

## COMMISSION

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RUSSELL L. JONES – COMMISSIONER  
KIM OWENS – COMMISSIONER  
JOHN F. SULLIVAN – COMMISSIONER

## STAFF

JORDY FUENTES – EXECUTIVE DIRECTOR  
HEATHER COLE – EXECUTIVE SECRETARY



## ARIZONA POWER AUTHORITY

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## MINUTES OF THE ARIZONA POWER AUTHORITY (“APA”) COMMISSION (“Commission”) MEETING HELD AUGUST 15, 2023

- PRESENT:** Philip C. Bashaw, Chairman  
Russ Jones, Commissioner (*Virtual*)  
John Sullivan, Chairman  
Jim Sweeney, Vice Chairman (*Virtual*)
- STAFF:** Heather Cole, Executive Secretary to Commission  
Jordy Fuentes, Executive Director  
Ben Norris, Attorney General’s Office  
John Schutter, Senior Accountant  
Sonseeahray Thayer, Financial Administrator
- OTHER:** Eileen Brien, APECO  
Andrew Campbell  
Michael Curtis, Cortaro Marana  
Sheri Farag, SRP  
Brian Fickett, Tohono O’odham Utility Authority  
Ed Gerak, IEDA  
Elston Grubaugh, Wellton Mohawk Irrigation District  
Daniel Herderer, ClarkHill  
Taylor Howerter, Roosevelt Irrigation District  
Leslie James, CREDA  
Jimmy Kendrick, WAPA  
Shane Leonard, Roosevelt Water Conservation District  
Derek McEachern, Electrical District #4  
Ron McEachern, Electrical District #4  
Kristine McMinimy, AEPCO  
Doug Milligan, SRP  
Jason Moyes, Moyes, Sellers & Hendricks  
Paul Orme, ED #3  
Ken Robbins, Electrical District #2  
Stephen Rot, City of Scottsdale  
Ken Saline, KR Saline & Associates  
Scott Saline, KR Saline & Associates  
Kent Simer, KR Saline & Associates

Megan Scott, Wellton Mohawk Irrigation District  
John Scremin, Roosevelt Water Conservation District  
Elizabeth Story  
Sheryl Sweeney, Clark Hill  
Lori Tatiano, SRP  
Kelly Urbine, Current Insights  
Robert Van Hofwegen, Electrical District #8  
Glen Votherms, Maricopa Water Conservation District  
Jeff Woner, KR Saline & Associates  
Brian Young, Central Arizona Project

**CALL TO ORDER:** The meeting was called to order at 10:06 a.m. by Chairman Phil Bashaw. 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 July 18, 2023, was made by Commissioner Sullivan 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.

**PRESENTATION - HOOVER DAM PUBLIC VISITATION – Status, Challenges & Considerations – Terri Saumier, Bureau of Reclamation**

**REVIEW OF EXPENDITURES AND FINANCIAL REPORTS AND APPROVAL OF CLAIMS:** John Schutter, Sr. Accountant provided the Expenditures & Financial Reports. Hoover Operations Fund Claims #14158 - #14199 and APA Fund #662 for the period July 1, 2023 through July 31, 2023 were presented.

- **Motion:** To approve Hoover Operations Fund Claims #14158 - #14199 and APA Fund #662 as presented was made by Commissioner Sullivan 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.

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

**APA Budget**

The APA budget remains mainly as presented in the June commission meeting with the exception of actuals for OY23 updated through July of 2023 and estimated earned interest amounts and ED4 expenses updated to better reflect estimates based on additional OY23 information.

Firming activity is expected to be minimal in OY 2024, primarily for the benefit of Current Insight customers. The depreciation expense is expected to be \$19,000 with claw back from the HOA fund of \$12,000, with minimal capital purchases of \$5,000. The ED4 revenue is comprised of \$5,940, which is 60% of risk management premiums, and \$2,500 in APA administrative fees.

The appropriation for future projects is \$1 million, \$250,000 of which having been received in July of 2023. The remaining funds will be distributed in increments of \$250,000 per quarter for the subsequent 3 quarters. Expenses for technical services related to resource planning for the APA & our customers from K.R. Saline and Duncan & Allen (@\$12,500) will be paid for out of these funds, as previously approved by the commission.

**HOA Budget**

The HOA Budget is being presented to the commission as 2 separate Proposals.

All information in both proposals is identical, save for the BCP Estimated Energy Generation amounts, which will be discussed in more detail momentarily.

The A&G detail has been minorly fine-tuned from the HOA budget presented previously. These minor changes did not have any significant impact on the composite rate and were update to more accurately reflect anticipated expenses based on current expenditures to date.

The WAPA Base Rate of \$69 million has been updated in both proposals to reflect the APA supported Base Rate of \$74 million. This figure was derived from the WAPA presentation given at the June 29, 2023 E&OC special meeting to discuss the probability of an increase in the Base Rate. As pointed out in the July Commission meeting, 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. Please note, the USBR has not finalized a new base rate at this time.

Proposal #1 utilizes an estimated Hoover generation amount of 3,182,100 MWh. This figure comes from the July 2023 24-Month schedule. Using this estimated generation amount, the composite rate would be \$33.17, a decrease of \$0.19 from the current OY23 Composite Rate of \$33.36.

