

Hualapai Tribal Utility Authority (HTUA) Meeting Minutes

November 30, 2015, 9:15 AM to 12:05 PM, Hualapai Cultural Resources Department

Board members:

Charles Vaughn, Chairman - present

Rory Majenty, Vice-Chairman – absent

Joe Montana, Secretary – present

Steve Malin, Treasurer – present at 11:00 AM

Jamie Navenma – absent

Support personnel:

Kevin Davidson, Planning Director

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

Guest:

Kevin Black, Bureau of Reclamation

1) Call to Order – postponed pending quorum. Mr. Davidson asked if Item No. 5, which is informational in nature, could be presented to the two members of the HTUA Board that were present. Mr. Vaughn agreed.

5) Review of NREL II/Navajo Generating Station Post-2019 (Bureau of Reclamation)¹ Mr. Kevin Black thanked the HTUA Board for inviting him to make the presentation and noted that his background has been in water development in the southwest prior to becoming the Energy Development Program Manager working with the National Renewable Energy Laboratory (NREL) on the Post-2019 roadmap to identify and evaluate alternatives to the federal shares in the Navajo Generating Station's (NGS), an amount equal to 547 MWs or 24.3% of the 2,250MW capacity.

a. Review of NREL II study and roadmap for NGS Post-2019 Mr. Black began his presentation by saying that the beneficiary tribes of NGS – Navajo and Hopi – Arizona tribes with Central Arizona

¹ See presentation: http://www7.nau.edu/itep/main/docs/energy/TSWG_062315BlackNGSNRE_II%20Study.pdf

Water Contracts are the primary focus of technical assistance. However, the scope of the NREL II Study recognizes other tribes which have access and rights to electrical transmission that could physically serve the electrical needs of the Central Arizona Water Conservation District (CAWCD). CAWCD is the entity which operates the Central Arizona Project (CAP) and associated pumping system that provides water to Maricopa, Pinal and Pima Counties. About half of the water that is pumped through the CAP serves Arizona Tribes who have CAP water contracts with CAWCD. Approximately 2/3rds of the 547MW's allocated to the federal shares in NGS provides the power to pump water in these three counties, most of which is used for agriculture. Mr. Vaughn said that with the pending retirement of inexpensive coal-fired power from NGS the cost of water will increase for these tribes, which have a guaranteed right to the water, compromising their right to enjoy continued economic development. Mr. Black responded by saying that various water right settlements being implemented by the Bureau of Reclamation (BoR), contain the "reasonable expectation" that escalation of water rates would remain economic by tribes who settled claims that include CAP water allocations. However, the Ak Chin Indian Community has a settlement containing a guarantee by the United States to deliver CAP water. Within the 547 MWs of Federal NGS shares, generated energy not needed to pump CAP water is considered "surplus power" available for sale at market rates. The revenues from surplus power sales are deposited in the Colorado River Basin Development Fund and used to repay the federal treasury for the CAP and to implement various Indian Water Right Settlements pursuant to the Arizona Water Settlements Act of 2005.

Mr. Vaughn noted the environmental concerns raised by the Hopi regarding coal mining and the depletion of the "N" aquifer. Mr. Black said that 90% of the power used to pump water through the CAP canal comes from NGS, with smaller percentages obtained from Hoover Dam and the Waddell Dam. The Waddell Dam is a "pumped-back" storage facility wherein the dam's reservoir is filled from the CAP with a portion of Arizona's allocation of Colorado River Water during the winter off-peak season when water use is less along the CAP system and electric rates are generally less expensive. During the water demand season, the water is released and delivered to the CAP contractors and power generated during the release is used as part of the CAP electric demands. Mr. Vaughn said a similar reservoir could be constructed on the Hualapai Reservation and filled with the tribe's water right to the Colorado River. This would be an alternative to pumping water from the river for direct use.

