

Hualapai Tribal Utility Authority (HTUA) Meeting Minutes

August 16, 2017, 3:15 PM to 5:05 PM, Hualapai Health Department, Peach Springs.

Board members:

Charles Vaughn, Chairman – present

Joe Montana, Vice-Chairman – present

Jamie Navenma, Secretary – present

Rory Majenty – present

Support personnel:

Kevin Davidson, Planning Director

Lauren Ferrigni, Fennemore Craig (via telephone)

Bob Becherer, IMEG (via telephone)

Patrick Bowman, Intergroup, Inc (via telephone)

1) Call to Order

2) Roll Call

3) Review and Approval of Minutes from June 21, 2017, meeting

Mr. Vaughn noted on page two of the minutes that the threat posed to the water tanks should be defined as bioterrorism and should also note Mr. Becherer's opinion in locating the new sub-station next to the existing water storage tanks, just east of Buck and Doe Road, should not pose an issue. Mr. Vaughn entertained a motion to approve the meeting minutes of June 21, 2017, with the above noted corrections. Mr. Navenma made a motion to approve the minutes with corrections. Mr. Vaughn seconded the motion. Motion carried 4-0.

4) Project Updates

a. Proposed Power Line to Grand Canyon West

- i. Budget Amendment Request to Council** Mr. Davidson reviewed the Tribal Council’s budget amendment meeting of August 8th where the HTUA was given an additional \$165,000 to award the contracts necessary to begin the environmental review, financial forecast, construction work plan and surveying necessary to build the power line to Grand Canyon West. Part of this amount will be dedicated to pay for IMEG’s contract amendment through December 31st. Mr. Davidson said he and Mr. Becherer will finish drafting the RFPs for the power line survey and environmental review before the next HTUA Board meeting.

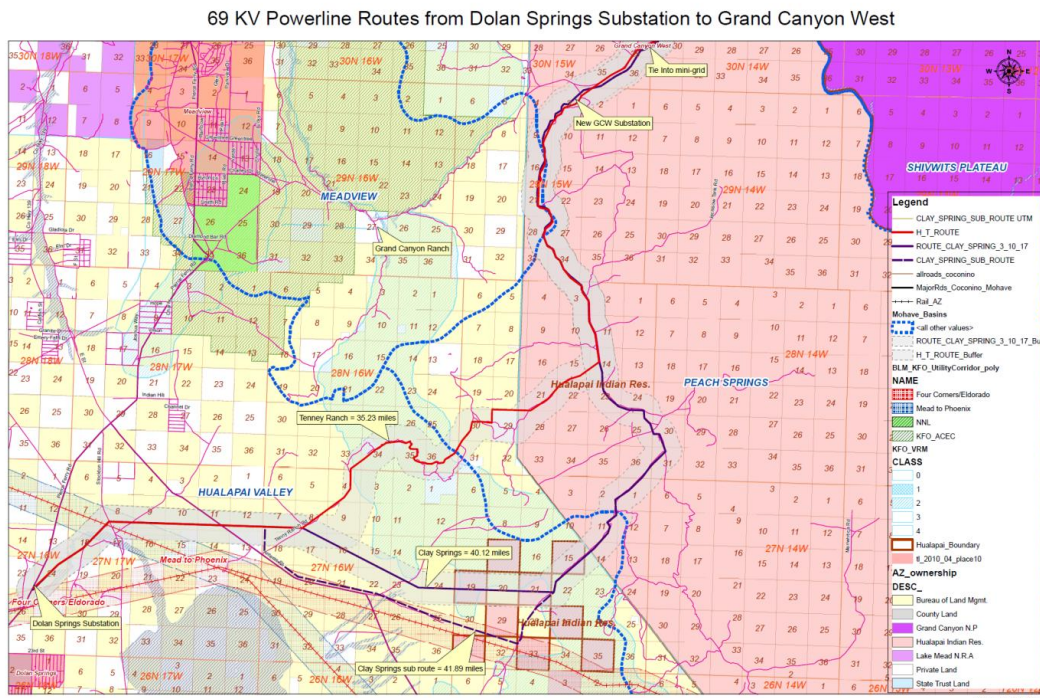
- ii. Draft Interconnect agreement with UniSource and possible action on revision to Section 3.2** Ms. Ferrigni reviewed the proposed amendment to Article 3.2 – Term of Agreement: “This agreement shall become effective on the Effective Date and shall remain in effect unless terminated in accordance with Article 3.3 of this Agreement.” The reduced wording simplifies the language from that previously approved by the HTUA. Mr. Majenty asked if this simplification of language, which omits the term period in years, and allows for a perpetual term, is common for these types of contracts. Ms. Ferrigni said she consulted with Mr. Black and found this is common language.

