

Hualapai Tribal Utility Authority (HTUA) Meeting Minutes

June 11, 2015, 9:15 AM to 12:20 PM, Hualapai Cultural Resources Department

Board members:

Charles Vaughn, Chairman - present

Rory Majenty, Vice-Chairman – absent

Joe Montana, Secretary – present

Steve Malin, Treasurer – present for a portion of the meeting (via telephone)

Jamie Navenma – present

Support personnel:

Kevin Davidson, Planning Director

Patrick Black, Fennemore-Craig, P.C. (via telephone)

David Francis, Fennemore-Craig, P.C. (via telephone)

Guests:

Chris Simpson, Stinson Leonard Street

Sharon Ng, Stinson Leonard Street

Jim Bertrand, Stinson Leonard Street

Jonas Payne, PBR

Waylon Honga

1) Call to Order

2) Roll Call

3) Review and Approval of Minutes

Motion made by Mr. Montana to approve the May 5, 2015, meeting minutes with corrections. Motion seconded by Mr. Vaughn. Motion carried 3-0.

4) Presentation by Stinson Leonard Street, LLP

a. GCW Energy Supply considerations given the options available as noted in the 2014 USDA/RUS study. Mr. Simpson introduced Mr. Bertrand who began the presentation. The first part of the presentation will look at Grand Canyon West's electric supply considerations given the options available as noted in the 2014 USDA/RUS grant application. The second part will discuss development of a solar energy project that would generate revenue as noted in the 2014 BIA-IEED grant. The primary goal of the HTUA is to construct a 20.8 KV 20-mile power line along Diamond Bar Road to connect the Grand Canyon West mini-grid to the regional electric grid. The connection of the Grand Canyon West mini-grid to the regional electric grid involves several distinct parts as follows: 1) construction of a 20.8kV, 20-mile power line and interconnection to UniSource, 2) acquisition of a power supply to meet the 2.1 MW Grand Canyon West load (and if needed, for pump station loads that total about 4 MW), 3) operations of the interconnected system, 4) utility customer function: billing, metering, rates etc., and 5) financing, including credit support for long term purchases.

Mr. Vaughn asked how many volts transmission lines typically carry. Mr. Bertrand replied that transmission lines are typically designed for 69 KV and higher. Electric companies typically own smaller capacity, distributions lines. Transmission lines are subject to the Open Access Transmission Tariff (OATT) whereas distribution lines are not. Mr. Vaughn asked if the tribe could recoup its investment in the 20.8 KV line along Diamond Bar Road. That is possible. Mr. Simpson asked if ownership of the new Diamond Bar Road power line could be shared between the Tribe and Unisource, with UniSource owning that portion within their Mohave County franchise area and the Tribe owning that segment on the reservation. Mr. Simpson said he believed the portion within Mohave County could be built without having to amend the Hualapai Constitution. Mr. Vaughn said the amendment is necessary to operate the mini-grid at Grand Canyon West. These are tribal assets, as are the savings from operating the mini-grid, and worth more than \$250,000.

Mr. Bertrand continued with the Grid Operations portion of the presentation. This includes an interconnection agreement with the transmission utility, an engineering-procurement- construction (EPC) agreement with an electrical construction company, grid operations and compliance with transmission obligations. The tribe could issue an RFP for energy supply options for the 2.1 MW Grand Canyon West load (and if needed, for pump station loads that total about 4 MW). The RFP could include

wholesale power supply arrangements with Western Area Power Administrator (WAPA), electric utilities or independent power producers. The contract term can vary depending on other Hualapai Tribal Utility Authority (HTUA) objectives. Mr. Vaughn pointed out potential future loads for a hotel, new homes, etc, that make the demand problematic. The sequencing of these construction activities will be established by Council.

Operational functions that will be needed for serving the Grand Canyon West load include scheduling function for 24/7 operations. This may have to be done in five minutes increments, possibly by UniSource. Power purchases may need to include same day purchases and backed up by the existing diesel generators. Also, renewable portfolio obligations need to be considered. Many of these functions can be outsourced by the HTUA. Mr. Bertrand also noted the need for flexible power agreements that do not restrict the HTUA. Mr. Montana asked if renewable energy generated at Grand Canyon West could be exported off the reservation. Mr. Bertrand said the answer should be yes. Utility customer functions include metering, rate setting and billing. Reporting for compliance with financial obligations is also required.

