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PHIL BASHAW – COMMISSIONER
RUSSELL L. JONES – 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") VIRTUAL COMMISSION ("Commission") MEETING HELD JULY 20, 2026

PRESENT: James Sweeney, Chairman
Phil Bashaw, Commissioner
Russ Jones, Commissioner
Kim Owens, Vice Chairman
John Sullivan, Commissioner

STAFF: Douglas Brimhall, Accountant 4
Heather Cole, Executive Secretary to Commission
Jordy Fuentes, Executive Director
Roberto Pulver, Legal Counsel
Sonseeahray Thayer, Financial Administrator *(Virtual)*

OTHER: Brian Bennett
Ashley Blank
Andy Colosimo, CREDA
Dennis DeLaney, KR Saline & Associates
Sheri Farag, SRP
Deb Ferraro, City of Mesa
Grace Garcia, Hohokam
Josh Grier, SRP
Ed Gerak, IEDA
Katie Hardiman, ACES
Leslie James
Jeff Low, City of Safford
Adam McAnally, SRP
Derek McEachern, ED #4
Kristine McMinimy, AEPCO
Jason Moyes, Moyes, Hendricks & Sellers
Paul Orme
Emily Rice, AMPUA
Verdent Sahu
Ken Saline, KR Saline & Associates
Scott Saline, KR Saline & Associates
Megan Scott,
Kent Simer, K.R. Saline & Associates
Elizabeth Story
Sheryl Sweeney, Clark Hill

Kelly Urbine, Current Insights
Bill Van Allen
Robert VanhofWegen, Electrical District #8
Glen Vortherms, Vortherms Consulting
Jeff Woner, KR Saline & Associates

CALL TO ORDER: The meeting was called to order at 10:02 a.m. by Chairman James Sweeney. Quorum was established.

ROLL CALL: Commissioners Bashaw, Jones, Owens, Sullivan & 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.

- Chairman Sweeney read the following statement:

I have recently been retained by the Maricopa Water District (MWD) to consult with them on a short-term limited basis while they undertake a leadership transition. The MWD is an Arizona Power Authority (APA) customer. I have reviewed A.R.S. 38-503 (Conflict of Interest) and I do not believe my consulting role with the MWD violates this statute. Nevertheless, in order to maintain the highest level of integrity and transparency, before voting on any business item directly related to MWD being considered by the APA, I will declare whether or not my role with the MWD constitutes a conflict or the appearance of a conflict of interest and will recuse myself if appropriate.

PLEDGE OF ALLEGIANCE: The Pledge of Allegiance was recited.

APPROVAL OF MINUTES:

- **Motion**: To approve the minutes from the Regular Commission Meeting held on May 19, 2026 was made by Commissioner Bashaw and seconded by Commissioner Sullivan.
- **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, Financial Administrator, provided the Expenditures & Financial Reports. Hoover Operations Fund Claims #15962 - #16066 and APA Claims #710 - #713 for the period May 1 – June 30, 2026 were presented.

- **Motion:** To approve Hoover Operations Fund Claims #15962 - #16066 and APA Claims #710 - #713 as presented was made by Commissioner Sullivan and seconded by Vice Chairman 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 2027 BUDGETS: Sonseeahray Thayer, Financial Administrator

APA Budget
The APA fund serves several purposes. Firstly, it provides the credit agencies quasi debt service coverage, although ultimately the $4.7 million in cash belongs to the customers. Secondly, for cash flow purposes, it is used for the sale and purchases of supplemental (or firming) power. Thirdly, due to decades of convention, the fund is utilized for capital purchases and then recaptured from the HOA fund as the assets are depreciated. Fourthly, it is used as a pass through for ED4 expenses. Lastly, it is used to collect licensee revenues used to cover large capital building outlays in order to avoid having to charge customers for these expenses.

Firming activity is expected to be minimal in Operating Year 2027, primarily for the benefit of Current Insight customers. The depreciation expense is expected to be $21,000 with claw back from the HOA fund of $8,000, with possible capital purchases of $160,000 for an interior and exterior building refresh and minimal other purchases for computer equipment. The ED5 revenue is comprised of $7,600, which is 60% of risk management premiums, and $2,500 in APA administrative fees.

