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ARIZONA POWER AUTHORITY

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MINUTES OF THE ARIZONA POWER AUTHORITY (“APA”) COMMISSION (“Commission”) MEETING HELD MAY 17, 2022

- PRESENT:** Philip C. Bashaw, Vice Chairman
Russ Jones, Commissioner (*Attended Virtually*)
John Sullivan, Chairman
Jim Sweeney, Commissioner
- STAFF:** Heather Cole, Executive Secretary to Commission
Gary Kern, Financial Administrator
Ben Norris, Attorney General’s Office
- OTHER:** Alexandra Arboleda, TSL Law Group
Michael Curtis, Cortaro Marana
Dennis Delaney, KR Saline & Associates
Sheri Farag, Salt River Project
Ed Gerak, Irrigation & Electrical Districts Association (IEDA)
Elston Grubaugh, Wellton Mohawk
Leslie James, CREDA
DeWayne Justice, Electrical District #8
Donovan Neese, Roosevelt Irrigation District
Paul Orme, Electrical District #3
Amber Parker
Ken Robbins, Electrical District #2
Ken Saline, KR Saline & Associates
Scott Saline, KR Saline & Associates
Meghan Scott, Wellton Mohawk
Sheryl Sweeney, ClarkHill
Glen Vortherms, Maricopa Water Conservation District
Jeff Woner, KR Saline & Associates

CALL TO ORDER: The meeting was called to order at 10:04 a.m. by Chairman John Sullivan. Quorum was established.

ROLL CALL: Commissioners Bashaw, Jones, Sullivan and Sweeney were present.

CHAIRMAN REQUEST FOR DECLARATION OF CONFLICT OF INTEREST BY ANY COMMISSIONER:

- Each Commissioner declared they had no conflict of interest on any matter as listed on the agenda for today's meeting.

PLEDGE OF ALLEGIANCE: The Pledge of Allegiance was recited.

APPROVAL OF MINUTES:

- **Motion:** To approve the minutes from the Regular Commission Meeting held on April 19, 2022 was made by Vice Chairman Bashaw and seconded by Commissioner Sweeney.
- **Vote:** Commissioners Bashaw, Jones, Sullivan & Sweeney approved the motion.
- **Resolved:** Approved as stated above and the written documents are entered into the Commission records.

- **Motion:** To approve the minutes from the Executive Session held on April 19, 2022 was made by Commissioner Jones and seconded by Vice Chairman Bashaw.
- **Vote:** Commissioners Bashaw, Jones, Sullivan & Sweeney approved the motion.
- **Resolved:** Approved as stated above and the written documents are entered into the Commission records.

LEGISLATIVE UPDATE: Mr. Ed Gerak reported that he recently attended the National Water Resources Association (NWRA) Federal Water Issues Conference.

The list of speakers was impressive and included Congressman Cliff Bentz, the Ranking member of the Water, Oceans and Wildlife Subcommittee who spoke to the group. Being a water lawyer from the dry side of Oregon, who was raised on a ranch, he understands our issues better than most. He stressed the importance of quantifying the value of water, not by the cost of it, but the value in the products it produces or the lives it saves.

Patrick Sigl, with SRP, led a discussion on the Sackett vs. EPA case that is ongoing. The fact that the SCOTUS accepted this case makes you think that a change is coming. Multiple news articles came out after the leaked Roe vs. Wade opinion on how this may affect future decisions, especially in the natural resource world given the conservative majority.

Assistant Secretary Tanya Trujillo spoke on water related issues, specifically about the implications of mitigation water at Glen Canyon Dam to protect hydropower. Mr. Gerak took the opportunity to ask her to reconsider the decision to perform bug flow experiments again this year given the projected week of by-pass and the current replacement power costs.

Mr. Gerak visited with Zach Laven in Congressman Schweikert's office. Congressman Schweikert has always been supportive to the Ag groups, and with his ascent in the Ways & Means Committee, there is a good chance he could chair a subcommittee next year. He asked Zach about the Solar Tariffs and highlighted the need to get this fixed as it is delaying projects and preventing future ones when we are in dire need of replacement capacity.

Due to office Covid protocols, he met with Chris Phalen from Senator Sinema's office virtually. He was unaware of the FERC order and how it impacted Arizona with California being able to hijack Arizona electricity. They sent an "us too" support letter regarding our appropriation requests to Senator Kelly's office for the Waste Site and Hoover By-Pass Restrooms. We discussed the power impacts and the current market conditions on the Colorado River.

The conference attendees heard from Congressman Newhouse. As chairman of the Western Caucus, Mr. Newhouse focused on wildfires and their impacts.

A discussion was held with Emily Cummins of Congresswoman Kirkpatrick's office. Our previous ask for the dump site remediation made the top 5 energy & water asks from Ann's office. While the estimates have been revised down recently, our ask will more than cover the costs, including those already spent on mitigation.

Mr. Gerak met with Johnny Zwaanstra, with Representative Lesko's Office. He provided an explanation on a few of the questions that were submitted for the hydropower hearing on Thursday, and updated him on the approps requests, the status of energy loss on the river and the solar tariff issues. The specifics of a concept that we proposed may have hit a snag, but the gist is to shed environmental cost adders to hydropower during drought situations, and that idea hasn't changed, we might just have to refine the language.