Proposal # 2 utilizes the generation amount from the 24-month schedule less 147,000 MWh to account for the estimated 400,000-acre feet for the California conservation reduction that is yet to be calculated into the 24-month schedule. Using this adjusted estimated generation amount, the composite rate would be \$34.56, an increase of \$1.20 from the current OY23 Composite Rate of \$33.36.

APA staff conducted a customer meeting on August 10, 2023 to give customers the opportunity to voice their opinions on the two different proposals. All customers that chose to weigh in at that meeting felt that Proposal #2 would be the best course of action. The consensus was that customers would rather pay a little more in the Composite Rate now, rather than take a larger hit in the future, should the CA conservation reduction occur in OY24 and the APA needed to increase the Composite Rate to compensate for the lower energy generation.

APA staff recommends for OY24, HOA Budget Proposal #2 to the commission for the reasons so stated.

## **BUSINESS ITEMS**

- Consideration and Possible Approval of Base Rate & Energy Generation Scenario
  - **Motion:** To approve Base Rate & Energy Generation Scenario #2 as presented was made by Commissioner Sullivan 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.
- Consideration and Possible Approval of APA & Hoover Operating Fund 2024 Budgets
  - **Motion:** To approve the APA & Hoover Operating Fund 2024 Budgets based on Scenario #2 with a Composite Rate of \$34.56 was made by Commissioner Sullivan 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.

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

- Monthly precipitation – July precipitation was much dryer compared 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 116%, which is higher than what it was the same time last year.
- Lake Powell inflow - Lake Powell inflow is forecast to be at 127% of normal for the year.
- Total System Contents – (Upper and lower basin) Total system contents for the year remains stable.
- Reservoir and System Capacity – Lake Powell’s is currently at 39% capacity while Lake Mead’s is at 33% capacity.
- Lake Mead Elevation – By June of 2025, it is anticipated that the elevation at Lake Mead will be at the 1,055 mark.
- Glen Release – The Glen release has been significantly higher over the last few months.
- Hoover Release – While the Hoover release remains consistent year over year.

Lastly, the Climate Forecast from the Colorado Basin River Forecast Center for Arizona is 40% - 70% above normal temperatures with a 0% - 50% below normal precipitation over the next 3 months.

## EXECUTIVE DIRECTOR REPORT

- APA REC Program Update – Mr. Fuentes updated the Commission and Customers on the status of the V2022 RECs that are currently being marketed. 1<sup>st</sup> & 2<sup>nd</sup> Qtr V2023 RECs are also now available to the APA. Staff is working with Brokers to understand how the timing and vintages of the RECs affect their value. The APA has received an offer of \$.91/REC for the 488,422 available V2022 REC's. As a reminder, the average price/REC for the V2021 REC's was \$.47/REC.
- APA Empowering Rural America Grant Update – At the July Commission Meeting it was discussed that AEPSCO would be submitting their application for the ERA Grant Program on or before July 31, 2023. Since that meeting it was determined that there would be no priority given based on the date the application was received. All applications submitted for consideration must be received by August 31, 2023.

Mr. Fuentes & KR Saline have continued to reach out to all APA customers to determine their interest in this opportunity. It has proven to be a bit more complicated for those APA customers with bill crediting agreements.

### VISITOR COMMENTS:

Ken Saline shared that the CRSP Customer RECs continue to build up in their account and asked if Mr. Fuentes could work with CRSP to see if there is an opportunity to market these RECs in the same manner as the APA REC's. Staff will do some research and this issue can be added to the agenda for a future commission meeting.

Robert Van Hofwegen commented that he would not support revenue received from the REC sales to be used in the formulation of the composite rate as it is all customer specific.

### EXECUTIVE SESSION

A Motion was made by Commissioner Sullivan and seconded by Commissioner Sweeney to go into Executive Session pursuant to A.R.S. § 38-431.03(A)(3) & (4), for discussion and/or consultation with the Authority's counsel for legal advice relating to:

- Review of Agreement between Spectron Energy Inc and the APA regarding the purchase and sale of 488,422 WECC Large Hydro RECs
- Review of responses received regarding the Technical Service RFP

- The Commission recessed to go into Executive Session at 11:46 a.m.
- The Commission began the Executive Session at 11:55 a.m.
- The Commission returned to Open Session at 12:47 p.m.

### RETURN TO OPEN SESSION

### MOTION(S) ON ITEMS DISCUSSED IN EXECUTIVE SESSION

- **Motion:** To approve the Agreement between Spectron Energy Inc and the APA regarding the purchase and sale of 488,422 WECC Large Hydro RECs was made by Commissioner Sullivan and seconded by Vice Chairman 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 RFP for Technical Energy Services submitted by K.R. Saline & Associates was made by Commissioner Jones and seconded by Commissioner Sullivan.
- **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:** N/A

**ADJOURNMENT:**

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

The meeting was adjourned at 1:01 p.m.

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Phil Bashaw, Chairman

ATTEST:

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Heather J. Cole, Executive Secretary to Commission