

Hualapai Tribal Utility Authority (HTUA) Meeting Minutes

June 21, 2017, 10:25 AM to 1:00 PM, Hualapai Health Department, Peach Springs.

Board members:

Charles Vaughn, Chairman – present

Joe Montana, Vice-Chairman – present

Jamie Navenma, Secretary – absent

Rory Majenty – present

Support personnel:

Kevin Davidson, Planning Director

Patrick Black, Fennemore Craig (via telephone)

Lauren Ferrigni, Fennemore Craig (via telephone)

Bob Becherer, IMEG (via telephone)

1) Call to Order

2) Roll Call

3) Review and Approval of Minutes from May 25, 2017, meeting

Mr. Vaughn entertained a motion to approve the meeting minutes of May 25, 2017, with minor corrections. Mr. Montana made a motion to approve the minutes as written. Mr. Vaughn seconded the motion. Motion carried 2-0-0-1, with Mr. Majenty not voting.

4) Project Updates

a. Proposed Power Line to Grand Canyon West

- i. Review of June 2nd reconnaissance flight along proposed routes** Mr. Davidson said the flight lasted approximately 90 minutes and covered both proposed routes between Grand Canyon West and the Dolan Springs substation. The Clay Springs route has cultural sites in the vicinity of Sections 14 and 15, T27N, R15W. Mr. Vaughn asked if a tribal member participated in the

June 2, 2017, helicopter reconnaissance flight of the proposed power line routes. Mr. Davidson said that Dawn Hubbs, Tribal Historic Preservation Officer, was on the helicopter flight. Mr. Vaughn is concerned that some cultural sites may be overlooked without the participation of a tribal member.

Mr. Becherer said the flight was most productive with both routes posing challenges but none which are insurmountable. Mr. Vaughn asked about the difficulty of placing power poles on steep terrain. Mr. Becherer said power poles can be moved off of the roadway shoulder and span a few hundred yards to avoid switchbacks. The Tenney Ranch route, which is emerging as the preferred route, would require three to four of these long-span steel poles. Mr. Becherer is working with the Cultural Department to identify known cultural sites in an effort to avoid re-routing the power line. Mr. Vaughn asked about the difficulty posed by roadway switchbacks in Section 35 of T28N, R16W. This can be re-examined on the ground. Mr. Montana asked about ease of access to the long-span poles which are to be located beyond the roadway. Mr. Becherer said at least two of the long-span poles require the construction of a new access road. These poles will be set by helicopter and also maintained by helicopter if needed. These measures should not pose an overwhelming obstacle to building the power line.

Mr. Majenty asked about the location of the planned substation at Grand Canyon West next to the "green" water tank. Mr. Becherer said the substation and power lines would be within 100 yards of Diamond Bar Road. The 69 KV power line would be above-ground entering the substation and then emerge as a stepped-down 20.8 KV above-ground power line with spans of 330 to 350 feet. The line would then dip below ground some 400 feet away from the transformer that serves the Western Town and make the interconnection at this point on the 20.8 KV mini-grid (see p. 3 for new location of interconnection). Mr. Vaughn advised the substation be located further south along Buck and Doe Road near the existing 400,000 gallon water storage tanks, just east of Buck and Doe Road. This location would be more in compliance with the Grand Canyon West Master Plan that seeks to move development back from the canyon rim and make the facility less susceptible to a bio-terrorist attack. Mr. Davidson will send Mr. Becherer this location to review. Mr. Becherer said It should not be a problem re-locating the substation to this new location.

Mr. Majenty would also like to ensure the new power line will tie into the new visitor center planned along Diamond Bar Road, south of the Western Town, near the Buck and Doe Road intersection. What is the estimated cost to build the power line? Mr. Becherer estimated some \$14 million which includes engineering and design costs. Mr. Majenty noted Grand Canyon Resort Corporation is facing a \$75,000 per generator re-build cost in 2018, so the tribe should move the power line project forward. Mr. Becherer asked to review the plan showing the locations of the proposed water treatment and pumping facility at Grand Canyon West.

ii. Additional information on archeological sites along alternate power line routes As noted in Ms. Hubbs presentation at the April Board meeting, there is a high density of artifacts in the Hualapai Valley near Red Lake. Ms. Hubbs is reviewing the waypoints from the June 2nd flight and will note additional conflicts between the power line route and known cultural sites.

iii. Status of Right-of-Way application and Plan of Development for BLM Mr. Davidson reviewed the 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 that was submitted to Mr. Andy Whitefield at the BLM's Kingman Field Office on May 23rd. Mr. Whitefield provided comments to the HTUA on June 6th and these have been reviewed and commented on by Mr. Becherer. Mr. Davidson will re-submit the updated Plan of Development to BIA shortly.

