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ARIZONA POWER AUTHORITY

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MINUTES OF THE ARIZONA POWER AUTHORITY (“APA”) VIRTUAL COMMISSION (“Commission”) MEETING HELD JULY 18, 2023

- PRESENT:** Philip C. Bashaw, Chairman *(Virtual)*
Russ Jones, Commissioner *(Virtual)*
Kim Owens, Commissioner
John Sullivan, Chairman
Jim Sweeney, Vice Chairman *(Virtual)*
- STAFF:** Heather Cole, Executive Secretary to Commission
Diane DeDea, Attorney General’s Office *(Virtual)*
Jordy Fuentes, Executive Director
John Schutter, Senior Accountant
Sonseeahray Thayer, Financial Administrator
- OTHER:** *Todd Angle, San Tan Irrigation District
John Coye, Duncan & Allen
*Michael Curtis, Cortaro Marana
Tara Davis, AEPCO
Bryce Dininger, CAWCD
Elston Grubaugh, Wellton Mohawk
Daniel Herder, ClarkHill
Taylor Howerter, Roosevelt Irrigation District
Derek McEachern, Electrical District #4
Kristine McMinimy, AEPCO
Paul Orme, Electrical District #3
Daniel Pritchard, KR Saline & Associates
Jeff Ritter, CAWCD
*Ken Robbins, Electrical District #2
Ken Saline, KR Saline & Associates
Megan Scott, Wellton Mohawk
*Russell Smoldon, AMPUA
Sheryl Sweeney, ClarkHill
Lori Tatiano, Salt River Project
Kelly Urbine, Current Insights
Robert Van Hofwegen, Electrical District #8
Glen Vortherms, Maricopa Water Conservation District

Brian Yerges, Electrical District #3

**All Guests appeared virtually unless otherwise noted*

CALL TO ORDER: The meeting was called to order at 1:05 p.m. by Chairman Phil Bashaw. 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 June 13, 2023, Special Commission Meeting held on June 30, 2023 and the Executive Session held on June 30, 2023 was made by Commissioner Sullivan 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.
- *There was no Executive Session held on June 13, 2023 as indicated on the Agenda.*

REVIEW OF EXPENDITURES AND FINANCIAL REPORTS AND APPROVAL OF

CLAIMS: John Schutter, Sr. Accountant provided the Expenditures & Financial Reports. Hoover Operations Fund Claims #14058 - #14157 and APA Fund #661 for the period June 1, 2023 through June 30, 2023 were presented.

- **Motion:** To approve Hoover Operations Fund Claims #14058 - #14157 and APA Fund #661 as presented was made by Commissioner Sullivan 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.

REVIEW OF DRAFT APA & HOOVER OPERATIONS FUND 2024 BUDGETS – Sonseeahray Thayer, Financial Administrator, shared the following information regarding the first round of FY2024 Budgets:

HOA Budget

Western Area Power Administration (WAPA) hosted a special Engineering & Operating Committee (E&OC) meeting at the end of June to discuss the need to increase the OY24 base rate from the base rate that the Arizona Power Authority (APA) originally presented to the Commission in the June 2023 Commission meeting due to continued rising inflation, a decrease in revenue from the visitor center, and the need for maintenance on aging infrastructure as well as a decrease in energy generation due to

the continuing drought. In order to avoid significant increases in future years, WAPA has presented 3 scenarios for the OY24 base rate which we will be presenting to you shortly.

Additionally, in this E&OC meeting, the accuracy of the proposed OY24 estimated energy generation was discussed. Many of the contractors agreed that the current generation estimate that WAPA is proposing is too optimistic, based on the continued drought and the fact that the current proposed OY24 generation assumes an increase in generation from OY23 of almost 265,000 megawatts (MWh).

Taking these factors into account, the APA has created 6 different composite rate scenarios for the OY24 budget to present to you. The first three scenarios utilize the current energy generation estimate and only change the base rate as proposed by WAPA. The three base rates used were proposed in the June 29, 2023 E&OC meeting and are as follows:

Proposal #1 - \$72,177,654 – a \$3.3 million, or 4.86% increase from the current base rate of \$68,834,285

Proposal #2 - \$74,333,652 – a \$5.5 million, or 7.99% increase from current

Proposal #3 - \$77,036,694 – an \$8.0 million, or 11.92% increase from current

The second 3 scenarios utilize the same proposed base rates from WAPA but assume a decreased energy estimate determined from calculations by K.R. Saline and in line with the 13% reduction in energy that Executive Director Jordy Fuentes discussed at the June 2023 meeting.

The APA does not have a timeline as to when WAPA will be deciding upon the final base rate or what the final energy generation estimate for OY24 will be, nor do we know if WAPA is leaning toward one scenario over another. We will continue to work with WAPA to try to get firm numbers prior to budget approval in the August Commission meeting.