Moving to Section 10.1 of Dispute Resolution, Mr. Vaughn questioned the meaning of “by way of illustration and not by way of limitation, compelling compliance with any provision hereof that requires a consent prior to Party’s undertaking a certain action,” that refers to requests for interim relief. Ms. Ferrigni noted this is language taken from the Gallagher and Kennedy memo of January regarding sovereign immunity. This term indicates that parties acknowledge that disputes may include a request for interim relief. For example, a party may request an order allowing it to perform an action under the Agreement that would otherwise require the other party’s consent.

Mr. Vaughn asked if there is wording that can be added to the Limited Waiver of Sovereign Immunity Section 12.13 to support the tribe’s position. Are there any state laws that are in conflict with the tribe? Ms. Ferrigni stated the limited waiver language is standard and should be contained in the contract. The amount of restitution and compensatory damages will be limited to the amount shown in Section 12.13. Contract law is governed by state law. Moreover, under Arizona law, limitations on remedies in agreements are generally enforceable. For the

question of conflicts with state laws, Ms. Ferrigni said she will consult with Mr. Black. Mr. Vaughn said he was also concerned that UniSource will have the advantage during a dispute because the tribe has drafted the contract. Ms. Ferrigni replied that the contract utilizes much of UniSource’s standard contract language, taken from other, similar contracts. To help alleviate this concern, a provision can be included stating that the parties agree that all parties and their counsel participated in the negotiation and drafting of the agreement, and as such, the terms of the agreement shall be considered to have been drafted by all of the parties. Mr. Vaughn made a motion to table the contract to allow board members to prepare comments and send them to Mr. Davidson by September 1, 2017. Mr. Majenty seconded the motion. Motion passed 4-0.

iii. Status of Right-of-Way application and Plan of Development for BLM Mr. Davidson said the revised SF-299 application for the right-of-way across BLM land and the Plan of Development (POD) which describes the power line design and construction in detail will be re-submitted to Mr. Andy Whitefield at the BLM’s Kingman Field Office in the following week. Mr. Davidson also noted that Councilman Clay Bravo is looking forward to seeing, if not requesting, the analysis of the Clay Springs route as part of the environmental assessment for the power line route. Mr. Becherer said that IMEG has prepared a set of detailed maps showing this route as well.



b. Cost of Service Study

- i. Progress to Date** Mr. Bowman of Intergroup began his presentation by noting that the studies performed in 2007 and 2009 were too optimistic in predicting load growth in Peach Springs (9.6 GWhrs predicted vs. 6.9 GWhrs actual) and most likely underestimated the amount of capital replacement costs and all operational costs needed to run an electric utility. Mohave Electric Cooperative's rates have increased over the past eight years which should help a future HTUA electric rate structure stay competitive; however, MEC has also made significant capital improvements in the Peach Springs area over the past eight years which will no doubt increase the buy-out costs for the HTUA to acquire the electrical infrastructure. In 2009, buy out costs were estimated to raise HTUA electric rates by five percent over MEC rates. The 17-page memo details the amount of resources required to purchase power, ensure capital reinvestment, account for depreciation and otherwise operate the HTUA. To keep electric rates the same as MEC's, Mr. Bowman said the HTUA annual budget would be limited to \$194,000 to cover operations (\$110,000), capital replacement (\$70,000) and reserves (\$14,000), the first two of which are most likely insufficient. Mr. Davidson asked if a budget of \$300,000 per year would be sufficient to operate the HTUA.