To continue with the NREL II presentation, Mr. Black noted that the NGS-KMC draft preliminary Environmental Impact Statement (EIS) is scheduled for public release in the third quarter of 2016. The No Action alternative would result in no federal action to approve various agreements, leases, coal supply agreement, etc and could have the net effect of shutting down NGS after 2019. The EIS also includes partial and full replacement alternatives with emphasis on “low-emitting” renewable energy generation which includes natural gas generation. The BoR is available to make a presentation to Council on the EIS process.

Mr. Vaughn asked why California and Nevada utilities are divesting themselves from NGS. Mr. Black said that these utilities purchase natural gas-fired electrical generation at a lower cost than coal generation and, in the case of California, the state’s legislature have passed legislation to require a “clean” energy portfolio, with an emphasis away from fossil fuels to renewables such as solar and wind. One MWhr of electricity from natural gas-fired power plant produces about half the CO2 emissions of a coal fired generation facility with some exceptions for facilities that have installed advanced carbon reduction emission technologies. Solar and wind power plants have minimal CO2 emissions.

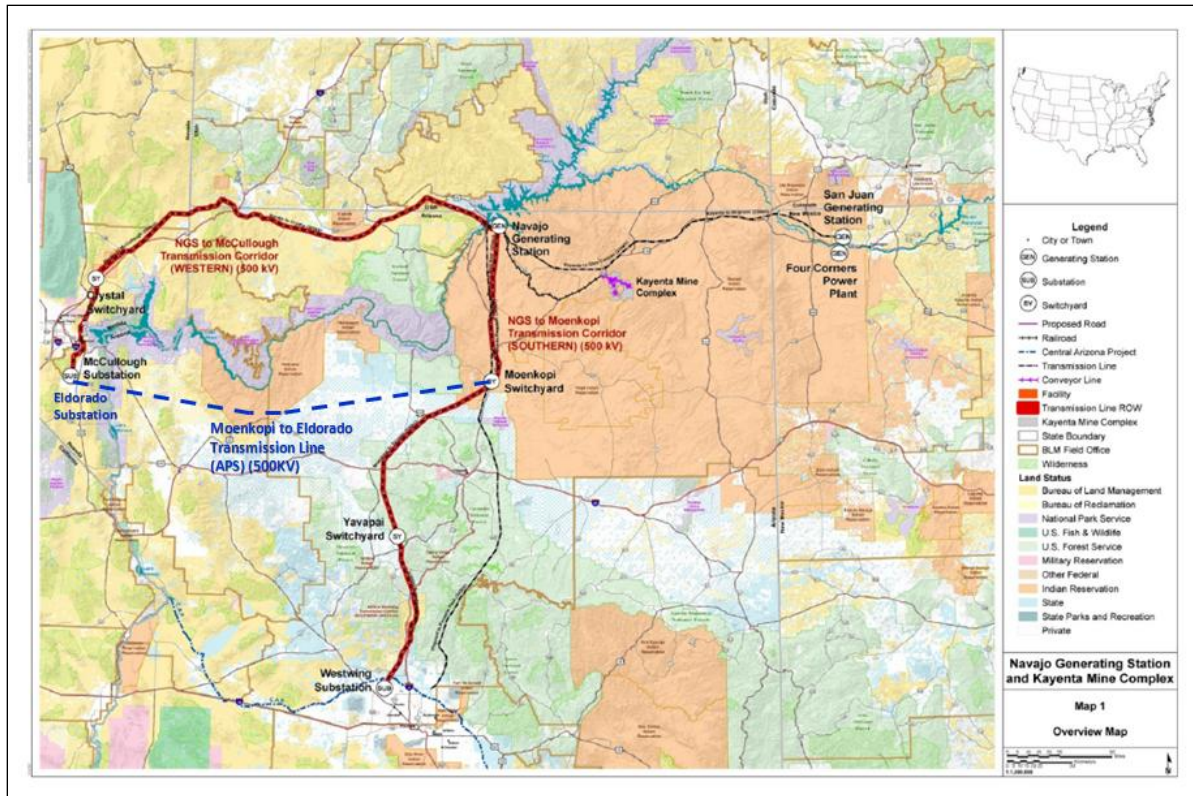
Mr. Vaughn asked what the financial impact would be for Navajo and Hopi if NGS were to shut down. Mr. Black said the economic impact would be enormous for both tribes. However, if the tribes were to construct replacement power for coal such as large-scale solar and wind farms, this could help lessen the loss of NGS on both tribal economies. Also, Clean Coal technology could be employed at NGS where the carbon is captured before it is released into the atmosphere.² The NREL II study is looking for a clean, reliable and affordable source of replacement power for NGS. Tribes such as the the Hualapai Tribe with proximity to high-voltage transmission lines across the reservation and in the Hualapai Valley are being considered as potential locations to develop clean energy projects. At present, NGS’ coal-fired power is being sold at a wholesale rate of approximately \$30 per MWhr. Mr. Black noted that planning for NGS replacement power by renewable generation such as solar and wind will likely require sales to other consumers, in addition CAWCD, due to the generation of electricity when demand is not required for CAP pumping. Any project that can help