b. Development of a Solar Energy Project that would generate revenue as noted in the 2014 BIA-IEED grant. Mr. Davidson reviewed the BIA-funded feasibility study that places up to 100 MW of solar PV in the Nelson area and 100 MW of solar PV in Clay Springs. Mr. Vaughn said the solar array should be in Clay Springs and not at Nelson. Mr. Vaughn noted that the western boundary of the Reservation is not accurate and that it should be moved westward to reflect the original 1883 boundary. The current boundary monuments were relocated eastward by ranchers several decades ago. The relocated boundary could include some the of Clay Springs trust land. Mr. Payne asked if the boundary line was still in dispute. Mr. Vaughn said the tribe has been hesitant to pursue the issue given the current conservative composition of the US Supreme Court.

Mr. Bertrand continued with a review of the 2014 – BIA - IEED – Tribal Energy Development Capacity Grant. The grant allows the tribe to hire a renewable energy expert to seek a buyer of solar power produced on the reservation and then to prepare an energy capacity assessment report. In regard to developing a solar project on the reservation, several items must be addressed including: 1) utility-scale solar pricing, 2) issuing an RFP to select among potential developers under any structure, 3) choosing among ownership structures, 4) financing considerations for various options and 5) determining

renewable energy needs in region. Mr. Payne asked what type of partnerships can the tribe enter into to develop a solar power plant. The BIA-funded solar feasibility study is somewhat out of date in regard to purchase power agreement (PPA) pricing. There is currently a glut of electrical energy on the market thanks to natural gas production. However, solar modules have also dropped in price to help offset the lower costs of energy. In addition, solar modules are more efficient than they were a few years ago when the feasibility study was written. Another issue with the feasibility study is that it did not address the soil conditions at two sites in any detail. Solar arrays tend to heat up the ground and this changes the soils' properties. How receptive is APS to purchase solar power from Hualapai? The APS owned 500 KV transmission line may have excess capacity now that Southern California Edison is no longer purchasing power from coal-fired power plants that connect to the line at the Moenkopi substation. Utility companies in Nevada may also provide a market for Hualapai power which can be accessed at the Eldorado substation. In California, the reported price for electricity is \$60 MWhr (with 30% investment tax credit which falls to 10% on 1/1/2017) if the facility is owned and operated by an independent power producer/developer. New build cost estimates have various ranges depending upon size of the power plant. A 100 MW solar power plant cost could range from \$220 to \$250 million. This price could be less depending on the developer and the ownership/financing structure. A 20 MW solar power plant is estimated to cost around \$50 million to build. Mr. Montana asked about concentrating solar power (CSP) and PV. Mr. Payne said that PV is becoming the industry leader for solar power plants given its reliability and lowering costs of equipment. However, CSP does allow for energy storage after the sun sets.

Moving the discussion back to a potential solar power plant in Clay Springs, Mr. Bertrand recommended the tribe look for an EPC partner. How can the tribe develop a 100 MW solar power plant? The tribe would issue an RFP to identify a PPA and then select a buyer for the electricity produced from the solar power plant. If tribe wants to own the power plant, the tribe would issue a second RFP for an EPC. If not, and the tribe would prefer to simply lease the land for the solar power plant, then the second RFP would be to identify a solar developer. What type of contract terms should be agreed to? Ownership structure may be: 1) Lease (with real estate taxes paid to the Tribe), 2) Lease with option to buy, 3) create a Hualapai subsidiary with tax equity, or some combination. Is the tribe willing to own and operate the power plant? An ownership flip could occur after ten years, once the tax equity investor has exhausted the tax credit. In order to monetize those tax attributes, tax credit investors use equity flip structures where the investor provides cash at or before commercial operation for a predominant

ownership position that allows the investor to harvest the tax benefits for a period of time, after which the predominant ownership flips back to the developer/tribe. What type of training will tribal members need to work at the power plant?

Mr. Vaughn asked about the effects of the expanding renewable energy market on coal fired power plants. Mr. Bertrand said there has been a decrease in electricity produced by coal-fired power plants due to increased mercury emission regulations and the availability of inexpensive natural gas. The demise of coal may be the result of utility companies building more profitable natural gas-fired power plants.