Mr. Becherer said the annual costs to operate the power line and purchase electricity from UniSource are estimated to be \$1.3 to \$1.6 million. This variation is largely based on the USDA loan terms (interest rate and length of payback) and 10 cent per KWhr cost of electricity. The cost of electricity from the existing generators is between \$800,000 and \$1.5 million per year which accounts for the cost of diesel fuel and generator maintenance. The cost to run the generators is more sensitive to electric load growth, which will require more frequent maintenance and possibly purchasing a new generator which will increase the annual operating costs.

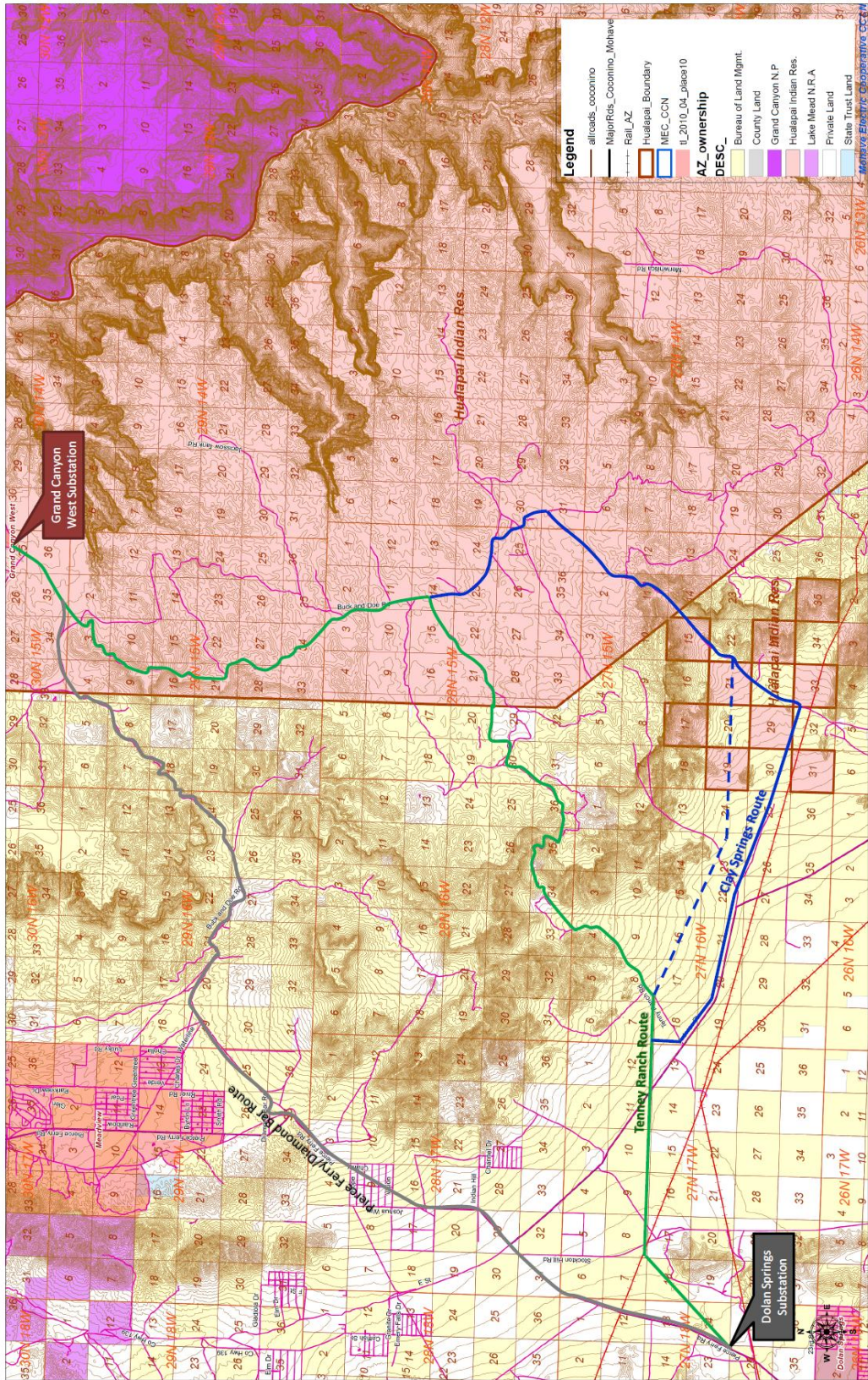
Mr. Davidson said the tribe may have to bear the full cost of building the power line because the USDA grant funds may be swept on October 1, 2017. The grant funds have not been obligated because the NEPA review has not been performed. Mr. Vaughn asked if the EA could be

