

Hualapai Tribal Utility Authority (HTUA) Meeting Minutes

November 22, 2017, 9:12 AM to 11:25 AM, Hualapai Health Department, Peach Springs.

Board members:

Charles Vaughn, Chairman – present at 9:28 AM

Joe Montana, Vice-Chairman – present

Jamie Navenma, Secretary – present at 9:44 AM

Bill Cyr – present via telephone until approx. 10:30 AM

Rory Majenty – present via telephone

Support personnel and guests:

Kevin Davidson, Planning Director

Patrick Bowman, Intergroup (via telephone)

Lauren Ferrigni, Fennemore Craig (via telephone)

Patrick Black, Fennemore Craig (via telephone)

1) Call to Order

2) Roll Call

3) Review and Approval of Minutes from October 18, 2017, meeting

Mr. Montana entertained a motion to approve the meeting minutes of October 18, 2017, as written.

Mr. Cyr made a motion to approve the minutes. Mr. Montana seconded the motion. Motion carried 2-0-1.

4) Project Updates

a. Proposed Power Line to Grand Canyon West

- i. Update on Council action on draft Interconnect Agreement with UniSource** Mr. Davidson reported that Council approved the HTUA's transmittal of the draft Interconnection Agreement (IA) to UniSource at its Special Council Meeting on November 21, 2017. Mr. Cyr asked if

UniSource has reviewed the draft IA and at what stage in the negotiation process is the tribe with UniSource. Ms. Ferrigni said that although UniSource has not yet had an opportunity to review the HTUA's draft Interconnection Agreement, UniSource should be familiar with large portions of the IA because it was drafted based on language that UniSource uses for both its Small and Large Generator Interconnection Agreements (SGIA and LGIA). Mr. Cyr asked if the language in the SGIA and LGIA has been approved by the Federal Energy Regulatory Commission (FERC). Ms. Ferrigni replied that the language has been approved by FERC. Mr. Cyr said he will review the IA in detail. Ms. Ferrigni stated in view that Council has approved the draft IA, it will be forwarded to UniSource to begin the more substantive negotiation process.

- ii. Update on Council action on bids for power line survey, environmental, construction work plan, and long-range financial forecast** Mr. Davidson said Council provisionally awarded contracts to Taney Engineering, T&D Services and Cobb Consulting for the survey, construction work plan and long-range financial forecast, respectively, at the November 4, 2017, Regular Council Meeting. Tierra Right-of-Way was provisionally awarded the environmental assessment contract at the Special Council Meeting on November 21, 2017. All awards are contingent upon Council approving the HTUA's FY 2018 budget. Mr. Majenty asked about Indian preference in the award process since SWCA's proposal included an Indian-owned company. Mr Davidson noted that the points awarded to SWCA in this category were not enough to overcome the points awarded to Tierra Right-of-Way under the cost considerations category.
- iii. Update on Council action on Cost Reimbursement Agreement with BLM** Mr. Davidson said in order for the BLM to process the tribe's SF-299 application for the right-of-way and the Plan of Development (POD), which describes the power line design and construction in detail, the tribe must enter into a cost reimbursement agreement with BLM. Mr. Whitefield has prepared the agreement and estimates the amount to be \$33,723. This item was first heard by Council on November 4, 2017, but tabled due to concerns over the appeal process to BLM. Mr. Davidson said Council approved the Cost Reimbursement Agreement at the Special Council Meeting on November 21, 2017, after he explained that the tribe can appeal the decision on the environmental review to the Secretary of the Interior.

b. Cost of Service Study

i. Progress to Date Mr. Bowman gave an overview of the slide show presentation. There has been some delay in receiving the asset data from Mohave Electric Cooperative (MEC), with the last portion being received on November 15, 2017. The cost of service study will provide a revenue requirement and cost of service forecast to understand the feasibility of the Hualapai Tribal Utility Authority (HTUA) purchasing Peach Springs Distribution Assets from MEC to run a local electric distribution utility. The study is nearing completion for the Peach Springs analysis with the rate design step, if required, and report finalization remaining. Mr. Cyr asked should not the study also include Grand Canyon West given the scope of the RFP. Mr. Davidson said the information on electrical load at Grand Canyon West has been delayed due to the late installation of the data card on the generator’s switchgear. Mr. Vaughn said the study should also take into account the anticipated electrical load caused by the tribe’s pending water rights settlement which will require water to be pumped from the Colorado River up Diamond Creek Road then out to Grand Canyon West, a distance of some 70 miles. The HTUA should also look at purchasing off-reservation power line assets to bring power to the reservation.