5) Project Updates

a. Update on BIA transfer of a portion of Diamond Bar Road to Mohave County (Planning) The transfer of the BIA road right-of-way to Mohave County is pending a few minor repairs (gabions) and modifications (signage). These should be taken care of shortly.

b. Public meeting at Arizona Power Authority (Phoenix) for Post 2017 Boulder Canyon Project power on June 15th (Planning) The application is requesting 100 KWs from the Schedule D2 power pool with points of power delivery at WAPA's Hilltop or McConnico substations in Mohave County. This will allow it to be accessed by UniSource. Mr. Davidson and Mr. Black will attend the APA meeting on June 15, 2015, and report back to the Board the results and any challenges to the Hualapai application. If successful, this allocation can be combined with Western allocation of 381 KWs of D1 power.

c. Public meeting at University Club (Phoenix) to discuss Post 2024 Marketing Plan for Salt Lake City Area Integrated Projects w/ Colorado River Storage Project management team on June 16th (Planning and Fennemore Craig) Mr. Davidson and Mr. Black will also attend this power marketing meeting and report back to the HTUA their findings. The current CRSP allocation from SLCA/IP will expire in 2024 and Hualapai should position itself to renew this valuable federal hydropower allocation.

d. Meeting with APS negotiation team on July 21st and 22nd to tour Peach Springs/GCW and start on negotiations 500 KV transmission line (Planning) On Tuesday, July 21, 2015, five members from APS, along with the tribe's attorney, an energy expert, the Planning Director, the Public Services

Director, and members of Council and the HTUA Board are set to tour portions of the Reservation which lie along the Eldorado-Moenkopi 500 KV transmission line. This will include areas along Indian Route 18 and Indian Route 1. The tour will begin at 8:00 AM or thereabouts and continue to Grand Canyon West for lunch and a special blessing for the negotiation team on the Skywalk. On Wednesday, July 22, 2015, the negotiation team will meet in the Health, Education and Wellness conference room at 9:00 AM and begin discussing the new terms and conditions of the 500 KV right-of-way renewal. This will be the first of several negotiations.

e. Special Election Process

i. Recap of May 5, 2015, HTUA Board meeting Mr. Davidson briefly reviewed the last HTUA meeting and noted the Board's preference to amend the Hualapai Constitution under the guidance of Article XV to add a new section under Article XVI which would give Tribal Council the power to approve requests by various economic development entities controlled by the Tribal Council to take on debts and liabilities exceeding the current \$250,000 limitation set down in Article XVI, Section 2 (b) 1.

ii. Draft Resolution to initiate Constitutional Amendment Election with Department of Interior

Mr. Francis reviewed the Secretary of the Interior's (BIA) amendment process checklist. Once the Hualapai Tribal Council approves the resolution to begin the Secretary of Interior amendment and voting process, the tribe will transmit to the BIA: 1) the original resolution, 2) the language for the amendment indicating how the Constitution will be revised (including a redline version), and 3) the reason and background for the amendment. The Secretary of the Interior has 90 days to review and approve the amendment then 150 days to conduct the election. Mr. Francis reviewed Article XVI, Section 2, of the Hualapai Constitution which requires that 30% of the eligible voters approve an express waiver of sovereign immunity for the tribe to incur debts exposing the Tribe to liability in amounts greater than \$250,000. The HTUA Board's decision to amend the Constitution by adding a new Section 3 to Article XVI, that will allow the Hualapai Tribal Council to grant limited waivers of sovereign immunity for economic development purposes, will grant more flexibility to the Council and remove the need to have a special election for each project. Mr. Vaughn stressed the need to prepare a cover letter for the resolution that explains the need for amendment and how and why past Constitutional amendments failed. Mr. Montana made a motion to approve the resolution with minor edits. Mr. Navenma seconded the motion. Motion passed 3-0. Mr. Davidson said he will present the Resolution to Council at the Regular Meeting in July.

ii. **Letter of Intent from Council to establish utilities along Diamond Bar Road** Mr. Davidson noted that the Letter of Intent was approved by Council on June 5, 2015, signed by the Chairwoman that day and mailed to the office of Steven Moss, Chairman of the Mohave County Board of Supervisors the following week.

v. **Discussion of advocacy and fact sheet for public outreach and education for the Special Election** Mr. Vaughn requested that the wording on the Fact Sheet be simplified. Mr. Montana would like the Fact Sheet to include development opportunities beyond Grand Canyon West, for example, renewable energy development. Mr. Navenma agreed that the scope of development in the Fact Sheet should be broadened. Broadening the scope of the Fact Sheet will not affect the proposed language of the proposed Constitutional amendment. Mr. Montana observed on the Fact Sheet that Grand Canyon West will save approximately \$400,000 per year by switching from the 16 independent generators to the mini-grid. Mr. Navenma said these savings should be explained as a benefit to the tribe. Mr. Vaughn requested that the construction cost breakdown for the new power line along Diamond Bar Road be removed from the map that will accompany the Fact Sheet so as not conflict with statements of price which may be made elsewhere in the Fact Sheet. Mr. Davidson said he will revise the map accordingly.