completed by October 1, 2017. Mr. Davidson was not optimistic given the six to seven months time frame offered by the consultant bids in 2016. The pre-construction steps include having tribal council review and approve the draft interconnection agreement for submission to UniSource, request an amendment to the HTUA FY 2017 budget to include a line item for the NEPA consultant and a surveyor to stake the power line route, and then procure each. This will take at least 60 days. Mr. Black added the EA must also be done in conjunction with the Construction Work Plan and the Long-Range Financial Forecast to complete the USDA loan application. Mr. Becherer said the approval of pre-construction activities are proving to be the biggest obstacle. Having Intergroup, the consultant tasked to perform the Cost of Service Study, review the electrical load profile and usage would be helpful.

Mr. Majenty asked if a tribal referendum vote is required before the tribe applies for the USDA loan. It would be good to review the project with tribal members to gain support. Mr. Vaughn added that high voter participation rates required by the Hualapai Constitution, coupled with the question of limited waivers of sovereign immunity, have effectively tied the tribe's hands and prevented it from entering into larger contracts.

- iv. Review and possible action on draft interconnect agreement with UniSource at Dolan Springs substation** Ms. Ferrigni began the review of the draft contract by discussing Article 12.13 – Limited Waiver of Sovereign Immunity and the two options based upon the January 19, 2017, Gallagher and Kennedy memo to tribal council. Option One provides for a limited waiver of sovereign immunity, but only to the extent of acknowledging that declaratory and injunctive relief and specific performance are the sole remedies available to the plaintiff in the event that the HTUA were to breach its obligations under the Interconnection Agreement. This means that under Option One, no monetary damages would be recoverable by UniSource in the event of a breach by the HTUA. Option Two also provides for a limited waiver of sovereign immunity, but would alternatively allow for the recovery of monetary restitution or compensatory damages in an amount specified in the contract. However, no monetary awards for consequential, incidental or punitive damages are allowed.

69 KV Powerline Routes from Dolan Springs Substation to Grand Canyon West



Mr. Majenty asked if the term of the contract could be 99 years to match the right-of-way request made to the BLM. Mr. Black said the interconnection contract could be for 99 years. Mr. Majenty asked if the HTUA could purchase electricity directly from Western Area Power Administration to transport over the power line to Grand Canyon West. Mr. Black replied that the new power line is a private distribution line so it would not qualify. This designation also makes it exempt from the Open Access Transmission Tariff. With power flowing only one-way, in this case from the UniSource grid to Grand Canyon West, the power line can be classified as a distribution line. If power flows both ways, then it can be considered a transmission line and subject to Federal Energy Regulatory Commission's (FERC) rules on open access. Mr. Majenty noted a planned residential community by a Las Vegas developer along the power line that could lead to an increase in power demand. Mr. Black said it could be possible to have agreement with UniSource to provide for this extra load by allowing UniSource to place a 20.8 KV under-build line on the 69 KV line poles. The proposed 69 KV line is planned to carry eight megawatts of capacity, not enough to provide for additional residential loads along its route. Today's peak load at Grand Canyon West should be 600 KWs. This output will be determined when the new data card is installed on the Caterpillar generators. The data card is still on order, however. Mr. Becherer noted the urgent need to provide this data for both the cost of service study and the long-range financial forecast.