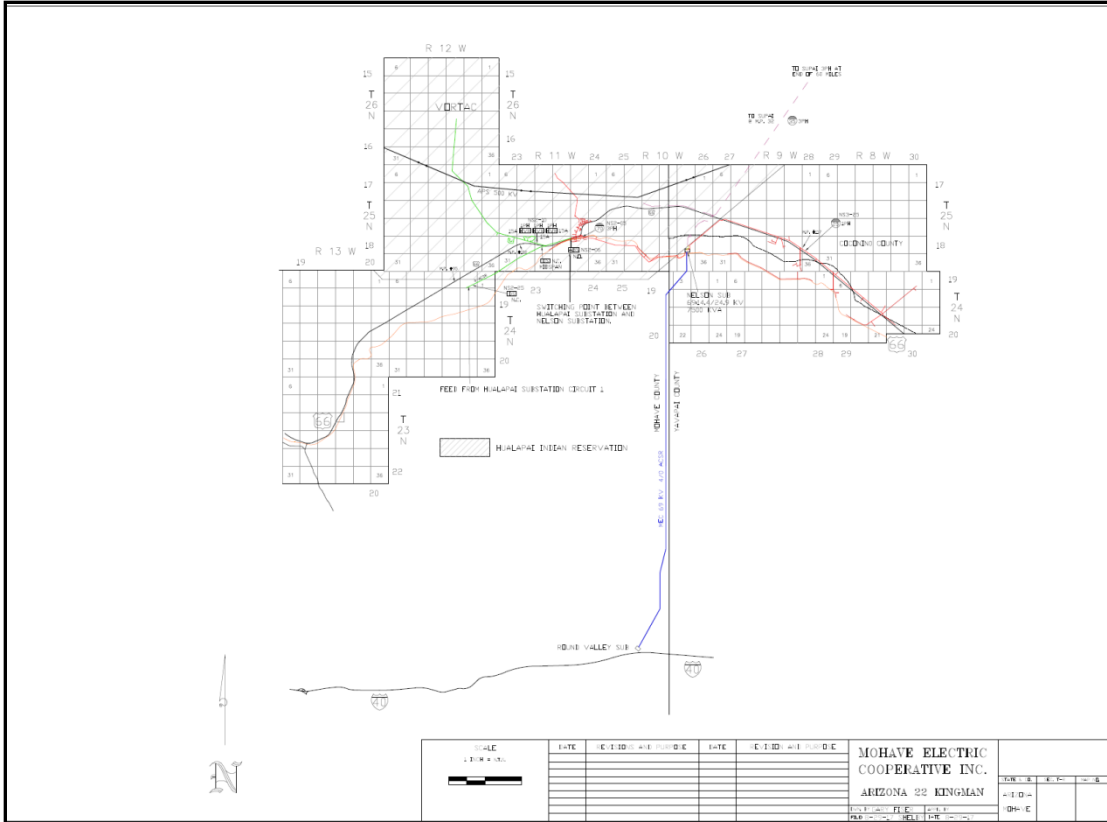
Mr. Vaughn noted that because assets are nearing their maximum age, as stated in the memo, what would be the cost to replace them. Mr. Bowman replied that the HTUA will pay for the assets either at the front end or the back end. If the assets are near the end of their life, MEC will likely accept a lower buy-out offer; however, the HTUA will have to make the investment to keep the system running. If MEC has made substantial investment over the past several years, then the HTUA will pay a higher buy-out cost but not have to place as much money into its capital replacement budget.

Mr. Majenty asked what the costs would be for office staffing, payroll, etc. Mr. Bowman said the 2009 study provided a fairly accurate estimate for these costs alone. Mr. Majenty advised the operational budget be doubled. Mr. Bowman said the next step in the study is to acquire the book value of the MEC facilities, their operational costs and power purchase costs. In addition, Intergroup will contact other small utility companies in the United States to obtain information on their operational costs, including power purchase costs, and capital expenses.

