

COMMISSION

JOHN F. SULLIVAN – CHAIRMAN
PHILIP C. BASHAW – VICE CHAIRMAN
RUSSELL L. JONES – COMMISSIONER
KIM OWENS – COMMISSIONER
JIM SWEENEY – COMMISSIONER

STAFF

JORDY FUENTES – EXECUTIVE DIRECTOR
HEATHER COLE – EXECUTIVE SECRETARY



ARIZONA POWER AUTHORITY

1810 W. ADAMS STREET
PHOENIX, AZ 85007-2697
(602) 368-4265

WWW.POWERAUTHORITY.ORG

MINUTES OF THE ARIZONA POWER AUTHORITY (“APA”) COMMISSION (“Commission”) MEETING HELD JANUARY 17, 2023

PRESENT: Philip C. Bashaw, Vice Chairman
Russ Jones, Commissioner (*attended virtually*)
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
John Schutter, Senior Accountant
Sonseeahray Thayer, Chief Financial Analyst

OTHER: Michael Curtis, Cortaro Marana
Tara Davis, AEPCO
Sheri Farag, Salt River Project
Darrin Francon, Central Arizona Project
Ed Gerak, Irrigation & Electrical Districts Association (IEDA)
Daniel Herder, ClarkHill
Darren Hodges, PFM
Taylor Howerter, Roosevelt Irrigation District
Jimmy Kendrick, WAPA
Kristin McMinimy, AEPCO
Doug Milligan, SRP
Jason Moyes, Moyes, Sellers & Hendricks
Donovan Neese, Roosevelt Irrigation District
Paul Orme, Electrical District #3
Ken Robbins, Electrical District #2
Ken Saline, KR Saline & Associates
Scott Saline, KR Saline & Associates
Meghan Scott, Wellton Mohawk
Elizabeth Story
Sheryl Sweeney, ClarkHill
Lori Taitano, Salt River Project
Robert Van Hofwegen, Jr., ED #8

Jeff Woner, KR Saline & Associates
Brian Young, CAWCD

CALL TO ORDER: The meeting was called to order at 10:08 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.

PFM ANNUAL MARKET UPDATE: Darren Hodges provided a Market Update which included a Summary of 2022 and Key Market Developments

PLEDGE OF ALLEGIANCE: The Pledge of Allegiance was recited.

APPROVAL OF MINUTES:

- **Motion:** To approve the minutes from the Regular Commission Meeting held on December 13, 2022 was made by Commissioner Sweeney 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.

REVIEW OF EXPENDITURES AND FINANCIAL REPORTS AND APPROVAL OF CLAIMS:

Sonseeahray Thayer, Chief Financial Analyst, provided the Expenditures & Financial Reports. Hoover Operations Fund Claims #13773 - #13811 for the period January 1, 2023 through January 31, 2023 were presented.

- **Motion:** To approve Hoover Operations Fund Claims #13773 - #13811 as presented 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.

MOODY'S INVESTORS SERVICES RATING ACTION

Moody's Investors Service ("Moody's") has affirmed the Aa1 rating of Arizona Power Authority's Revenue Bonds. Outlook is stable. Arizona Power Authority currently has \$24.9 million in revenue bonds outstanding.

STANDARD & POORS INVESTORS SERVICES RATING ACTION

S&P Global Ratings affirmed its 'AA' long-term rating on the Arizona Power Authority's (APA) series 2014 power resource revenue bonds (federally taxable Hoover prepayment project bonds). The outlook is stable.

REPORT ON POWER OPERATION MATTERS: Sonseeahray Thayer, Chief Financial Analyst, reported the following:

- Monthly precipitation – December precipitation was somewhat lower 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 slightly less precipitation.
- Upper Colorado River System – Precipitation to Date in the upper Colorado river system is at 118% which is a little lower than what it was the same time last year.
- Lake Powell inflow is forecast to be at 87% of normal for the year.
- Total System Contents – (Upper and lower basin) Total system contents is flat from last month.
- Reservoir and System Capacity – Currently Lake Powell is at 24% and Lake Mead is at 28% of capacity.
- Lake Mead Elevation – By November of 2024 we anticipate the elevation at lake Mead to be at the 1,016 mark.
- Glen and Hoover release remain consistent from year to year

The Climate Forecast from the Colorado Basin River Forecast Center for Arizona is 33%-50% above normal temperatures with a 33%-60% chance of below normal precipitation over the next 3 months.

EXECUTIVE DIRECTOR REPORT

Renewable Energy Credit Update – Mr. Fuentes provided background information on how Renewable Energy Credits are created and used, who is responsible for tracking and what Western Area Power Administration) WAPA has done in the past with regard to these Credits. Mr. Fuentes shared a spreadsheet from WAPA showing how the 2021 RECs were sold and the amount received for the RECs. In developing an APA REC program there appear to be 2 options for the APA customers: 1. APA customers claim their rightful RECs, 2. DSW keeps and sells the REC associated with each APA customer or APA can market and sell the RECs on behalf of the customer. The APA will reach out to the customers to determine how they would like to proceed. In 2022 the RECs were collected and distributed (if requested) on an annual basis. At this point in time WAPA is considering providing the RECs to contractors on a quarterly basis. A discussion was held regarding the reason REC may lose value over time. Newly generated RECs hold more value. Mr. Jim Kendrick reiterated that the WAPA REC policy has been in place for years. Each WAPA Region may have different systems in place, all of which are evolving as they move forward. The goal is to support their customers. They encourage feedback and hope to provide flexibility.