Mr Vaughn asked if the color of the metal poles could be non-intrusive. Mr. Becherer replied that the color would be appropriate for the environment and the conductors would be non-reflective. Moving back to the topic of discussion on recommending Option One or Two to tribal council, Mr. Davidson asked what the pleasure of the Board is. Mr. Vaughn asked Ms. Ferrigni which option, in her opinion, would have the highest level of success with UniSource. Ms. Ferrigni recommended Option Two which has agreed upon monetary limits for restitution or compensatory damages written into the contract. Looking at Article 3.2, Mr. Vaughn asked about the appropriate length of time for the initial term and the automatic renewal term. If 25 years is chosen for the initial term, would it be expected to have 25 years for the automatic renewal? Ms. Ferrigni will look into the amount of time expected in the automatic renewal.

Moving on to Article 10 – Disputes, Ms. Ferrigni reviewed the three options available. The language is based upon the provisions taken from UniSource's Small Generation Interconnect

Agreement and the Gallagher and Kennedy memo. All dispute resolution options begin with a meeting between the parties to engage in a good faith effort to resolve the dispute. If a resolution is not forthcoming within 14 days, then parties proceed to mediation. Such mediation may be performed by FERC's Dispute Resolution Service or the American Arbitration Association. Mr. Vaughn asked if FERC's mediation is non-binding. Ms. Ferrigni said the process is non-binding. However, the process may be binding if agreed to by both parties and the mediation process results in a written and signed settlement agreement. In regard to the selection of arbitrators, Mr. Vaughn asked if the tribe could review the bios of those in consideration. Ms. Ferrigni said the selection process is addressed in Article 10.5 of Option Two and 10.4 of Option Three. Under Option One, if mediation fails, then parties may pursue arbitration or litigation. Mr. Vaughn raised his concern from previous meetings that the tribe's position is more likely to be ruled against since the tribe drafted the contract. Mr. Black replied that the tribe has taken language from UniSource's existing Small Generation Interconnect Agreement for much of this new contract. Ms. Ferrigni continued the comparison of options and stated that for Option Two, if mediation fails, the parties may go to binding arbitration upon mutual consent. If not, the parties may litigate. Option Three allows either party to call for binding arbitration if mediation fails but does not have an option for litigation. Mr. Majenty made a motion to recommend to tribal council that Option Two be inserted into Article 10 of the draft Interconnection agreement. Mr. Montana seconded the motion. Motion carried 3-0-1.

Mr. Davidson asked if the Board would like to consider the two options for Article 12.13. Mr. Majenty asked Ms. Ferrigni about the likelihood of UniSource accepting Options One or Two. Ms. Ferrigni opined that UniSource will most likely favor Option Two because it specifies monetary damages. Mr. Majenty made a motion to recommend to tribal council that Option Two be inserted into Article 12.13 of the draft Interconnection agreement. Mr. Montana seconded the motion. Motion carried 3-0-1.

b. Cost of Service Study

- i. Presentation by Patrick Bowman of Intergroup** Mr. Davidson said that Intergroup has begun work on the Cost of Service study and Mr. Patrick Bowman is present today to provide his update. This study will focus on Peach Springs and determine the feasibility of the HTUA

operating the electric service in the Peach Springs area instead of Mohave Electric Cooperative. Service at Grand Canyon West will also be considered in the report but to a lesser degree. The studies performed in 2007 and 2009 will be referenced by Intergroup as part of the analysis. Mr. Majenty asked if the electric rates are higher in Peach Springs than they are in the rest of MEC's service area. Mr. Bowman said MEC's rates are the same across their service area which includes Bullhead City. Mr. Bowman added that the tribe's cost to acquire the MEC infrastructure in Peach Springs will be higher than the \$500.00 per person estimate from previous studies. This is based upon Intergroups's experience with remote, rural electric distribution systems. Mr. Bowman asked if the HTUA is considering only one electric service meter at Grand Canyon West or multiple service meters to serve different loads and possibly different customers. Mr. Davidson said he foresees only one commercial customer – Grand Canyon Resort Corporation at Grand Canyon West – but possibly a dozen or more sub-meters, one at each load center. These service connections would be added to the rate structure.