² For several types of Clean Coal technology see: <http://energy.gov/fe/science-innovation/clean-coal-research> and: <http://science.howstuffworks.com/environmental/green-science/clean-coal.htm>

reduce carbon emissions in accordance with the proposed EPA Clean Power Plan is work consideration...

To help the Hualapai Tribe bring its renewable resources to market, Mr. Black said that both the Department of Energy and the Bureau of Indian Affairs have well-developed energy programs designed to help Indian tribes implement renewable energy feasibility studies. Mr. Vaughn said that the tribe has not produced a detailed feasibility study. Mr. Davidson replied that the tribe has completed feasibility studies for both wind and solar resources, but these studies are three years old and require updating given the lowering of construction costs that have occurred in recent years. Mr. Black mentioned the Pasqua-Yaqui Tribe's DOE grant-funded feasibility study which focused on the tribe's land availability, solar resource, access to transmission and potential buyers of the electricity. The NREL II Study will incorporate the Pasqua-Yaqui Tribe's potential solar generation project concepts as part of the NGS roadmap analysis. Reclamation and NREL provided technical assistance to the Pasqua-Yaqui Tribe to evaluate opportunities to develop a community scale project. A proposed 2.5 MW solar array has received tentative approval from the Pasqua-Yaqui tribal government to provide power for their community and casino loads. Mr. Black asked if the Hualapai have considered a community-scale solar project. Mr. Davidson noted that the BIA-funded feasibility study looked at a solar option for Grand Canyon West and that the HTUA has recently talked to Mohave Electric Cooperative about a community-scale solar array to meet Peach Springs' electrical needs. Mr. Black said that both NREL and BoR provide technical assistance to tribes looking at renewable energy development who generally meet the criteria of being a NGS constituent and/or access and rights to transmission that could potentially serve CAP load.

Mr. Vaughn asked about the future value of high-voltage transmission lines that are connected to the Moenkopi switchyard, such as the APS 500 KV line. Mr. Black said that transmission lines going to and from the Moenkopi switchyard will continue to have value and noted that even though utility companies may divest themselves of coal-fired electrical generation carried by these transmission lines utilities may be retain the rights to transmission. (see map).



Mr. Davidson noted that carbon credits are worth about \$6 per ton, but may increase or decrease in value with the advent of the Clean Power Plan and other efforts to move away from coal and to renewables. A tax on CO₂ emissions could affect the value of carbon credits. For example, a solar power plant which displaces 1 million tons of CO₂ per year could have an increased value \$6 million dollars per year. These credits can be sold to the operators of coal-fired power plants to offset the CO₂ emissions in the region and allow the coal power plant to continue to operate. Under the current law, renewable energy power plants sited on an Indian reservation receive twice the number of carbon credits, so if the above-mentioned solar power plant were placed on the Hualapai Reservation the value of these carbon credits would be \$12 million per year. When coupled with a low-interest loan and potential government grants to fund power plant construction, a Hualapai solar project becomes more lucrative than one similarly situated on private land. Mr. Black encouraged the tribe to seek out an energy buyer in a state that considers carbon credits as part of their plan to invest in clean energy. The climate conference in Paris may lead to the creation of an international carbon credit market and help set the \$/ton rate for the market. Mr. Malin asked about data centers' (Google, facebook) appetite to purchase renewable energy. Mr. Black replied that some tribes are seeking to develop energy tariffs to promote use of renewable energy

