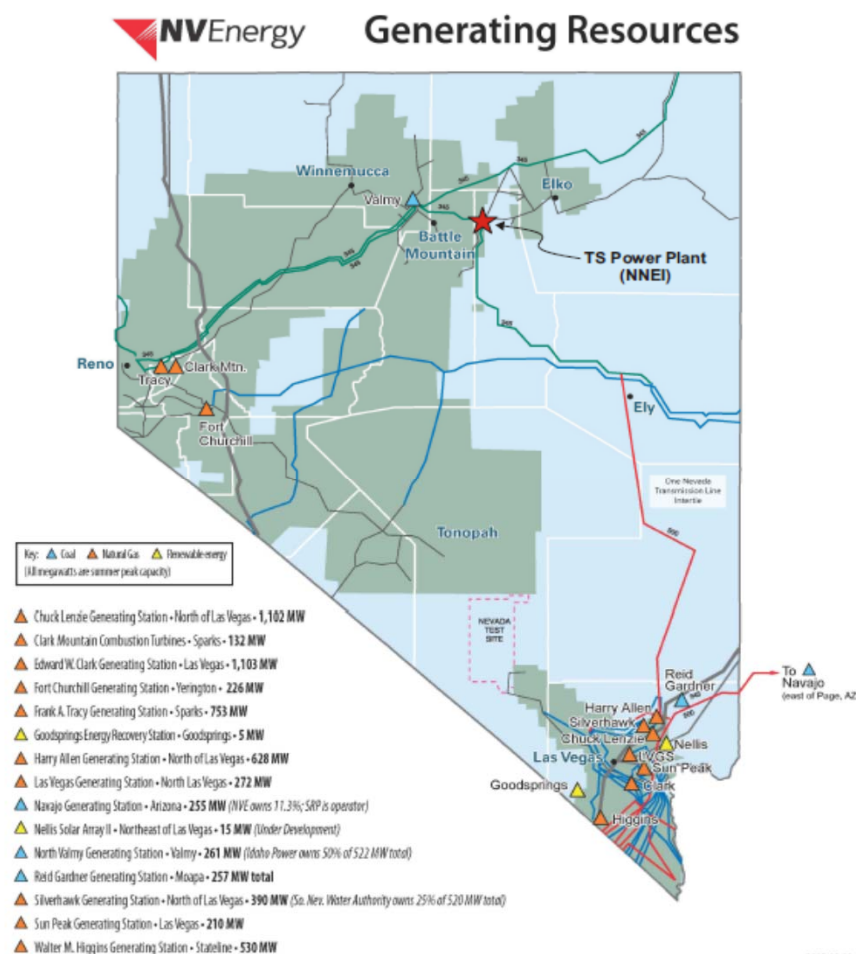
Transmission of Power Generated at TS Power Plant to Newmont Mines

- Electricity enters NV Energy's Falcon substation, located adjacent to the TS Power Plant.
- Electricity is fed into NV Energy's high voltage transmission system, not a utility distribution system.
- Voltage is stepped down at Newmont-owned substations, and distribution occurs via Newmont-owned distribution systems.



TS Power Plant Provides Power to Newmont's Nevada Operations

- Newmont's operations are in northern Nevada, where there is limited generation and transmission capacity.
- Vast majority of generation and transmission is in southern Nevada.
- Rapidly escalating power costs and reliability concerns drove Newmont's decision to construct the TS Power Plant.



Clean Power Plan Three-Part Applicability Test



- In order to be subject to the rule, a power plant must meet all three parts of the applicability test:

(1) a steam generating unit with base load rating greater than 73 MW (250 MMBtu/h) heat input of fossil fuel; **and**

(2) **constructed for the purpose of** supplying one-third or more of its potential electric output to a **utility distribution system; and**

(3) supplies more than 219,000 MWh net-electric output to a utility distribution system on an annual basis.

40 CFR 60.5795(b).

TS Power Plant Does Not Meet Applicability Test for EGUs

- Nevada PUC application establishes that the facility was built to supply power to Newmont mines.
 - PUC application expressly states that “[t]he Facility is being developed for the **specific purpose** of providing electric power to Newmont’s gold mining and ore processing operations.”
 - Application estimated that significantly less than 1/3 of facility’s potential electric output would be supplied to a “utility distribution system.”
- TS Power Plant does not meet the second part of the applicability test.

Actual Plant Operation Supports Original Estimates

- NNEI contracted with NV Energy to use its transmission system to deliver power to Newmont's mines, via Newmont's distribution system:
 - Block 1 Power: 30 MW to NV Energy to guarantee service.
 - Block 2 Power: set at the consumption level of Newmont's mines.
 - Block 3 Power: any excess power
 - ❖ Originally reserved for NV Energy, but not always used.
 - ❖ Since 2013, TS Power Plant controls sale of any excess power.
- TS Power Plant has never supplied more than 22%, and currently supplies approximately 15% of “potential electric output” to a “utility distribution system.”
- Therefore, the TS Power Plant is not an affected EGU subject to the rule.

Policy Reasons Support Removal of TS Power Plant from Rule



- Fundamental premise of the Clean Power Plan that electric power can be freely exchanged “among multiple generation facilities and different types of generation” does not apply to TS Power Plant.
 - Generation is driven by Newmont’s industrial needs and not the demands of the broader electrical grid.
- EPA’s Building Blocks do not apply to the TS Power Plant.
 - Building Block 1: TS Power Plant is one of the most efficient in the country, so improving heat rate by 6% is not technically feasible.
 - Building Blocks 2, 3, and 4 (natural gas, renewable energy, and energy efficiency) are outside the control of the TS Power Plant.
- The TS Power Plant cannot take advantage of the flexibility EPA has attempted to build into the rule.

Policy Reasons Support Removal of TS Power Plant from Rule

- EPA's proposed goals for Nevada would result in closure of the TS Power Plant by 2020, a mere 12 years after initial start-up.
 - Interim goal of 697 lb/MWh unachievable without shuttering all coal-fired generation in Nevada, including TS Power Plant.
- TS Power Plant is at risk of closure by 2030.
 - Final goal of 647 lb/MWh allows continued operation of TS Power Plant **only** if all other Nevada coal generation is shut down and State exceeds EPA's aggressive renewables target by 200%.
- Nevada's own comments and analysis demonstrate that it cannot meet these goals.

EPA Must Consider Remaining Useful Life of TS Power Plant

- EPA must provide States with flexibility to consider the remaining useful life of sources.
 - Section 111(d) requires that EPA allow States to consider “the remaining useful life of the existing source ...”
 - EPA regulations reiterate that States have authority to consider “unreasonable costs” to sources when developing plans.
- Congress recognized that premature closure would deprive plant owners of their relied-upon investment.
 - TS Power Plant constructed at a cost of \$630 million, with a projected useful life of at least 30 to 40 years.
 - Closure of this state-of-the-art facility after only 12 years of operation would result in lost investment.
 - In contrast to other utility systems, NNEI could not pass these lost costs on to ratepayers.

Conclusion

- The TS Power Plant is not an affected EGU subject to the Clean Power Plan because it was not constructed for the purpose of supplying one-third or more of its potential electric output to a utility distribution system – a required element.
- Instead it is an industrial steam boiler, as provided for under EPA's own regulations.
- The rule currently puts at risk Newmont's \$630 million power plant investment after only 12 years of operation.
- EPA must exclude the TS Power Plant from the Clean Power Plan baseline and goal calculations for Nevada.