

# **Celebrating 75 Years - History in the Making**



**ARIZONA POWER AUTHORITY  
2019 ANNUAL REPORT—NO. 61**

# Presentation of Report

## COMMISSION

June 2020

### **Russell L. Jones**

Chairman

10/1/2018-9/30/2019

The Arizona Power Authority (Authority) presents the Operating Year 2019 Annual Report. This report accounts for the Authority's operational and financial activities for the operating year ending September 30, 2019. It also covers the Authority's administration of Arizona's hydroelectric power entitlement generated at Hoover Dam and Powerplant.

### **Lawrence V.**

### **Robertson, Jr.**

Vice Chairman

10/1/2018-9/30/2019

March 27, 2019 marked the 75th Anniversary of the Authority. In celebration of this diamond anniversary, the Authority dug into its archives to develop a history book to commemorate all that has occurred since its inception. Starting with indigenous Arizonans, the book attempts to capture how essential the water-power-agriculture nexus was and continues to be for Arizona and the Authority.

### **Drew John**

2/1/2019-9/30/2019

To mark the celebration, the APA developed a logo focusing on Hoover Dam, a diamond in the desert for Arizona. Once the commissioners approved the new logo (see cover page), the APA commissioned coins with the logo and a picture of the turbines on the other side (see below).

### **John F. Sullivan**

10/1/2018-9/30/2019

To cap off the celebration, the APA hosted legislators on the Capital Lawn and had an all-star list of speakers from the American Public Power Association, Western Area Power Administration, the Bureau of Reclamation and the Governor's Office. Hunter Moore, Natural Resource Policy Advisor for the Governor, read a Proclamation commemorating the occasion. The Arizona Senate and House of Representatives also issued a concurrent resolution to mark the event.

### **Dalton H. Cole, Jr.**

10/1/2018-9/30/2019

## STAFF

### **Ed Gerak**

Executive Director

Arizona Power Authority  
1810 W. Adams St.  
Phoenix, AZ 85007  
(602) 368-4265  
[www.powerauthority.org](http://www.powerauthority.org)

### **Heather Cole**

Executive Secretary



## Commissioners

### **Russell L. Jones— Chairman**

Appointed to the Commission in 2014, for a term expiring in 2024, Russ assumed the role of Chairman in January 2019. He is the Chairman of the Board of R.L. Jones Management Group and R.L. Jones Custom Brokers, with seven (7) offices, serving key Ports of Entry along the U.S./Mexican Border, established in 1938 by his grandfather. Russ served three (3) terms in the Arizona House of Representatives, where he was the Chairman of the Agriculture and Water Committee. As well as holding a National Customs Broker license, he is a licensed Surplus Lines Insurance Broker, and sits on the executive committee and boards of several organizations; including the Arizona/Mexico Commission and Chairman of the Border Trade Alliance. An active Rotarian and pilot in the Civil Air Patrol, Russ is also a proud member of VFW Post 19 in Yuma.



### **Lawrence V. Robertson, Jr. —Vice-Chairman**

Appointed to the Commission in 2017 for a term expiring in 2022, Larry assumed the role of Vice-Chairman in January 2019. Larry V. Robertson, Jr. is a natural resource, utility and energy attorney, of counsel with Munger-Chadwick. Admitted to the Arizona Bar in 1964, Larry has worked as Secretary and General Counsel for Southwest Gas Corporation; Vice President and General Attorney, Tucson Electric Power Company; Vice-President, Secretary and General Counsel, Interstate Natural Gas Association of America; Undersecretary of Energy and Deputy General Counsel for the U.S. Department of Energy. Larry has also been admitted to the Nevada, Wyoming, Montana, Texas and Colorado bars, as well as the U.S. District Court and the U.S. Supreme Court. He received a bachelor's degree and Juris Doctor from Stanford University.