generators to serve federal loads on reservation and reaching out to potential buyers who hold an interest in carbon credits to comply with EPA regulation.

Mr. Black continued by saying that the NREL technical assistance agreement of 2014 allows BoR to work with NREL, Northern Arizona University and University of Arizona to create the Phase II study and roadmap to identify clean energy options for the federal shares in NGS. An agreement to vacate the federal shares in NGS by 2044 contains various provisions which frame the NREL II Study and associated roadmap. The Phase II study is designed to append the Phase I study which did not produce a full replacement of NGS federal shares. The Phase II study examines market sector trends, provides economic and technical modeling and seeks input from tribes. The glide path will begin at the end of 2019 and extend to the end of 2044. By 2030, utilities purchasing power from NGS will have to comply with Best Available Retrofit Technology (BART) to meet EPA's air pollution standards.³

b. Factoring Hualapai into the energy equation to provide replacement power to the Central Arizona Water Conservation District.

The CAWCD must find a replacement source of power for NGS which is cost competitive, reliable and cleaner. CAWCD is looking for alternatives. The glide path must provide enough utility-scale renewable energy as part of a portfolio of generation to replace the power currently provided by NGS to CAWCD. However, CAWCD need not select this replacement power if it is not price competitive. Mr. Black said that if Hualapai would like to become a part of the NREL Phase II study then it can make a request to be included. Mr. Davidson asked the HTUA Board members present if they would like to make this request to BoR. Mr. Vaughn stated that the formal request should come from the Tribal Council and that they be educated on the topic prior to such a vote. Mr. Davidson told Mr. Black he will most likely call upon him again to present to Tribal Council in early 2016.

In conclusion Mr. Black recapped the milestones of the NREL II study as follows:

- Stakeholder outreach and scoping is complete
- Technical memoranda — baseline topics prepared by 3rd quarter 2016

³ See http://www3.epa.gov/visibility/pdfs/fs_2005_6_15.pdf for Fact Sheet

- Technical memoranda — glide path options to be prepared by fourth quarter 2016
- Final published report in 3rd quarter 2017
- Social media outreach in 4th quarter 2017

Mr. Black thanked the HTUA Board for their time and departed from the meeting.

2) Roll Call at 11:30 AM

3) Review and Approval of Minutes

Mr. Malin made a motion to approve the October 29, 2015, minutes with minor corrections. Motion seconded by Mr. Montana. Motion carried 3-0-2.

4) Project Updates

a. Follow-up on Amendment to Hualapai Constitution

i. Update on amendment and special election request to BIA Mr. Davidson re-capped his recent conversation with Mr. Hunter, who will be organizing the Secretarial election, and reported that the tribe's request has been forwarded to the BIA's regional office for review. There is no time limit to review the tribe's request, but a determination should be timely, possibly by January 2016. Once a positive determination is made, the BIA has 150 days to register voters and hold the election per 25 CFR, part 81.

ii. Feedback from November 23rd Thanksgiving Dinner Mr. Davidson reported that he had set up four presentation boards in the Gym displaying the essence of the 18-slides shown in the PowerPoint presentation made on September 29th. The boards were placed along the way for those standing in line for dinner. There were no comments from the attendees.

iii. Potential public meeting in Phoenix at ITCA Mr. Davidson said a public meeting in Phoenix, at the offices of the Inter-Tribal Council of Arizona (ITCA) would be a logical venue given that approximately 100 tribal members live in the Phoenix metro area. The Board chose December 16th as the meeting date. The Board should arrive at 5:00 PM to make sure they are ready to

begin the presentation at 6:00 PM. Mr. Davidson will confirm the arrangements with ITCA, including dinner for attendees.

In regard to public input, Mr. Vaughn said that the recent letter from Ms. Suminimo did not seem to address the question of amending the Hualapai Constitution. Mr. Davidson said that the HTUA's response published in the Gamyu answered the relevant questions pertaining to the proposed constitutional amendment. Mr. Vaughn also requested the tribe's web site be updated with the outreach effort as the new HTUA web site is being created by the consultant.

b. Western Area Power Authority Post-2017 Hoover power allocation and contracting. Mr. Davidson reviewed the benefit arrangement proposal recently received from the Navajo Tribal Utility Authority (NTUA). A tribe without the ability to receive the power directly from Hoover, such as Hualapai, would receive a \$1.50 per MWhr in exchange for NTUA's payment of all Post-2017 Hoover expenses such as repayable advances, Multi-Species Conservation Plan contributions and, of course, the purchase of the power from Western. Mr. Patrick Black said that the benefit arrangement recently offered by NTUA may be the only way for Hualapai to proceed if the constitutional amendment is not successful and/or the power line is not built to Grand Canyon West so the Tribe can use the power directly.

c. Arizona Power Authority Post-2017 Hoover power allocation contracting. Mr. Davidson asked Mr. Black if the Red Rock appeal for an allocation of Hoover to the APA had been successful. Mr. Black has yet to hear from the APA; however, the Hualapai allocation of 100 KWs should not be in jeopardy because 100 KWs was the lowest amount in the APA allocation regime and should not be reduced below that threshold.

6) Review of HTUA 2015 Budget and Plans for 2016 (Planning) Mr. Davidson reported that he had submitted the \$175,000 budget request to the Finance Department on December 13th. The budget includes \$20,000 for the linemen pre-apprenticeship training program. This amount should be enough to pay the tuition costs of two Hualapai. The budget also includes some \$90,000 for the continued use of legal counsel to the HTUA Board.

7) Other Matters (Planning)

a. HTUA website development Mr. Davidson said the he and Mr. Montana had a recent teleconference with AnchorWave, the web site consultant, and were presented with two home page designs. Mr. Davidson also distributed the web schema showing the hierarchy of pages for the site. Mr. Davidson and Mr. Montana will meet again with the consultant in mid-December to finalize the design. The goal is to have the web site on-line and functional in about 30 days. To help achieve this goal, Mr. Davidson asked the Board members for their biographies so he can forward them along to the web consultant.

b. Preparation of Annual Report to Tribal Council per Section 110, HTUA Ordinance Mr. Davidson referred to the 200-plus-page annual report which explains the achievements of the HTUA over the past year and plans for 2016, namely public outreach to amend the Hualapai Constitution and continued efforts to build a power line to Grand Canyon West. In addition, the annual report contains 12 sets of meeting minutes, half a dozen presentations made to the board, including two training sessions, and documentation of the public outreach efforts to date. Mr. Davidson asked if the Board was inclined to approve the report at this meeting since he would like to present it to Tribal Council at their regular meeting in December. Mr. Black said the annual report was comprehensive. Mr. Malin made a motion to approve the annual report. Mr. Montana seconded the motion. Motion passed 3-0-2.

c. Preparation of RFP to obtain legal counsel for HTUA Board Mr. Davidson presented a draft RFP for the Board's continued legal counsel for 2016. The RFP is a request from the tribe's Finance Department to obtain competitive bids for this legal service. Mr. Malin made a motion to approve the RFP. Mr. Montana seconded the motion. Motion passed 3-0-2.

8) Set time and location for next meeting

The next meeting will be held on December 16, 2015, at 5:00 PM at ITCA, 2214 North Central Avenue, Suite 100 in downtown Phoenix.

9) Adjourned at 12:05 PM