Mr. Majenty recommended that Intergroup also look at Unisource's operations in Mohave County. Unisource's infrastructure has been prone to avian damage. Mr. Vaughn opined that line men would most likely have to be sub-contracted by the HTUA rather than be HTUA employees.

Mr. Davidson noted that two of the comparable small utilities – Farmers Electric Cooperative of Iowa at 12.74 cents/KWhr and Douglas Electric Cooperative of South Dakota at 11.6 cents/KWhr - had electric rates that were 15% to 20% higher than MEC's. To help lower the HTUA's future electric rates, Mr. Bowman said the Cost of Service study should also look at delivering the hydro-power allocations to the HTUA vs. having a less lucrative bill credit or benefit arrangement with third-party utilities as is now the case. The analysis assumes that the HTUA can purchase power at the same rate as MEC and does not include the wheeling cost that MEC would charge the HTUA to bring electricity over its transmission lines to Peach Springs.

Mr. Vaughn asked how many of the electrical "brown-outs" and "black-outs" can be attributed to failure along MEC's 69 KV power line from the Round Valley Substation operated by APS to the Nelson Substation operated by MEC, a distance of over 20 miles (see map). Mr. Bowman said the Cost of Service study has yet to investigate the reliability issues from Round Valley to Nelson and ways to improve the infrastructure. These improvements should be identified and recommended to MEC regardless of whether the HTUA takes over ownership of the electric distribution system on the reservation. Mr. Davidson said that if the HTUA assumes control of the electric distribution system on the reservation and a power outage occurs due to a failure on the MEC or APS distribution system, the HTUA would most likely be blamed for it. Mr. Montana emphasized the need for back-up generators to keep Peach Springs on-line during power outages. Mr. Vaughn said that "black-outs" occur far too frequently in the community. Mr. Bowman asked if the tribe has contacted the Arizona Corporation Commission (ACC) regarding the situation in Round Valley. The ACC applies a higher level of regulation to APS operations so customer complaints should receive more attention and result in corrective actions. Mr. Vaughn asked if the cause of the outages at the Round Valley substation are recorded and reported to the ACC. Mr. Davidson said he will follow-up with the ACC.



In regard to electric distribution system reliability, Mr. Vaughn asked how the electric lines and substations can be protected from lightning strikes. Mr. Becherer said lightning protection for power lines and substations is relatively inexpensive and easy to install. Most systems are protected by standard methods such as installation of lightning rods in sufficient number to provide a “cone of protection” that includes all parts of substation equipment and ancillary items. Power lines are protected by the zero voltage conductor-run at the top of the pole. This conductor is grounded at each pole thereby providing the desired protection. There are also expensive options for protecting equipment. These include ion emitting devices and similar techniques. These, however, are not often used. Mr. Navenma said the long response times by MEC and APS are one reason the power outages take a long time to correct. Both protection of the electric distribution system from weather events and ways to decrease response times should be addressed in the Cost of Service study. Some of these issues may be solved by a fully operational HTUA which is located a shorter distance from the problem area.

For the next steps in the Cost of Service Study, Mr. Bowman said he will: 1) acquire the capital and operational costs for the electrical distribution system on the reservation from MEC, and 2)

obtain capital and operational costs from similar sized utilities mentioned in the 17-page memo. In addition, the ACC will be contacted to investigate the type of outages at the Round Valley Substation.

c. Community-Scale Solar Array Feasibility Study

- i. Progress to Date and Site investigation by Rock Gap Engineering** Mr. Davidson said that he met with Mr. Tom Mason of Rock Gap Engineering, Mr. Jamie Floyd of ATEK Electric and Mr. Michael Brungard of RPA Engineering on August 1st to conduct a second visit to the most promising two of the three sites that were first visited on June 14th by himself, Mr. Mason, Ms. Bravo and Mr. Williams and Mr. Sinclair of MEC. The first site is at the east end of Nelson Road, about one quarter mile from the reservation boundary (left photo). The second site is south of State Route 66 (between mile posts 101 and 102) and north of the BNSF rail road near the West Peach Springs signal (right photo).