Mr. Bowman noted that some 90 percent of a utility's costs are fixed, e.g. power purchases, wheeling charges, third-party contracts, maintenance of the system (mini-grid at Grand Canyon West), etc. The electricity rates will be driven by these fixed costs. One of the key missing pieces in determining these costs is to ascertain from MEC the value of their distribution system in Peach Springs as well as the balance of their CC&N on the reservation. Obtaining this dollar value and also what MEC pays for operations and maintenance is critical for the accuracy of the cost of service study and will also provide the tribe with a price point to begin to negotiate the buyout offer with MEC. Mr. Davidson asked if the HTUA should present these questions through a formal letter to the General Manager or take a more informal approach through the engineering staff that he is working with on another project. Mr. Bowman advised the approach be strategic and well timed. Mr. Davidson opined that MEC is most likely subsidizing this part of their service area with the revenue they receive from the more densely populated and higher energy using customers in the Mohave Valley and Bullhead City areas, so divesting this part of their service area to the HTUA may be agreeable to MEC. Mr. Vaughn asked about the recent power line upgrades between Valle Vista and Hackberry. These upgrades occurred last year and should allow more power to flow and increase reliability for customers.

Mr. Bowman said he requires more detailed data on the actual generator output at Grand Canyon West. Mr. Majenty asked if he would like to take a tour of GCW to see the generators; however, Mr. Bowman replied that he just requires a one-line diagram. Mr. Vaughn asked about the recent efforts by APS to have the Arizona Corporation Commission to pass the “anti-solar” tariff which would increase the electric rates for home-owners with net-metered solar arrays that are supposedly not paying their fair share for their utility’s operations and maintenance. Mr. Bowman noted that utilities want to recover their costs through rates.

Mr. Vaughn asked if the community-scale solar array will work in Peach Springs. Mr. Bowman replied that it should when connected to one of the larger 24.9 KV distribution lines. Mr. Vaughn asked if the placement of distributed solar generation on individual buildings would also work. Mr. Bowman said this not a new concept and it should be quite viable in Peach Springs. Mr. Davidson added that each building should have at least 200 amp service connection.

c. Community-Scale Solar Array Feasibility Study

i. Review of meeting and field trip with Tom Mason of Rock Gap Engineering on June 14th Mr. Davidson said that he met with Mr. Tom Mason of Rock Gap Engineering, Ms. Bravo from Natural Resources and two representatives of Mohave Electric Cooperative on June 14th to review the three candidate sites, the first being at the east end of Nelson Road, the second south of the Buck and Doe water and the third next to the well site near mile post 96 on Route 66. Mr. Vaughn asked how the costs of the array would be passed on to the customers. Mr. Davidson said he is hopeful the project will be partially funded by a DOE grant of up to 50% of the installation cost. The cost to build the array would either be passed on to the customers through rates or absorbed by the HTUA (tribe). Mr. Vaughn was also concerned the array south of the Buck and Doe water tank would be seen from the Peach Springs Cemetery. Mr. Davidson said the rolling terrain may be able to hide the array from view.

d. Community Wi-Fi Mr. Davidson noted that tribal council met with representatives of Mural and Northern Arizona University to discuss the internet issue with the Peach Springs Unified School District and Grand Canyon Resort Corporation. 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 he was recently approached by NextEra with a 3,200 acre site to accommodate a 200 MW to 400 MW solar array along the APS 500 KV line. The site is adjacent Route 18 near mile post 3. This could be up to a billion dollar investment. Such a proposal requires a special vote of the eligible tribal members per Article IV (lease over 1,000 acres) and Article XI (development of natural resource worth over \$50,000) of the Hualapai Constitution. In addition a NEPA analysis, most likely an environmental impact statement will be required. Mr. Majenty requested that Mr. Davidson vet the proponent prior to their formal presentation to the HTUA Board.
- b. Holland Consulting proposal for Renewable-Powered Micro-Grids for Remote Communities** Mr. Davidson briefly reviewed the proposal by Holland Consulting to help the tribe install a small solar array (25 KW) at a remote location, possibly at the Youth Camp. Even though the Youth Camp is connected to the grid, it does suffer from power outages. The proposal also includes an internet-based funding mechanism named “blockchain” that seems more economical than going through a conventional lender. Mr. Davidson said he will follow-up on the proposal.
- c. Announcements** Mr. Davidson noted that Sandra Begay-Campbell of Sandia National Labs will be visiting Peach Springs on July 14, 2017. Also, the HTUA has been invited to the inaugural Tribal Power Exchange Summit on July 17, 2017, at Chemehuevi. And, Western is looking to increase hydropower rates by 20% and has sent out a formal notice for the meetings to discuss proposed rate increase.

6) Set time and location for next meeting The next meeting will be held on Wednesday, July 19, 2017, at 9:00 AM at the Hualapai Health Department, Peach Springs.

7) Adjourned at 1:00 PM