The APA supports Proposal #2, which would result in an increase of \$5.5 Million to the current base rate. Increasing the base rate to this level would allow the U.S. Bureau of Reclamations (USBR) to move up some critical maintenance projects, thereby reducing the costs of these projects, had they been pushed out to future years, by approximately \$1 Million. We understand that this would also increase the composite rate for OY24, however, by doing this, there would be reductions to future rates based on the savings realized by moving these projects forward. The APA has made it clear in a letter to WAPA on July 12, 2023, that although we support Proposal #2, we expect that there will be continued efforts made by the USBR and WAPA to look for ways to continue to mitigate effects on rates for customers.

REPORT ON POWER OPERATION MATTERS: Sonseeahray Thayer, Financial Administrator, reported on the following:

- Monthly precipitation – June precipitation was comparable to the same time last year.
- Water Year Precipitation – When comparing this water year to date to the same time period last year, overall, there has been more precipitation.
- Upper Colorado River System – Precipitation to Date in the Upper Colorado River System is at 118%, higher than what it was the same time last year.
- Lake Powell inflow - Lake Powell inflow is forecast to be at 129% of normal for the year.
- Total System Contents – (Upper and lower basin) Total system contents for the year continues to increase.

- Reservoir and System Capacity – Lake Powell’s capacity has increased to 41% capacity while Lake Mead’s capacity has increased to 32%.
- Lake Mead Elevation – By May of 2025 it is anticipated that the elevation at Lake Mead will be at the 1,056 mark.
- Glen Release – The Glen release has increased slightly year over year.
- Hoover Release – The Hoover release remains consistent year over year.

Lastly, the Climate Forecast from the Colorado Basin River Forecast Center for Arizona is 33%-60% above normal temperatures with a probability of normal precipitation over the next 3 months.

EXECUTIVE DIRECTOR REPORT

BUSINESS ITEMS:

- APA REC Program Update: Staff is in the process of working with brokers on pricing for the potential sale of over 488,000 2022 RECs that have not been claimed by APA customers. The APA will market & sell these RECs with any proceeds less expenses to be returned to the respective customers. Staff will plan to have an offer for the Commission to review at the August Commission Meeting.
- APA Empowering Rural America Grant Opportunity Update: APA Staff sent out an “Indication of Interest” form to Customers and are waiting for those forms to be returned. To Date there are requests for 142 solar megawatts and 47 battery megawatts. SRP has indicated that they will take up to 100 MW, but will also take less to help other customers if the need should arise.

The Commission approved a 90-day contract with KR Saline & Associates at the Special Commission Meeting held on June 30, 2023. KR Saline will provide technical help & analysis for any APA Customers that may need help in determining their firming needs before submitting an Indication of Interest for the ERA Grant Program. It is the intention of the APA Staff to reach out to all APA Customers to determine if there is a way that they can all participate in this opportunity.

- WAPA CRSP To SPP Update: Conversations are continuing among many entities regarding the move to SPP. There is currently not a consensus. CRSP customers have varying degrees of interest and concerns. The APA is providing help to any customers that may need it and to ensure that WAPA honors the contracts currently in place.
- Request for Proposal (RFP) – Technical Services – APA Staff put together an RFP for Technical Services. The purpose of the request for proposal is to have technical services available for APA Customers as the APA moves forward with the application for the ERA Grant. Any responses received will be reviewed by the Commission at the August Commission Meeting.

BUSINESS ITEMS

- Discussion & Possible Approval to Enter into An Agreement with AEPCO on the New Empowering Rural America (ERA) Grant Opportunity Project:
 - **Motion:** To enter into an agreement with AEPCO on the new Empowering Rural America (ERA) Grant Opportunity Project was made by Commissioner Jones and seconded by Commissioner Sullivan.

- **Discussion:** A discussion was held regarding any requirements that may apply to the APA with regard to the grant program. Mr. Fuentes assured the Commission that the agreement with AEPCO is not binding because any such requirements would be contingent on being awarded the grant funding. Further, mention was made that the APA is statutorily prohibited from entering into any contracts to purchase power without the customers first entering into an agreement to purchase that power.
- **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.

COMMISSIONER COMMENTS: Commissioner Owens asked Accounting to provide her with a Budget Recap to include 2023 A&G Actuals, 2023 A&G Budget & 2024 A&G Budget figures for comparison purposes.

VISITOR COMMENTS: Ken Robbins, ED #2 suggested that every customer should ensure that they are not resource long in non-summer months and to be careful in the fall. Customers should reach out to their consultants if they need help determining their seasonal needs.

Ken Saline – asked that the APA continue to do what the APA has always done with their power pools which allows customers to share/use resources.

ADJOURNMENT:

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

The meeting was adjourned at 2:04 p.m.

Phil Bashaw, Chairman

ATTEST:

Heather J. Cole, Executive Secretary to Commission