Mr. Mason believes that the Nelson site, although not the preferred site by MEC due to its location between the Nelson substation and the main load in Peach Springs, could accommodate a small (1 MW) merchant power plant to serve the Lhoist lime plant, with any profits from the sale of electricity being used to subsidize the operation of the community-scale solar array located at the West Peach Springs signal where the main load in Peach Springs lies between the solar array and the Nelson Substation. The consultants are optimistic about both sites given that they are flat, with minimal need to grade or remove vegetation, have a three-phase (24.9 KV) power line nearby and have no issues with topography or trees casting shadows on the array in early morning or late afternoon. Mr. Vaughn said given the high electric load at the Lhoist lime plant, estimated to be 6 MW, a 1 MW array may only be adequate to power their

office and lights. Mr. Davidson noted that 1 MW is a fair amount of power and is three to four times the amount of power that the Hualapai Lodge/Diamond Creek Restaurant uses during the peak period. A 1 MW solar power supply should help Lhoist offset its peak demand as well as reduce its overall consumption from MEC.

- d. **Community Wi-Fi** Mr. Davidson noted that the Peach Springs Unified School District will soon conduct a Board meeting to discuss writing a letter to the Federal Communications Commission in support of the tribe's effort to bring wi-fi to Peach Springs. Obtaining the school district's support for the FCC license is critical for the success of the community wi-fi program and may be forthcoming provided that the community wi-fi program does not utilize the existing E-Rate-funded internet service provided to the school district.

5) **Other Matters (Planning)**

- a. **Nextera proposal for utility-scale solar array along APS 500 KV line in District 3** Mr. Davidson said that both NextEra representatives were unavailable for today's meeting so he plans to invite them to the next Board meeting in September. Relating to Mr. Majenty's request that Mr. Davidson vet the proponent prior to their formal presentation to the HTUA Board, Mr. Davidson said NextEra's credentials are impressive and referenced the literature in the agenda packet.
- b. **Follow-up on Tribal Power Exchange (TPX) Summit on July 17, 2017** Mr. Davidson briefly reviewed the meeting in Chemehuevi regarding the management of the Hoover power allocation. Aside from TPX members not being offered a lucrative deal from their local utility companies, Mr. Davidson relayed to the board that the power exchange offers a good chance to network with tribal utilities and learn more about industry trends and terminology.
- c. **Cost Effective Energy Storage for Hoover Dam** To follow up on trends in power generation, Mr. Davidson reviewed the Los Angeles Department of Water and Power (LADWP) proposal to use renewable energy to power a pumped water storage project between Lake Mohave and Lake Mead. During the day when there is an oversupply of electricity generated from solar power plants, LADWP would purchase this low-cost power (sometimes at no cost) and use it to pump water from Lake Mohave up to Lake Mead via a new pipe line, possibly through the Lake Mead

National Recreation Area or adjoining lands in Mohave County. During the peak power demand, typically in the early evening, the water would be released through Hoover Dam to generate additional electricity and increasing the monetary value of LADWP's Hoover allocation. The proposal is still preliminary but does illustrate the value of providing electricity during peak demand and the low cost of electricity when solar power plants are over-producing and putting more power onto the grid than is needed to a point where utilities and merchant power plants will sell the power at little or no cost.

d. **Discussion and possible action on recommendation to Tribal Council on re-appointment of Board members or possible replacement candidates (Section 202.b.3, HTUA Ordinance).** Mr. Davidson distributed Bill Cyr's application for membership on the HTUA Board and resume. Given the lateness of the hour, Mr. Vaughn asked the board to review the material and discuss at the next board meeting.

e. **Announcements** Having none himself, Mr. Davidson asked for announcements. No announcements.

6) **Set time and location for next meeting** The next meeting will be held on Wednesday, September 13, 2017, at 9:00 AM at the Hualapai Health Department, Peach Springs.

7) **Adjourned at 5:05 PM**