## Staff



### **Staff (From Left to Right)**

Robert Nieto—IT Manager

Gary Kern—Financial Administrator

Linda Sullivan —Senior Rate Analyst

Abel Gunn— Senior Accountant

Heather Cole—Executive Secretary

Chris Shoop—Senior Rate Analyst

Ed Gerak—Executive Director



# Commissioners

## **Dalton H. Cole— Commissioner**

Appointed to the Commission in January 2002 and re-appointed through his present term expiring in 2020, Dalton assumed the Chairman's role in September 2016. He is a retired businessman and farmer. A past member of the Central Arizona Water Conservation District Board, Mr. Cole co-founded and chaired the HoHoKam Irrigation District. He also served on the board of Electrical District No. 2 in Pinal County for 18 years and is a past chairman. In addition, Mr. Cole is a past chairman of the State Board of Directors for Community Colleges. He has served on the Ground Water Management Committee for Pinal County, as well as advisory committees to the Arizona Legislature regarding water and power issues.



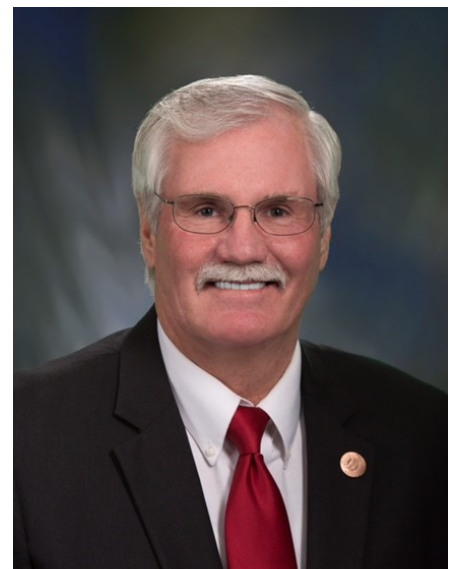
## **John F. Sullivan —Commissioner**

Appointed to the Commission in 2017 for a term expiring in 2022, John F. Sullivan is the former Deputy General Manager and Chief Strategic Initiatives Executive of the Salt River Project. His areas of responsibilities included Energy Management, Water Resource Management, and Strategic Planning. Prior to this, John served for 2 ½ years as Associate General Manager and Chief Resources Executive, and 17 years as Salt River Project's Associate General Manager for the Water Group. John received his baccalaureate degree in electrical engineering from the University of Arizona, is a past President of the Water for the West Foundation, Colorado River Water Users Association, Colorado River Energy Distributors Association and the National Water Resource Association.



## **Drew John—Commissioner**

Appointed to the Commission in 2019 for a term expiring in 2020, Drew John has a diverse background including many years of service. He is a 4th generation Arizonan, growing up on a ranch in Cochise County. His business ventures include a meat packing company, Suzuki and tractor dealerships, block manufacturing, trucking, fuel station and cosmetology. Drew has also served on many local, regional and state positions. These include the Safford Unified School Board, 16 years as a Graham County Supervisor and in the Arizona House of Representatives for parts of Greenlee, Graham, Cochise and eastern Pima counties. He is a graduate of Project CENTRL and also a Fellow for the Flinn-Brown Foundation Civic Leadership Program.



# Report of the Executive Director

Despite the milestone anniversary that the Authority celebrated in 2019, the most significant event of the year was the signing of the Drought Contingency Plan (DCP) Legislation. Because of the nearly two decades of drought, the risk of Lake Mead falling below the critical level of 1025' was continuing to grow. To mitigate that risk, Arizona, the other six basin states and Mexico negotiated a deal to supplement the 2007 Interim Guidelines.

To get this deal across the finish line, every party stepped up to take cuts. Arizona, with the lowest priority on the river, was the first to take the steepest cuts at a higher level. Previously, cuts would not kick in until the lake level got below 1075', but with the DCP, the first level of cuts (Tier 0) occurs between 1090' and 1075'. The Lower Basin will be in Tier 0 in the 2020 Water Year, and Arizona will lose 192,000 AC-FT.