Senator Kelly met with many of the Arizona NWRA attendees, and had a roundtable with the Senator. While large groups tend to be disjointed, we were able to highlight the FERC decision and ask their office to encourage FERC to revisit it, especially with the potential for brownouts this summer in Arizona.

They met with Sierra Fuller from Congressman O'Halleran's office. The Congressman is on both Energy & Commerce and Agriculture. We asked if there was anything creative that could be done through the Farm Bill like we are seeing on wildfires from USDA.

The group wrapped up the conference with a meeting with the Bureau of Reclamation. A primary focus of this discussion was the impacts of drought to Arizona, the need for increased capacity and the problem that this solar tariff is having on projects.

Vice Chairman Bashaw shared that there has been a shift in mindset regarding the economic impact studies on the value of products vs water being used. The Ag community is becoming much more efficient.

Vice Chairman Bashaw asked if the mitigation water being left in Lake Powell will eventually be released? Ms. Alex Arboleda, CAP Board member, attended the APA Commission meeting and answered the question. In order for the lower basin to agree to leave the water in Lake Powell it was agreed that the lower level in Lake Mead would not trigger a lower tier. The water belongs to Lake Mead and although not currently physically being placed in Lake Mead, it will not cause an adjustment. The level is expected to be lowered approximately 8 feet. Both the Bureau of Reclamation and the Department of Interior have agreed to this arrangement.

REVIEW OF EXPENDITURES AND FINANCIAL REPORTS AND APPROVAL OF

CLAIMS: Gary Kern, Financial Administrator, provided the Expenditures & Financial Reports.

Hoover Operations Fund Claims #13375 - #13412 and APA Fund Claim #653 for the period April 1, 2022 through April 30, 2022 were presented.

- **Motion:** To approve Hoover Operations Fund Claims #13375 - #13412 and APA Claim #653 as presented was made by Commissioner Sweeney and seconded by Commissioner Jones.
- **Vote:** Commissioners Bashaw, Jones, Sullivan & Sweeney approved the motion.
- **Resolved:** Approved as stated above and the written documents are entered into the Commission records.

Following the Financial Report, Ken Saline asked the Commission to consider using some of the surplus funds discussed to lower the energy rate. Anything the APA can do to help the high energy costs and the impacts on customers would be greatly appreciated. Chairman Sullivan asked staff to take a hard look at the surplus and determine/provide recommendations on use of the surplus. APA staff is not currently confident with WAPA's numbers, but is doing a deep dive into the reports.

Vice Chairman Bashaw requested that staff look into the 2023 budget in terms of rate changes as well. Mr. Kern mentioned that the budget is being put together and the draft will be shared with customers in early-mid June.

REPORT ON POWER OPERATION MATTERS: Gary Kern, Financial Administrator, reported the following:

- Monthly precipitation – April had a higher percentage of precipitation compared to the same time last year.
- Water Year Precipitation – When we compare this water year to date to the same time period last year, over all we have had more precipitation.
- Upper Colorado River System – Precipitation to Date in the upper Colorado river system is at 94% which is considerably higher than the same time last year.
- Lake Powell inflow is forecast to be 55% of normal for the year.
- Total System Contents – (Upper and lower basin) There was so little snow this past year that we are not seeing an increase in the basins and we do not expect to see this getting much better in the coming months.
- Reservoir and System Capacity – Currently Lake Powell is at 24% and Lake Mead is at 30% of capacity
- Lake Mead Elevation – Lake Mead is currently below 1,075. By this time next year, we anticipate the elevation to be at the 1,044 mark.
- The Climate Forecast from the Colorado Basin River Forecast Center for Arizona in the next 90 days is above normal temperatures with a 33%-40% chance of above normal precipitation over the next 3 months.

CHAIRMAN REPORT:

- WAPA Public Information Forum Update: Chairman Sullivan announced that WAPA held the Public Information Forum regarding the Base Rate. They are not proposing any changes to the formula. There will be a Formal Comment Period until July 12. The APA will work with the customers to prepare comments.
- AZ G&T Annual Meeting Update: Chairman Sullivan & Vice Chairman Bashaw attended the Annual Meeting. The Co-ops have many of the same concerns as the other APA customers. AEPCO will be adding some generation in the Apache & Mohave service territories. Many of

the discussions revolved around the current trends with natural gas markets and investments in battery storage.

BUSINESS ITEMS

Consideration & Approval of APA Resolution 22-01 – Regarding Check Signing

- **Motion:** To approve APA Resolution 22-01 regarding Check Signing was made by Vice Chairman Bashaw & seconded by Commissioner Sweeney.
- **Vote:** Commissioners Bashaw, Jones, Sullivan & Sweeney approved the motion.
- **Resolved:** Approved as stated above and the written documents are entered into the Commission records.

COMMISSIONER COMMENTS: Commissioner Sweeney expressed his excitement for Jordy to begin and thanked the staff for their hard work during this interim period. Chairman Sullivan agreed.

VISITORS' COMMENTS/CALL TO THE PUBLIC: N/A

ADJOURNMENT:

There being no further business to come before the Commission, Chairman Sullivan adjourned the meeting.

The meeting was adjourned at 10:43 a.m.

John F. Sullivan, Chairman

ATTEST:

Heather J. Cole, Executive Secretary to Commission