Mr. Majenty noted that the electrical loads at Grand Canyon West are less in autumn with the air conditioning units not being used as much as they are in the summer coupled with the fact that the facilities are heated with propane. Peak electrical loads occur during summer. Mr. Cyr opined that including the electrical loads at Grand Canyon West and the electricity to pump the water from the Colorado River in the cost of service study could be the catalyst to make the HTUA a profitable utility.

Mr. Bowman next reviewed the preliminary conclusion (slide 5) in the table below:

	Revenue		Costs		Difference		Rate Increase Required
	\$	¢/kWh	\$	¢/kWh	\$	¢/kWh	
2017 Estimate (without power supply rate reduction rider)	828,452	10.26	1,082,430	13.41	-253,978	-3.15	30.7%
2017 Estimate (with power supply rate reduction rider)	687,172	8.51	941,151	11.66	-253,978	-3.15	37.0%
2007 Feasibility (2010 forecast year)	580,403	9.21	709,330	11.25	-128,927	-2.05	22.2%
2009 Feasibility (2010 forecast year)	834,638	8.72	1,051,889	10.99	-217,251	-2.27	26.0%

The results indicate that a 31% average rate increase is required for HTUA profitability in Year 1. The increases would 37% if including the 2017 adjustment to rates for reduced power supply costs currently applied to electricity bills by MEC. Mr. Bowman said the HTUA could use power sales at Grand Canyon West to subsidize Peach Springs operations with only a five percent revenue shortfall. Mr. Cyr asked how much the shortfall would be reduced if the HTUA could purchase power at a lower price than MEC on the open market. The HTUA should not be bound by the cost fluctuations that MEC is subject to. The HTUA's power purchase should be substantially less than what MEC pays for power. For example, a kilowatt of power in the Southwest market can be routinely purchased for less than two cents or less. If the HTUA purchases power on the open market, it would be substantially less than the six to seven cents per kilowatt that MEC is charging the tribe. Mr. Bowman said the HTUA could purchase power for itself but have to pay MEC to wheel it over the cooperative's power lines to Peach Springs.

Mr. Vaughn asked about the cost of acquiring the MEC electrical distribution system. Mr. Bowman said the estimate is \$740,000 which is the original cost less depreciation (OCLD), or "book value," multiplied by 1.5 which seems to be a common multiplier to purchase depreciated assets. However, purchasing power is the biggest single cost for the HTUA at approximately \$490,000 per year. Operating and maintaining (O&M) the distribution system is estimated at \$96,000 annually. Administrative and general costs are estimated at \$150,000 per year. This cost has been inferred from 2007 and 2009 feasibility studies performed by the tribe. Likewise, the \$155,000 annual cost of replacing electrical distribution system assets is based on the age of the system derived from the 2007 and 2009 studies. Annual debt service, such as securing a RUS/USDA loan to purchase the system from MEC is estimated at \$50,000 (20 year loan at 3% interest rate, maturing in 2038). These costs add up to a \$941,000 annual budget. The 2009 study estimated it would require three cents per kilowatt sold to operate the HTUA; today the estimate to operate the HTUA is 5.3 cent per kilowatt sold.

Mr. Vaughn noted that MEC may use its off-reservation assets that the tribe depends upon for wheeling power to the community as well as delivering power to users beyond the reservation on Route 18 as leverage in the buy-out negotiations. Mr. Davidson asked if MEC is likely to require the tribe to purchase that portion of the 70-mile line that passes through the reservation and then serves Long Mesa and the Havasupai Indian Reservation. Mr. Cyr noted that when

Aha-Macav Power System (AMPS) purchased electrical distribution assets in Needles, California, Southern California Edison negotiated the sale of these assets to AMPS.

Mr. Cyr asked if the tribe has a record of the easements that MEC has on the reservation. Mr. Navenma advised the HTUA contact BIA’s Realty Division to obtain these records. Mr. Davidson said he has requested these records from Ms. Varela, Realty Specialist for the Southern Paiute and Truxton Cañon Agencies.

In regard to the OCLD of \$740,000, Mr. Cyr said the HTUA may be able to make a better deal and get the number closer to the “book value” (see table).

Code	Distribution Asset Category	2017 MEC Data	2007 Valuation Acc. Depreciation Weighting		
		Quantity (#)	Gross Book Value (\$)	Estimated Accumulated Depreciation (2007 Report %)	Estimated Net Book Value (OCLD)
364	Poles, Towers & Fixtures	1,752	\$ 552,337	\$ 460,653	\$ 91,684
365	Overhead Conductors & Devices	2,297,751	\$ 1,448,783	\$ 1,287,806	\$ 160,976
366	Underground Conduits	2,280	\$ 2,597	\$ 519	\$ 2,077
367	Underground Conductors & Devices		\$ -	\$ -	\$ -
368	Transformers	312	\$ 457,610	\$ 370,446	\$ 87,164
369	Services	3,391	\$ 304,073	\$ 202,715	\$ 101,358
370	Meters	505	\$ 134,102	\$ 89,400	\$ 44,701
373	Street Lighting & Signal System	35	\$ 8,906	\$ 3,563	\$ 5,344
	Total	2,306,026	\$ 2,908,407	\$ 2,415,102	\$ 493,304

Mr. Navenma asked if the system will be assessed during the negotiations with MEC. Mr.

Bowman said the 2007 assessment was fairly complete, with most of the assets now being 10 years older. Mr. Navenma asked if MEC is replacing wood poles with steel. Mr. Davidson said the recent permits he has reviewed are using wood poles. Mr. Davidson asked if the assumed RUS/USDA loan amount is subject to a similar loan to value ratio as that of a home loan, typically 85% of the appraised value. Mr. Bowman said the loan would be based on the HTUA’s ability to pay instead of asset valuation. Mr. Bowman added that replacing three percent of the assets per year is just ahead of annual system depreciation. To reduce annual debt service, the HTUA could opt for a 30-year term loan from RUS/USDA that reduces annual payment to \$38,000.

Mr. Bowman next reviewed slide 14 which shows that comparable utilities have per-customer O&M costs of two to three times of the HTUA estimate of \$685 per year. Mr. Bowman said if the HTUA uses MEC as a third-party to purchase energy or instead purchases directly from Arizona Electric Power Cooperative Inc. (AEPCCO), Western or APS, power supply costs will likely

be higher due to increased transmission charges (charged by MEC or other third parties to transfer energy that is currently included in rates paid to MEC). This does not include additional transmission charges that MEC may charge, which could further increase power supply costs. Including Grand Canyon West in the cost of service study will help reduce the HTUA's operational costs.

Mr. Bowman concluded his presentation by listing next steps as follows: 1) Review revised data from MEC which could adjust asset replacement and acquisition estimates; do not expect material changes to conclusions, 2) Consideration for included/excluded assets and acquisition negotiated price, 3) Rate design considerations if warranted, such as approach to rate increases, 4) Further discussion on electricity reliability issues, and 5) Review Grand Canyon West needs. Mr. Cyr thanked Mr. Bowman for his good analysis.

c. Community-Scale Solar Array Feasibility Study

- i. Progress to Date** Mr. Davidson briefly reviewed soils report prepared by Rock Gap's subcontractor – ATEK Engineering. The soils are adequate for a solar array. Mr. Montana asked at what depth the drill reached "refusal." Mr. Davidson referred to the soils logs (hollow stem auger refusal between 5' and 14' below grade). The next step is to negotiate a PPA with MEC. The team should include members of the HTUA Board. Mr. Davidson will contact Mr. Mason for his availability to meet with MEC as well.

To make the solar array a reality, Mr. Davidson referred to the grant notice of intent from the Department of Energy (DOE) which offers up to \$1 million for energy infrastructure deployment on tribal lands such as constructing a community-scale array. The tribe will use the feasibility study prepared by Rock Gap as part of the grant application to the DOE.

d. Community Wi-Fi

- i. Documentation on AT&T right-of-way on Hualapai Reservation** Mr. Davidson said he contacted Mr. Luis Ortega of AT&T's Right-of-Way Division and was able to obtain more

complete information on the rights-of-way granted by tribal Resolution Nos. 36-63 and 09-89 to AT&T to place the co-axial and then fiber optic cables, respectively; however, neither document contains the BIA approval of the right-of-way. AT&T made an offer of 50 years beginning on March 21, 1963, so the right-of-way may have expired in 2014.

- ii. **Investigation by BIA into right-of-way lease terms** Given the incomplete information, Mr. Davidson has asked Ms. Varela of BIA Realty make a second inquiry with AT&T requesting the documents. Ms. Varela is also searching for the companion set of rights-of-way approvals that the BIA should have on file.

5) **Review of FY 2017 Budget and FY 2018 Budget Request (Planning)**

- a. **Consideration and possible action on budget amendment** Mr. Davidson reviewed the proposed HTUA budget for 2018 with funds set aside for a General Manager (\$64,824) legal counsel (\$90,000), engineering consultants (\$351,100), and training for linemen apprenticeship program (\$20,000). The Finance Department asked for the budgets early this year so the draft budget showing a total request of \$668,015.04 was submitted on October 13, 2017. Mr. Vaughn made a motion to approve the HTUA FY 2018 budget. Mr. Navenma seconded the motion. Motion approved 3-0-0-2 (Mr. Cyr and Mr. Majenty had left the meeting).
- b. **Update on hearing with Budget Committee** Mr. Davidson said that budget committee has yet to meet with the various tribal departments, but should in the next few weeks.

6) **Other Matters (Planning)**

- a. **Review of WAPA Contract 17-SLC-0817 and potential benefit partners** Mr. Vaughn said the contract was redundant and overly verbose. Mr. Black said it is modeled after the 2004 contract which may not be as streamlined as the more recent WAPA contract for the Boulder Canyon Project. Mr. Black added that unlike the Boulder Canyon Electric Service Contract, there is no mention of special dealings with the tribes' sovereign immunity. Mr. Vaughn said there is no guarantee that WAPA will deliver power to the tribes or other power customers which could be

a real issue with future water shortages predicted in the Colorado River system. Mr. Davidson added that electricity generation is a third level priority for the Bureau of Reclamation with flood control and water delivery to agricultural, municipal and industrial users having a higher priority. Mr. Black said the power allocation to the tribe is a relatively small benefit, being part of an arrangement with a third-party utility company, and not critical to the tribe's operations. Mr. Vaughn made a motion to submit the contract to tribal council for approval. Mr. Montana seconded the motion. Motion approved 3-0-0-2.

- b. Review and possible action on draft 2017 Annual Report to Tribal Council per Section 110, HTUA Ordinance** Mr. Davidson reviewed the 2017 annual report noting the highlights of amending the HTUA Ordinance to allow for telecommunications and selecting consultants to help design and permit the power line to Grand Canyon West. Mr. Vaughn made a motion to approve the 2017 Annual Report. Mr. Navenma seconded the motion. Motion approved 4-0-0-1 with Majenty returning to the meeting.
- c. Election of Board Officers (Section 205, HTUA Ordinance)** Mr. Montana nominated Mr. Vaughn to be Chairman, seconded by Mr. Majenty; nomination approved 4-0-0-1. Mr. Vaughn nominated Mr. Montana be retained as Vice-Chairman and that Mr. Navenma be retained as Secretary, seconded by Mr. Majenty; nominations approved 4-0-0-1. Mr. Majenty nominated Mr. Cyr to be Treasurer, seconded by Mr. Vaughn; nomination approved 4-0-0-1.
- d. Discuss field trip to Gila River Indian Community Utility Authority** Mr. Cyr said it would benefit the HTUA Board to visit another tribal utility in Arizona to understand how they are handling similar issues with rights-of-way, purchasing power, etc. Mr. Davidson said he would contact Mr. Leonard Gold, General Manager for the Gila River Indian Community Utility Authority, and set up a meeting possibly in conjunction with the upcoming annual Arizona Tribal Energy Association conference on January 25-26, 2018, in Phoenix.
- e. Announcements** Mr. Vaughn asked about the location for the new tribal administration office. Mr. Davidson said there are 15 locations under consideration including one across the highway from the Indian Health Services clinic.

7) Set time and location for next meeting The next meeting was tentatively set for Wednesday, December 13, 2017, at 9:00 AM at the Hualapai Health Department, Peach Springs, pending availability of Mr. Cyr and Mr. Majenty.

8) Adjourned at 11:25 AM