Mr. Honga, who is also looking to educate the electorate on various voting issues, has been invited to participate in the HTUA's Constitutional amendment by the Tribal Council. Mr. Honga said his efforts so far have been to remove the Secretary of the Interior from the Hualapai Constitution. Mr. Vaughn said if removal of the Secretary of Interior was added to the HTUA's more focused Constitutional amendment effort, it might cause both amendments to fail. Mr. Navenma said that Hualapai are one of the few remaining tribes with Secretary of the Interior over sight still written in their constitution. This may be an artifact from a time when council members were not as educated and sophisticated as they are today. The failure of the last vote to amend the Constitution in the summer of 2014, that would have removed the Secretary of the Interior from the Constitution, may be a reflection of the electorate not yet willing to give up that final approval of Council actions. Mr. Honga pledged his support to help the HTUA amend the Constitution as planned.

6) HTUA Web Site

a. **Draft RFP** Mr. Davidson reviewed the language of the draft RFP. The new web page shall include the HTUA's mission statement, services, HTUA board member biographies, meeting agendas and minutes, resolutions and the ordinance. This new page would be added to the Hualapai Tribe's home page under "Government." The RFP requests that the bidder provide services as follows: 1) orientation meeting, 2) web site approval and launch, 3) web site maintenance, 4) a link to other social media sites, 5) web site statistics and 6) contract administration. Mr. Vaughn emphasized the need for unfiltered dialog in real-time to get input on the Constitutional amendment process. This may be best achieved through a social media site such as Facebook. Mr. Montana said there are several social media sites where blogging can occur. Mr. Montana said this social media site could be moderated and maintained by the HTUA. The Natural Resources Department has a Facebook account and experience in maintaining its site. Mr. Vaughn requested the RFP criteria include: 1) the ability of the web site to contact all tribal members of voting age, 2) the web site developer must be able to work with the Hualapai Election Board and Tribal enrollment to identify eligible voters, 3) provide adequate notice for public meetings and 4) help the HTUA develop an outreach plan for the public meetings. The HTUA is looking to establish a permanent and serious presence on the tribe's web site. Mr. Davidson will revise the RFP accordingly and send out to the Board members to review.

7) Other Matters

a. **Review draft job description for HTUA General Manager** Mr. Montana asked how the general manager position will be funded beyond 2015. Mr. Davidson said the tribe receives approximately \$50,000 per year in payments from the Navajo Tribal Utility Authority for its CRSP allocation of federal hydropower. Mr. Navenma said these payments can be directed towards the HTUA's operations. Mr. Davidson will make an inquiry with the Finance Department on how to re-direct these funds. Action on advertising for a general manager was tabled until further notice.

b. **Tribal Solar Working Group meeting on June 23rd and 24th at NAU** Mr. Davidson invited HTUA board members to attend this meeting at NAU. The Tribal Solar Working Group will be discussing the solar project being developed on the Moapa Indian Reservation in Nevada among other topics of

interest to tribes (see: http://www4.nau.edu/itep/tcerc/docs/TSWG_Agenda150623-3.pdf). Mr. Navenma noted the success of wind and solar applications at Leupp, Arizona.

c. DOE conferences in July and September Mr. Davidson noted that NREL will be holding a set of workshops for tribes looking to build and finance community-scale and commercial scale solar projects. The first workshop will be held in Albuquerque (<http://www.energy.gov/indianenergy/events/new-mexico-tribal-leader-forum-and-community-scale-workshop-tribes>) on July 27, 2015. The second workshop will held in Golden, Colorado starting on September 1, 2015.

d. Bids due for IEED RFPs on June 15th – distribution to HTUA Board for ranking and referral to Council for award on July 10th. Mr. Davidson said the bids for HTUA board training, Purchase Power Agreement identification and negotiation, and the solar apprenticeship training program will be sent to the HTUA Board before the next meeting for their review and recommendation for award to Council on July 10th.

8) Set time and location for next meeting

The next meeting will be held on July 9, 2015, starting at 9:00 AM at the Hualapai Cultural Resources Department.

9) Adjourned at 12:20 PM