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KIM OWENS – COMMISSIONER
JIM SWEENEY - COMMISSIONER

STAFF

ED GERAK - EXECUTIVE DIRECTOR
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ARIZONA POWER AUTHORITY

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**MINUTES OF THE ARIZONA POWER AUTHORITY (“APA”) COMMISSION
 (“Commission”) IN PERSON/VIRTUAL MEETING HELD ON JULY 20, 2021**

PRESENT: Philip C. Bashaw, Vice Chairman
Russell Jones, Commissioner
Kim Owens, Commissioner
John Sullivan, Chairman
Jim Sweeney, Commissioner (*attended virtually*)

STAFF: Dena Benjamin, Attorney General’s Office
Heather Cole, Executive Secretary to Commission
Ed Gerak, Executive Director
Gary Kern, Financial Administrator
Linda Levine, Senior Rate Analyst
Ben Norris, Attorney General’s Office
Sonseeahray Thayer, Senior Accountant
All Commissioners & Staff attended in-person unless otherwise noted

OTHER: Alexandra Arboleda, TSL Law Group
Tisha Brackeen, AEPSCO
Dennis Delaney, K.R. Saline & Associates
Sheri Farang, Salt River Project
Dan Jones, Electrical District #3
Jill Kipnes, Irrigation & Electrical Districts Association
Chris Michie, Electrical District #4
Doug Milligan, Salt River Project
*Jason Moyes, Moyes Sellers & Hendricks
Wade Noble, Wellton-Mohawk Irrigation & Drainage District
Ken Robbins, Electrical District #2
Ken Saline, K.R. Saline & Associates
Elizabeth Story
Sheryl Sweeney, Ryley, Carlock & Applewhite
Kelly Urbine, Current Insights
Glen Vortherms, Maricopa Water District
Jeff Woner, K.R. Saline & Associates
Brian Young, Central Arizona Project
All Guests attended virtually unless otherwise noted

CALL TO ORDER: The meeting was called to order at 10:00 a.m. by Chairman John Sullivan. Quorum was established.

ROLL CALL: Commissioners Bashaw, Jones, Owens, Sullivan and Sweeney were present.

CHAIRMAN REQUEST FOR DECLARATION OF CONFLICT OF INTEREST BY ANY COMMISSIONER:

- Each Commissioner declared they had no conflict of interest on any matter as listed on the agenda for today's meeting.

EXECUTIVE SESSION: Chairman Sullivan asked for a motion to go into Executive Session.

- **Motion:** to convene in executive session for legal advice and discussion with its attorneys pursuant to A.R.S. § 38-431.03(A)(3) regarding:
 - Proposed Common Interest & Confidentiality Agreement between the APA and certain other entities that also contract for Hoover Dam power, regarding possible adversarial proceedings with the U.S. Bureau of Reclamation over a Hoover Dam solid waste disposal site.
 - **Vote:** Commissioners Bashaw, Jones, Owens, Sullivan and Sweeney approved the motion.
- The Commission recessed to go into Executive Session at 10:04 a.m.
 - The Commission reconvened to Open Session at 10:35 a.m.

PLEDGE OF ALLEGIANCE: The Pledge of Allegiance was recited.

APPROVAL OF MINUTES:

- **Motion:** To approve the minutes from the Regular Commission Meeting & Executive Session, held on May 18, 2021 was made by Commissioner Jones and seconded by Commissioner Owens.
- **Vote:** Commissioners Bashaw, Jones, Owens, Sullivan & Sweeney approved the motion.
- **Resolved:** Approved as stated above and the written documents are entered into the Commission records.

REVIEW OF EXPENDITURES AND FINANCIAL REPORTS AND APPROVAL OF CLAIMS:

Sonseeahray Thayer, Sr. Accountant, provided the Expenditures & Financial Reports. Hoover Operations Fund Claims #12878- #12948 and APA Fund Claims #647-648 for the period May 1, 2021 through June 30, 2021 were presented.

- **Motion:** To approve Hoover Operations Fund Claims #12878 - #12948 and APA Fund Claims #647-648 as presented was made by Commissioner Jones and seconded by Commissioner Owens.
- **Vote:** Commissioners Bashaw, Jones, Owens, Sullivan and Sweeney approved the motion.
- **Resolved:** Approved as stated above and the written documents are entered into the Commission records.

REVIEW OF DRAFT APA & HOOVER OPERATIONS FUND 2022 BUDGETS: Gary Kern, Financial Administrator reported the following:

APA Budget: No change from May presentation.

HOA Budget: The anticipated composite rate has decreased from \$31.73 to \$31.17 compared to the original budget presented in the May commission meeting, with a corresponding decrease in the expected increase from 11.4% to 9.5% due to the following factors:

- Base Charge:
 1. WAPA has agreed to defer \$2.738 million (\$71,315,922 - \$68,577,778) in base charge increases. This mitigates the composite rate increase by (\$.84)
- Reduction in Anticipated Energy Revenue:
 1. Expected APA energy has been reduced by 6,261 MWh (639,681 – 633,420), resulting in a \$.27 increase to the composite rate.
- Debt Service Interest Income:
 1. Expected interest income has been reduced to essentially \$0. For budget purposes we have reduced the applicable combined line items to \$2,000 (\$16,800+\$300 - \$1,700-\$300 = \$15,100 decrease). Note, as recently as OY 2019 interest income was \$54,000. The impact to the composite rate is an increase of \$.02.

Please note that A & G includes staffing of a Deputy Director/Engineering Manager position, this could change depending upon the discussion and subsequent direction of the Strategic Planning session. (potential rate impact of (\$146k) = .80 decrease to the composite rate)

CREDIT RATING REVIEW - MOODY'S INVESTORS SERVICES: Gary Kern, Financial Administrator reported that a teleconference was held 06/28/21 and an updated rating is expected by the end of July. No downgrade is anticipated following an in-depth discussion of the continued drought.

REPORT ON POWER OPERATION MATTERS: Sonseeahray Thayer, Sr. Accountant, reported that June was drier than the same time last year as we continue to be in a severe drought situation.

- Seasonal precipitation – For the season, we are considerably drier than the same time last year.
- Upper Colorado River System – Water precipitation to date – Currently we are at 74% which is the lowest it has been since 2018.
- Lake Powell inflow is forecast to be 30% of normal for the year.
- Total System Contents – (Upper and Lower Basin) There was so little snow this year that we are not seeing an increase in the basins for the year and we do not expect to see this get any better for this water year.
- Reservoir and System Capacity – Currently Lake Powell is at 33% and Lake Mead is at 35% of capacity
- