

Hualapai Tribal Utility Authority (HTUA) Meeting Minutes

July 16, 2015, 9:30 AM to 12:20 PM, Hualapai Cultural Resources Department

Board members:

Charles Vaughn, Chairman - present

Rory Majenty, Vice-Chairman – present (via telephone)

Joe Montana, Secretary – present

Steve Malin, Treasurer – present (arrived during review of Item 4c)

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:

Karin Wadsack, NAU

1) Call to Order

2) Roll Call

3) Review and Approval of Minutes

Motion made by Mr. Navenma to approve the June 11, 2015, meeting minutes as written. Motion seconded by Mr. Montana. Motion carried 3-0-1. Mr. Majenty abstained not having attended the June 11, 2015, meeting.

4) 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 final review by the BIA. Storm damage repairs have been completed.

b. Arizona Power Authority Post-2017 Hoover power allocation meeting on July 17th (Planning)

The Hualapai 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 power to be accessed by UniSource. Mr. Davidson will attend the July 17, 2015, meeting where APA will adopt its final allocation plan. So far, Hualapai have 100 KWs in each of the four allocation scenarios. Mr. Vaughn asked about the cost of wheeling and line capacity. Mr. Davidson replied that this power may be wheeled through UniSource's grid to Grand Canyon West, provided the power line is constructed along Diamond Bar Road. The 100 KW allocation is equal to about the energy use of 20 homes and within a typical power line's capacity.

c. Review of meeting on Post 2024 Marketing Plan for Salt Lake City Area Integrated Projects w/ Colorado River Storage Project (CRSP) management team (Planning)

Mr. Davidson and Mr. Black attended this on June 16th in Phoenix. The current CRSP allocation from SLCA/IP will expire in 2024 and Hualapai should position itself to renew this valuable federal hydropower allocation. The existing CRSP customers in attendance were not interested in expanding the service area or allowing new customer into the pool. Also, there was no interest in providing updated load data. Mr. Davidson opined that it may be in Hualapai's best interest to ask that the Post-2024 marketing plan require updated load and annual usage data from its customers. Mr. Vaughn questioned this approach. Mr. Davidson said it may be a gamble since it assumes that Hualapai's load and usage has grown at a higher rate than others in the pool, hence giving Hualapai a larger allocation because they have a larger percentage of the allocation "pie."

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, 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 then a tour of 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. On July

10, 2015, the Council selected Mr. Vaughn and Mr. Malin to represent the HTUA on the negotiation team.

Mr. Vaughn asked why the team will tour Route 18. Mr. Davidson said the field trip will stop at the Limestone airstrip which offers a good view of the 500 KV and large, relatively flat area for a potential utility scale solar array on a square mile of land. Mr. Vaughn noted that this area also provides pasture land for cattle grazing and prefers not to have it taken over by other uses. Mr. Vaughn recalled the concern discussed during the June 11th presentation by Stinson Leonard Street was the need to analyze the effects of heat build-up from solar operations on the site's soils to see what, if any, mitigation is needed.

Mr. Vaughn also noted that the western boundary of the reservation should be addressed. Originally, the western boundary was located in Clay Springs at the base of the Music Mountains and Grand Wash Cliffs. In the years following the establishment of the Hualapai Reservation in 1883, the monuments and fence line marking the boundary have been moved several miles eastward by ranchers in the Hualapai Valley. However, given the fact that the tribe has yet to settle the water rights claim to the Colorado River, broaching the boundary dispute the federal government may not be wise. Mr. Montana added that the USGS has conducted research on the Colorado River's projected future flow and additional usage may not be sustained. Mr. Vaughn said that so far the USGS has not been involved in the water rights discussion with Hualapai.

e. Special Election Process

i. Recap of June 11, 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. Once the Hualapai Tribal Council approves the resolution to begin the Secretary of Interior amendment 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.

ii. Review of Draft Resolution to initiate Constitutional Amendment Election with Department of Interior and presentation to Council on July 10th Mr. Davidson reviewed the Council meeting on July 10th where Council voted 2-2-3 and failed to approve the resolution. The Council's reasons were as follows: 1) need to send the amendment question out to the public for their input prior to the Council vote, 2) language allowing "entities" a limited waiver of sovereign immunity is too broad in respect to "entities," and 3) language may allow Council to do more than what we currently intend causing an abuse of power. Mr. Vaughn said that the third reason for concern is resolved by the constitutional protection of individual tribal members from Council overreach. Mr. Francis suggested that "entities" be further defined as "government entities" which are authorized by Council. Mr. Vaughn opined that limiting the constitutional amendment to only the allowing the HTUA to take on debt's greater than \$250,000 would most likely fail. Mr. Black suggested the HTUA develop two versions of the amendment, one with a broad definition of "entities" and the other with narrow definition such as only the HTUA. Mr. Majenty said public opinion may change with the upcoming right-of-way negotiation with Arizona Public Service over the 500 KV power line. Mr. Davidson added that he had asked three tribal utilities in Arizona about their current debt limit. The Tohono O'odham have the highest debt limit of \$25 million.

iii. Discussion of advocacy and fact sheet for public outreach and education for the Special Election Mr. Vaughn requested that the HTUA put together a mailing to invite tribal members to the upcoming public meeting. Mr. Davidson said he would prepare a draft mailer for review at the next HTUA meeting. The meeting should occur in August at the gym in Peach Springs with dinner provided. Mr. Majenty suggested a second public meeting be held at Grand Canyon West for employees who cannot make the dinner meeting in Peach Springs. If the second public meeting date is set in advance, GCRC could offer administrative leave for employees who want to attend.

Mr. Vaughn requested that the wording on the Fact Sheet be simplified and reduce the length of the longer bullet points. Mr. Navenma advised that the benefits of renewable energy described in Item No. 5 be linked to Item No. 8. Mr. Davidson said he will revise the Fact Sheet.

5. BIA/Tribal Energy Development Capacity Building Bids (Planning)

a. Review and Recommendation to Council on HTUA Training award Mr. Davidson reviewed the ranking sheets from the BIA. Kanim Associates received the highest score. Mr. Navenma asked if the HTUA is bound to accept the BIA offer. Mr. Davidson said it was not. After some discussion, Mr. Vaughn made a motion to recommend to Council that Kanim Associates be awarded HTUA Training contract. Mr. Montana seconded the motion. Motion passed 4-0-1 with Mr. Navenma abstaining.

b. Review and Recommendation to Council on PPA award Mr. Davidson reviewed the ranking sheets from the BIA. Stinson Leonard Street, LLP received the highest score. After some discussion, Mr. Vaughn recommended that Stinson Leonard Street, LLP be awarded the Purchase Power Agreement contract, provided they do not have a conflict of interest with another client. Mr. Navenma made a motion to recommend approval. Mr. Malin seconded the motion. Motion passed 4-1.

6) Other Matters

a. Review of revised RFP for HTUA web site Mr. Davidson reviewed the language of the draft RFP that was revised based upon input from the Board at their June 11th meeting. The revised RFP requests: 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. Mr. Majenty noted the RFP's due was July 31st. Mr. Davidson said that was a legacy date from the first draft and that he will extend the date to allow the RFP to circulate for a full 30-days. The revised language to the RFP was approved by consensus.

b. Northern Arizona University Wind and Solar Status Report – Karin Wadsack Ms. Wadsack, a researcher and renewable energy policy advisor at NAU, is the author of Arizona's Biennial Wind and Solar Report which examines goals by different state agencies, namely the Arizona Corporation Commission, projects placed into service by utility companies and those projects planned. Ms. Wadsack began her formal presentation by reviewing two Fact Sheets – one for solar and the other for wind. Currently, Arizona has installed 1,532 MWs of utility-scale photovoltaic and concentrated solar (reflective trough technology) with over 1,000 MWs in development on non-tribal lands and over 5,000

MWs on tribal lands, much of this being on the Hopi Reservation. Marciopa and Yuma Counties lead the way with over 500 MWs of installed capacity. Several hundred new jobs have been created ranging from engineering through product supply, construction, operation and spin-off industries supporting the endeavor. Nearly 400 companies are in the state's solar industry and employ over 9,000 people. In 2014, all new electric generation capacity in the state came from solar installations. Large corporations such as Wal-Mart, Intel, and REI have been purchasing solar power on the open market. Over \$600 million was invested in Arizona solar development in 2014. All this solar power is enough to supply the electric needs of 294,000 homes!

Arizona also has a respectable wind resource with over 10,000 MW of potential development. Currently, there is 238 MWs of installed capacity with 30 MWs under construction. Over 1,000 MWs of wind development potential have been studied on tribal lands. Over 1,000 jobs in Arizona can be attributed to wind farm development with nearly \$500 million invested so far. Wind projects built in Arizona, Nevada, Utah, New Mexico, Colorado and Wyoming since 2002 have saved 3.3 billion gallons of water in 2014 and reduced CO2 emissions by nine million metric tons as compared to conventional fossil fuel power plants producing the same amount of energy. Ms. Wadsack also noted that Xcel Energy of Colorado has a significant amount of wind power in its portfolio, some of which extends to the Midwest. Having wind turbines spread over 1,000 miles helps Xcel with the problem of power drop off due to intermittent wind resources – there is always wind blowing somewhere in their power grid.

Mr. Davidson asked about the dampening effect on the industry due to the expiration of the federal Investment Tax Credit (ITC) which will be reduced from 30% to 10% after December 31, 2016, and how much of a renewable energy project must be operational by that date to receive the full amount. Ms. Wadsack said that to receive the 30% ITC, only that portion which is in operation can receive the credit. For example, if a 100 MW solar plant had the first 20 MW phase operating by December 31, 2016, then the cost of that phase would receive the 30% ITC, and the future phases a 10% ITC. However, getting the first phase on-line requires most all of the soft costs (environmental, permitting and engineering) be accomplished as well as having the generator tie-line and substation constructed to allow the first phase to connect to the grid, so over 20% of the project costs may be expended to get the first 20% of capacity on-line. The costs associated with the start-up of the first phase should be eligible for the 30% ITC. Mr. Vaughn asked why the ITC would be cut. Ms. Wadsack said the fossil fuel industry does not appreciate tax incentives that support their competitors. Mr. Vaughn inquired as to what effect the lifting of

sanctions on Iran, resulting in more Iranian oil on the market, would impact the price of energy in the U.S. Ms. Wadsack replied that the price of electricity would probably not be greatly reduced because most US power generation is from coal, natural gas, hydro, nuclear and renewables with very little derived from oil.

Mr. Malin asked at what price per MWhr would a wind farm have to sell power to make it a good investment. Ms. Wadsack said the price should be at least \$25 per MWhr, provided the 30% ITC is being taken advantage of to finance the project. For a solar farm, it is \$42 MWhr with the 30% ITC subsidy. The Navajo Generating Station, which operates on coal, is selling electricity at \$30 MWhr. This price is likely to increase given future environmental controls and the creation of a “carbon” market where CO2 emissions are priced at more than just a few dollars per ton. Mr. Navenma added that Hopi are planning a 1,000 MW solar array. Ms. Wadsack said this project may be expanded to 4,000 MWs but there is no feasible way to export the power to the regional market. Mr. Navenma said he was also involved in testing the wind resources for the Sunshine wind farm located on private land east of Flagstaff when he worked for the Hopi Tribe. The Hopi are open to wind development but prefer not to have it located on their reservation. However, Hopi is not too interested in investing money off the reservation which leaves the tribe in a conundrum. Hopi’s on-reservation economic development activity revolves around traditional arts and crafts.

Mr. Vaughn said the tribal council must articulate their vision for clean energy development. The council is less inclined to develop a wind farm but seems more open to solar development. Ms. Wadsack said that wind turbine technology is allowing wind farms to be built in lower speed wind regimes where they proved to be un-economical just a few years beforehand. The new turbines have larger rotor diameters and turn at slower speeds. The slower rotation also reduces the chances of turbine blades striking birds that fly through the array. Having slower moving rotors is also an effective mitigation measure since the operator will have less need to pay compensation to a mitigation bank for bird strikes. Mr. Vaughn noted that solar development seems to be more effective in Arizona as compared to wind development.

In conclusion, Ms. Wadsack said the Bureau of Reclamation (BOR) has an initiative to help tribes build renewable energy projects. Mr. Montana asked if renewable energy projects could also generate

income by selling carbon credits. Ms. Wadsack replied that they could as long as the electricity they are replacing comes from a coal-fired power plant. Currently, these credits are valued at \$1 per MWhr.

c. Tribal Solar Working Group meeting on June 23rd and 24th at NAU (Planning, HTUA Board members) Mr. Davidson briefly reviewed two of the presentations made at the Tribal Solar Working Group.¹ The BoR is developing a plan to phase out 360 MWs of coal generation at the Navajo Generating Station by the end of 2019. This electricity is used to power the Central Arizona Project (CAP) pumps to bring water from Parker Dam to Phoenix and then to Tucson. The BoR is seeking a clean, reliable and cost-effective replacement power source. Both Navajo and Hopi are looking to provide this replacement power with solar farms which are still in the conceptual stage. Mr. Davidson has contacted Mr. Black of the BoR, who made the presentation, and discussed the possibility of Hualapai providing some part of the replacement power by 2020. This power could be wheeled over Western's Mead-Peacock 345 KV high voltage transmission line that the tribe's renewable energy feasibility studies have looked at in the Hualapai Valley or possibly the Eldorado-Moenkopi 500 KV line whose right-of-way is subject to renewal in the next 14 months. The Hualapai site's distance from Navajo and Hopi makes the solar resource more robust in that it is less likely to be effected by the same weather pattern which may reduce power output if all of the solar development was done at one location.

The second presentation was from the Moapa Band of Indians in Nevada who are placing into service up 700 MWs of solar photovoltaic modules to help Southern California Edison meet their renewable energy requirements. When complete, this will be largest the solar project in the United States. The contractor has been accommodating to the tribe's TERO requests; any tribal member has the right to work on the project and be trained to do the job.

Mr. Montana and Mr. Navenma also attended the meeting and were impressed by the presentations. Mr. Navenma said he went on the field trip to the STAR school north of Flagstaff and is ready to start working on his own solar project.

7) Set time and location for next meeting

¹ See: http://www7.nau.edu/itep/main/Energy/energy_tswg_prevmtg for a list of presentations from 6/23/15.

The next meeting will be held on August 6, 2015, starting at 9:00 AM at the Hualapai Cultural Resources Department.

8) Adjourned at 12:12 PM