While power representatives were not at the table for the DCP discussion because of its priority level, the complexity and sheer number of people involved, power will see a short-term pain for long term gains. By increasing the lake elevations, hydropower will ultimately reach an inflection point, where the loss of water through the turbines is offset by the larger change in head.

The Authority was quick to raise concerns of how this would impact the power development at Hoover. We even developed forecast tools for our customers to help them understand how this may change the rates. To help mitigate the energy loss, the Authority issued a request for proposal to explore the possibility of firming and supplemental energy for its customers.

Faced with loss of energy, the Authority continued to pursue operational excellence initiatives. We successfully lobbied to have our fiscal year changed from the state calendar to match the Federal Water Year. This will allow us to eliminate the need for two audits, saving us thousands of dollars per year. House Bill 2274 went through both chambers with a unanimous vote.

We also continued to emphasize budget control, beating our net profit estimates by \$197K on a \$20.6 million budget. Despite having less energy to sell because of intentionally created surplus (water held in Mead for future use), administrative and general costs were \$143K under budget.

These cost controls have had continued benefits, allowing to go into 2020 with an essentially flat rate, even though Tier 0 cuts will impact the power generation.

Customer service continues to be a primary strategic initiative with continued emphasis on Hoover tours, customer visits, Speaker Series and Customer Consultation Committee meetings. During our annual Customer Service survey, the Authority received top scores in leadership, operational excellence and customer service. It also received an average of 4.83 out of 5 for state and federal lobbying.

Ed Gerak

Executive Director

***We believe this combination of excellence in operations and strong execution of our strategy is critical to achieve our vision. We will continue to focus on both in future as well—Azim Premji***

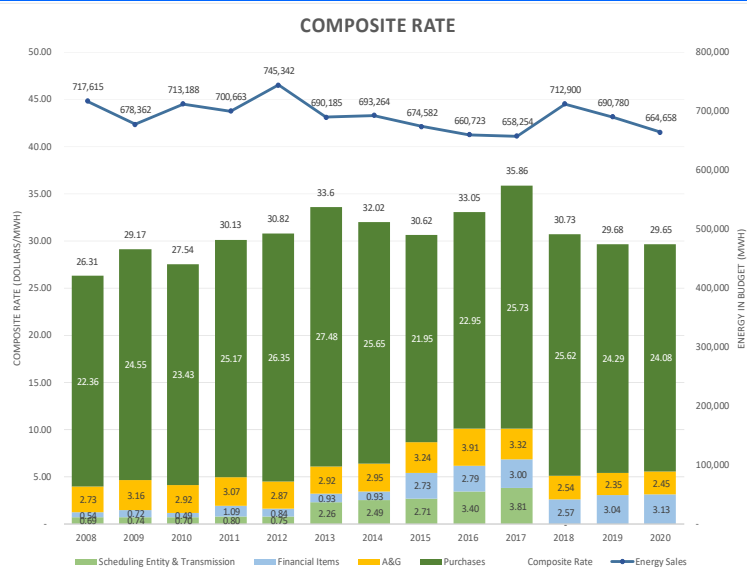


Mark Gabriel—WAPA CEO & Administrator



# Operations

The generator life extension plan was completed in 2017, and individual projects will address the noted deficiencies. This year the N4 stator wedges were replaced. The N1 wicket gate was replaced with a design that will increase efficiency and capacity. The renovation of the visitor center theater level was completed this year partially funded with an award from Southern Nevada Public Land Management Act. Last year, a landfill was discovered near the firing range at Hoover Dam. The Bureau of Reclamation is investigating the extent of the contamination and the requirements for remediation, but the Hoover contractors are concerned about the cost and financial responsibility for the clean up.



# Customer Service Report

2019 was a year of remembrance and celebration of the past 75 years of the Arizona Power Authority. In commemoration of the event, a book marking the History of the APA was created. Also created were a new APA logo and a Commemorative Coin that highlighted the logo as well as the turbines at Hoover. The State Legislature, Staff, VIP's and elected officials were treated to a fabulous luncheon on the Senate Lawn which culminated the anniversary. In addition, Governor Doug Ducey signed a Proclamation recognizing the accomplishments of the APA since 1944.

