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ARIZONA POWER AUTHORITY

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MINUTES OF THE ARIZONA POWER AUTHORITY (“APA”) COMMISSION (“Commission”) MEETING HELD DECEMBER 13, 2022

PRESENT: Philip C. Bashaw, Vice Chairman
Russ Jones, Commissioner
Kim Owens, Commissioner
John Sullivan, Chairman
Jim Sweeney, Commissioner

STAFF: Heather Cole, Executive Secretary to Commission
Jordy Fuentes, Executive Director
Gary Kern, Financial Administrator
Ben Norris, Attorney General’s Office (*attended virtually*)
Sonseeahray Thayer, Senior Rate Analyst

OTHER: Alexandra Arboleda, Electrical District #4
*David Beckham, Water Infrastructure Finance (WIFA)
Dennis Delaney, K.R. Saline
*Sheri Farag, Salt River Project
*Ed Gerak, IEDA
*Daniel Herder, ClarkHill
*Taylor Howerter, Roosevelt Irrigation District
Leslie James, CREDA
*Jimmy Kendrick, WAPA
Kristine McMinimy, AEP
*Jason Moyes, Moyes Sellers & Hendricks
*Donovan Neese, Roosevelt Irrigation District
*Dean Owens, Guest
Ken Robbins, Electrical District #2
Ken Saline, KR Saline & Associates
Scott Saline, KR Saline & Associates
*Meghan Scott, Wellton Mohawk
*Sheryl Sweeney, ClarkHill
*Lori Taitano, Salt River Project
Kelly Urbine, Current Insights
Jeff Woner, K.R. Saline
Brian Yearges
Brian Young
*All Guests Attended Virtually Unless Noted **

CALL TO ORDER: The meeting was called to order at 11:30 a.m. by Chairman John Sullivan. Quorum was established.

ROLL CALL: Commissioners Bashaw, Jones, Owens, 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 October 18, 2022 was made by Commissioner Owens and seconded by Commissioner Sweeney.
- **Vote:** Commissioners Bashaw, Jones, Owens, Sullivan & Sweeney approved the motion.
- **Resolved:** Approved as stated above and the written documents are entered into the Commission records.

REVIEW OF EXPENDITURES AND FINANCIAL REPORTS AND APPROVAL OF CLAIMS:

Sonseeahray Thayer, Senior Rate Analyst, provided the Expenditures & Financial Reports. Hoover Operations Fund Claims #13718 - #13741 for the period November 1, 2022 through November 30, 2022 were presented. There were no APA claims in November.

- **Motion:** To approve Hoover Operations Fund Claims #13718 - #13741 as presented was made by Commissioner Jones and seconded by Commissioner Owens.
- **Vote:** Commissioners Bashaw, Jones, Owens, Sullivan & Sweeney approved the motion.
- **Resolved:** Approved as stated above and the written documents are entered into the Commission records.

The Commissioners had several questions regarding the interest earned and refunds to A/B customers from original contract. The State Treasurer's office oversees the HOA & APA funds.

REPORT ON POWER OPERATION MATTERS: Sonseeahray Thayer, Senior Rate Analyst provided an update on power operation matters:

- Monthly precipitation – November precipitation was considerably higher than the same time last year.
- Water Year Precipitation – Additionally, 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 92% which is a little higher than what it was the same time last year.
- Lake Powell inflow is forecast to be at 71% of normal for the year.
- Total System Contents – (Upper and lower basin) Total system contents continue to decrease.

- Reservoir and System Capacity – Currently Lake Powell is at 24% and Lake Mead is at 28% of capacity.
- Lake Mead Elevation – By October of 2024 we anticipate the elevation at lake Mead to be at the 1,017 mark.

The Climate Forecast from the Colorado Basin River Forecast Center for Arizona is 33%-50% above normal temperatures with a 33%-50% chance of below normal precipitation over the next 3 months.

Vice Chairman Bashaw commented that the projections seem better than in recent months. Chairman Sullivan & Ed Gerak commented that the soil moisture in the Upper Basin is also improving.

CHAIRMAN REPORT: Chairman Sullivan highlighted the NWRA Annual Meeting that he attended. The Agenda seemed to align with most of the recent western water conferences & drought. This conference seemed to focus on California.

Chairman Sullivan shared with the Commission that in January there will be an Executive Session for Mr. Fuentes 6-month review.

EXECUTIVE DIRECTOR REPORT: Jordy Fuentes, Executive Director

- Senator Kelly's Bill 3242 is working its way through the system – may need a vehicle bill
- Pension Retirement Benefits (PRB's) Senator Kelly sent language to Department of Interior – he is committed to looking for alternative ways to deal with the drought issue.
- The Bureau of Reclamation is looking into whether or not they have the "authority" to use some/any of the governmental funding that is available for Hoover O&M.
- The House Natural Resource, Energy & Water Committee will be holding a hearing on the current Energy Issues facing Arizona on Tuesday, December 20.
- The Udall Foundation will meet @ the DSW Offices to continue the drought dialogue. Following this meeting, there will be a virtual call.
- CREDA Meeting – Was held @ SRP. Conversations were held regarding CRSP moving in the SPP Market. A meeting was held @ APA with some of the WAPA representatives to continue to discuss options. CREDA has also put together a "working group", funded by a grant from the Department of Energy. Their goal is to look at firming opportunities for customers and how that would affect Boulder Canyon Project.
- Legal Services – 3 Firms have submitted an RFP to the Attorney General's office for possible consideration to provide the APA with Outside Legal Counsel. Staff will discuss with Legal Counsel and more details will follow.
- APA Staffing – Gary Kern, Financial Administrator, will be retiring from the APA in June. Sonseeahray will move in the Financial Administrator role and Mr. John Schutter has been hired to be the Senior Accountant. He will begin on January 9, 2023.

MOODY'S CREDIT RATING PROCESS: Sonseeahray provided the Commissioners & Customers with an update on the credit rating agency annual review. Moody's looks at several indicators including:

- The creditworthiness of Central Arizona Project & Salt River Project, which comprise 40% of the APA's take-or-pay demand allocation obligations
- The APA's strategic position as the sole entity responsibility for acquiring and marketing Arizona's allocation of power generated at the Hoover Dam and low-cost structure
- The APA's strong rate setting record
- Law Carbon transition exposure

- Dynamic Signal

S&P did their period review on December 1 with results being expected in the next week.

COMMISSIONER COMMENTS: Merry Christmas

Commissioner Jones reminded the Commissioners & Customers that approximately 50% of the Legislature has turned over. We will need to educate them quickly & should plan a tour of Hoover Dam this session.

VISITORS' COMMENTS/CALL TO THE PUBLIC:

Leslie James, CREDA, gave a brief drought update. A letter has been sent from Senator Kelly to Appropriations regarding funding requests from WAPA. It addresses Purchase Power & Wheeling, the possibility of Glen Canyon Dam falling below power pool and bypass experiments. NWRRA, APPA & NRECA have signed the letter. If your organization would also like to sign, please do so by Friday, December 16.

Ken Saline thanked the APA & other all the other organizations for all the work that is taking place behind the scenes to look for funding. He explained that many customers are seeing a 300% increase in rates. The impacts of the continued drought are huge. Over \$200 million in impact @ Hoover in just one year. He would like the APA to continue to be involved and suggested that perhaps the APA put together a Renewable Energy Credit (REC) program.

ADJOURNMENT:

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

The meeting was adjourned at 11:50am.

John F. Sullivan, Chairman

ATTEST:

Heather Cole, Executive Secretary to the Commission