After much research, it would be Mr. Fuentes' recommendation that the APA take all customer RECs, not requested by customers, to market and sell. There is an already scheduled WAPA Customer Meeting on January 31. The APA Staff will continue to work with Customers to put together an APA REC Program. More information will be available at the February Commission Mtg.

State Legislative Update

- Ad Hoc Committee on Energy (Dec 2020) – Russell Smoldon provided information on the APA and Public Power
- Mr. Fuentes attended the Irrigation & Electrical Districts of Arizona (IEDA) Annual Meeting and provided an update on the APA
- Mr. Fuentes attended the Agribusiness & Water Council Annual Dinner & Legislative Tour in Yuma w/ Commission Jones.
- Mr. Fuentes will provide an introduction of the APA to the House Natural Resources, Energy & Water Committee on 1/17/23.

Federal Legislative Update

- Senator Kelly’s Bill – SB 4232 – is still trying to make its way through the process. Rep. Stewart is proposing a mirror bill in the House that has bi-partisan support.
- The Pension & Retirement Benefits (PRBs) (\$42-\$43 million) – The Bureau of Reclamation (BOR) is unable to spend this money. Senator Kelly attempted to include language to change this in his bill, however the language was removed. Efforts will continue to push for BOR to have the ability to use these funds as an offset to customers.
- Hoover Visitors Center – BOR is continuing to look for legislation and/or opportunities to increase funds and add revenue, including increasing fees for vendors, visitors and parking.
- Mr. Fuentes will write a letter to Hoover Contractors asking for their support of the Kelly Bill and other ideas for the PRBs.

Drought Impact Update

The APA and CRC Nevada continue to push the Bureau to look for additional funds which are non-reimbursable such as BIL Funding. The estimated cost of the projects that need to be addressed is between \$8 and \$13 million. There is potential for federal funding to install wide-head turbines which are necessary with the lower lake levels.

Elton Grubaugh, Wellton Mohawk Irrigation & Drainage District & the Yuma Area Districts, recently sent a letter to WAPA regarding the possibility of building a “firming” project with Department of Energy (DOE) funding which is available through the Infrastructure Act for the replacement of resources.

CHAIRMAN REPORT: Chairman Sullivan updated the Commission and Customers on the Colorado River Water Users Association Annual Meeting. The topics were on point although not a lot of progress was made in the sessions, but there was business taking place in side meetings and in the hallways. He also shared that the APA Customers that attended the Commission Meeting and Dam Tour appreciated the opportunity. The APA will host the December 2023 Commission Meeting at Hoover on Tuesday, December 12 and will again provide lunch and a VIP Tour.

COMMISSIONER COMMENTS:

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

BUSINESS ITEMS

- Election of Commission Chairman & Vice-Chairman – This transition of power takes place every two years. Chairman Sullivan opened the floor for nominations:
 - **Nomination:** Commissioner Jones Nominated Phil Bashaw as Chairman, the nomination was seconded by Commissioner Sweeney.
There were no additional nominations from the floor. Chairman Sullivan called for the vote.
 - **Vote:** Commissioners Bashaw, Jones, Sullivan & Sweeney approved the nomination.
 - **Resolved:** Approved as stated above and the written documents are entered into the Commission records.
 - **Nomination:** Commissioner Jones Nominated Jim Sweeney as Vice Chairman, the nomination was seconded by Chairman Bashaw.

There were no additional nominations from the floor. Chairman Bashaw called for the vote.

- **Vote:** Commissioners Bashaw, Jones, Sullivan & Sweeney approved the nomination.
- **Resolved:** Approved as stated above and the written documents are entered into the Commission records.

MOTION TO GO INTO EXECUTIVE SESSION

The Commission voted to go into Executive Session, which will not be open to the public, to discuss personnel matters and for legal advice and discussion with its attorneys pursuant to A.R.S. §38-431.03 (A)(1), (3) and (4), as follows: Employee Matters – Executive Director Compensation (per §38-431.03 (A)(1)), Navajo Nation v. U.S. Department of Interior Litigation (per §38-431.03(A)(3) & (4)) and Outside Legal Counsel RFP Update & Discussion

- **Motion:** A motion was made by Chairman Bashaw to go into Executive Session
- **Vote:** Commissioners Bashaw, Sullivan & Sweeney approved the motion.
- **Resolved:** Approved as stated above and the written documents are entered into the Commission records.

- Commissioner Jones left the meeting at 12:17 p.m.
- The Commission recessed to go into Executive Session at 12:18 p.m.
- The Commission concluded the Executive Session at 2:10 p.m.

RETURN TO OPEN SESSION @ 2:14 pm

BUSINESS ITEMS *(Continued)*

- **Motion:** Authorizing Chairman Bashaw to engage in discussions consistent with discussion held in Executive Session was made by Commissioner Sullivan and seconded by Vice Chairman Sweeney.
- **Vote:** Commissioners Bashaw, Sullivan & Sweeney approved the motion.
- **Resolved:** Approved as stated above and the written documents are entered into the Commission records.

ADJOURNMENT:

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

The meeting was adjourned at 2:15 p.m.

Phil Bashaw, Chairman

ATTEST:

Heather J. Cole, Executive Secretary to Commission