HOA Budget

The Western Area Power Administration's (WAPA) Total Revenue Requirement for OY 2027 is currently predicted to remain the same as in OY26. However, the Boulder Canyon Project (BCP) estimated generation for OY 2027 is expected to decrease significantly from OY 2026 by 12%. Due to this predicted decrease in energy generation, the APA is presenting two budget scenarios for OY27 for commission consideration.

Budget #1

This is the traditional way that the APA has been budgeting year to year.

This HOA budget is driven by four components:

1) The base charge provided by WAPA. The APA is then assigned our percentage of 19.75% for capacity and 19.4013% for energy.
2) The expected energy revenue. This is taken from the Master Schedule Energy report from the WAPA portal (as of 06/05/26). This number is volatile and will change all the way up to the final budget publication date in August. Additionally, the APA then adjusts this number down by a percentage based on prior history in order to create a budget using a more representational amount of what is actually expected to be received in Megawatts throughout the operating year.
3) Debt Service.
4) Administrative & General Expenses.

Please note that the current HOA budget is comprised of the four components just mentioned as well as a $400,000 planned margin for debt service coverage ratio purposes. They breakout as follows:

1) Purchased power makes up 82.6% of the budget
2) Debt Service, 8.6%
3) Administrative and General Expenses, 6.8% and

4) Planned margin, 2%

In other words, 91% of the budget is essentially out of control of the APA. The 6.8% for A & G Expenses comprises only $1.4 million of the total budget of $20.2 million. Further, the APA works diligently to control costs. Over the past several budget years, the APAs A&G costs have been significantly reduced through the transfer of IT and other building operating expenses over to ADOA as well as continuing negotiations with vendors for continued equitable pricing. Although the APA continues to look at ways to decrease expenses, certain operating costs continue to increase, like health insurance. Therefore, A&G is expected to increase 4.8% or $63,000.

This traditional approach budget ties costs to assumed yearly capacity of Megawatts and energy or Megawatt/hours to be received. Given the uncertainty of using the Reclamations forecasts, we are creating our own projections. We are projecting a significant decrease in both Megawatts and Megawatt/hours for OY27, therefore, the APA HOA budget would need to raise the Composite Rate by $14.71 from the current OY 2026 budgeted composite rate of $36.31 to $51.02 in OY2027. The risk of this is that our projections will be inaccurate (and they will be) and there are additional changes to operations (there will be) we may need to change energy rates multiple times during the operating year in order to continue to cover costs.

Budget #2

The second scenario consists of a new way of looking at the budget. This new concept would no longer tie costs to Megawatts and Megawatt/hours received, but instead would take the required yearly revenue from WAPA, add APA operating costs and then distribute the yearly revenue requirement out to customers based on each customer's total Hoover allocation percentage. The benefit of this process is threefold:

1) Customer invoices would be more predictable month over month, save for the monthly LCRBDF charges and any internal layoff or firming purchases customers would choose to participate in;
2) There would not be a need to increase rates mid-year, as yearly revenue and expenses would be largely captured at the beginning of the year and would not change based on decreased Megawatts or Megawatt/hours; and
3) The APA would no longer need customers to fund a $400,000 margin and therefore customers would no longer have to wait for refunds at the end of each operating year.

Mr. Fuentes shared this information was discussed during a recent Customer Consultation Committee meeting. It is certain that the APA is heading into a very uncertain time for setting rates and that is the primary reason for these conversations to begin. CRC Nevada used a method like the last option Sonseeahray explained where it is based on customer allocations and the costs are passed through. The looming 1035 capacity issue also needs to be addressed.

A lengthy discussion was held between the Commissioners and Customers regarding how implementation of the new process would work. APA Staff will continue to work on scenarios to be shared with Commissioners and Customers at the August Commission Meeting.

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

- Monthly Precipitation – There has been much less precipitation this June compared to the same time last year.

- Water Year Precipitation – When comparing Water Year 2026 to Water Year 2025, overall there has been more precipitation.
- Upper Colorado River System – Precipitation to Date in the Upper Colorado River System is currently at 80%, which is lower than the past few years.
- Lake Powell Inflow - Lake Powell Inflow is forecast to be at 36% of normal for the year.
- Total System Contents – (Upper & Lower Basin) Total System Contents so far in OY26 are gradually decreasing.
- Reservoir and System Capacity – Lake Powell is at 24% capacity, Lake Mead is at 28% capacity, and the total system capacity is currently at 33%.
- Lake Mead Elevation – By May of 2028, it is anticipated that the elevation at Lake Mead will be at the 1,012 mark.
- Glen Release – The Glen release for Water Year 26 is lower than prior years.
- Hoover Release – and the Hoover release for Water Year 26 is lower than prior years.