Staff shared a chapter or two of the history book with the Commissioners and customers at each Commission meeting throughout the year.

The Luncheon on the Lawn was attended by VIP's from the Bureau of Reclamation, Western Area Power Administration, the American Public Power Association, Governor's Office, State Legislature, past and present Commissioners and our customers.

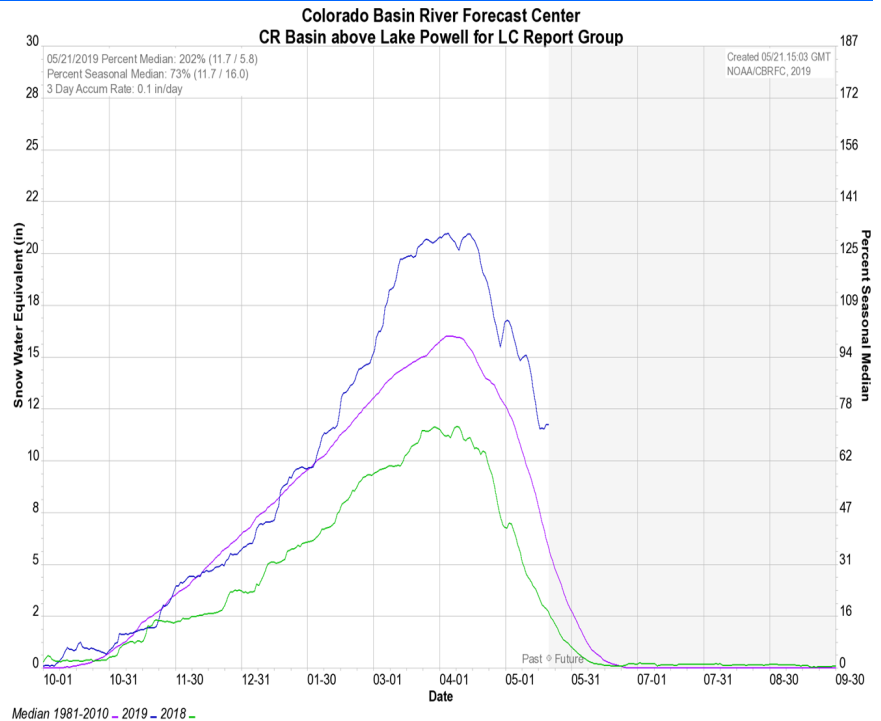
The quarterly Speaker Series began with the 2019 Economic Outlook and continued throughout the year with topics such as Drones & Lasers, a presentation from the Arizona Farm Bureau and a Legislative Wrap-up following the Legislative Session.

Customer Service continues to be at the forefront for the staff of the APA and the APA offices are a welcoming place that customers, lobbyists and other guests frequent while attending hearings or meetings at the State Capitol. In addition, staff is continuing to create a Customer Service training program that can be utilized for APA customers and be used for their employees.



# Hydrology

The water year started with dry conditions and below average low soil moisture in the upper and lower basins. Starting in November there was above average precipitation and lower temperatures through January, and beginning in February, there was record precipitation. By April, the snowpack was at 111%, and the runoff was above normal resulting in Lake Powell inflow 145% of average. The Colorado River basin increased from 26.8 to 32.7 MAF. In response to the high precipitation amounts, the downstream water users required less water; therefore, the energy generated was about 4% less than forecasted at the beginning of the operating year.



## Management's Discussion & Analysis

The CliftonLarsonAllen Audited Financial Statements and Supplementary Information are attached for your review. Included in this attachment, beginning on page 3, is the Management's Discussion & Analysis. The information contained in the Management's Discussion and Analysis is intended to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Accounting Department:

**Arizona Power Authority**  
**c/o Accounting Department**  
**1810 West Adams Street**  
**Phoenix, AZ 85007**

[inforequest@powerauthority.org](mailto:inforequest@powerauthority.org)