EXECUTIVE DIRECTOR REPORT

Colorado River Updates – Mr. Fuentes updated the Commissioner and Customers on many issues regarding the Colorado River.

- Colorado River Operations – The Lower Basin submitted a proposal 6-8 months ago and recently submitted a follow-up proposal in hopes of getting the Bureau of Reclamation to understand the Lower basin position. It appears now that the plan may be re-evaluate the situation every two years. Releases from Glan Canyon will be 6 million acre feet in 2027 and hope that it can move to 7 million acre feet in 2028. Water releases from Glen Canyon have been about 7.5 million acre feet and that has been primarily conservation. Getting back to the 7.5 million acre feet will be good for creating megawatt hours, but not as good for maintaining lake elevation. BOR is developing protocols for running the turbines below the 1035ft level.

- Post-Retirement Benefits (PRB) – 3 wide-head turbines are going to be purchased using $53 million of the PRB funds. Two have been ordered and will cost $15 million. These are estimated to be installed in 2029.

Battery Energy Storage System (BESS) – Discussions are taking place between the Bureau of Reclamation, WAPA and contractors to study, develop and fund a BESS at Hoover to regain some of the lost capacity and keep the Hoover hydropower resource affordable for customers. The Contractors would prefer that the Bureau build these BESS projects on behalf of the Contractors to help prop up the value of the hydropower resource or the loss of capacity that is happening on the river.

WAPA & AEPCO have met to begin developing a scope of work related to study for any BA services needed. They believe that this study for a BESS is sort of a companion study to the study on Battery Storage.

Pinal Solar Project Update – A Planning & Zoning meeting was held in Florence and the Pinal Solar Project passed with a 6-1 vote. Going into the meeting, the developer was not confident that they would receive a “yes” vote. The primary reason for the approval is that the power from this project will remain in Pinal County. The Pinal County Supervisors will discuss the project at their next meeting in August/September.

Staff is continuing to work on the off-taker agreement and identifying the obligations off-takers are being asked to take on.

Renewable Energy Certificates (RECs) – Staff has been continuing to market RECs from CRSP, Parker & Davis as well as Hoover. While prices are dramatically low, the revenue from the sales is approaching approximately $250,000. Checks will be cut and sent to Customers at the end of August.

Market Impacts on Embedded Customers – Discussions are taking place and a request has been made for a sort of “Customer Roadmap” of what decisions points need to be made and by when to continue to move forward. The APA wants to be sure that our customers do not get caught in a situation where a decision needs to be made and they may not be prepared to do that. SRP and SPPA are waiting on information from APS on their metering agent and the mapping of their loads.

Colorado River Energy Distributors Association – Andy Colosimo has taken over as the Executive Director. He introduced himself and looks forward to getting to know those of us in Arizona who participate on the CREDA Board.

APPA Annual Meeting – Mr. Fuentes was confirmed as a new Board Member. He replaced Ed Gerak who served on the Board for the past 6 years. Mr. Fuentes will be instrumental in bringing the issues and needs of the customers in the Southwest to the National Association

BUSINESS ITEMS

Consideration and Possible Approval of the Interagency Service Agreement (ISA) – Attorney General’s Office Representaiton – FY2027

- **Motion:** To approve the Interagency Service Agreement (ISA) – Attorney General’s Office Representaiton – FY2027 was made by Commissioner Bashaw and seconded by Vice Chairman 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.

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

COMMISSIONERS’ COMMENTS

Commission Jones congratulated Mr. Fuentes on his appointment to the APPA Board. Commissioner Sullivan congratulated Leslie James on her retirement from CREDA and thanked Ed Gerak for his time on the APPA Board.

ADJOURNMENT:

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

The meeting was adjourned at 11:42 p.m.

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Jim Sweeney, Chairman

ATTEST:

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Heather J. Cole, Executive Secretary to Commission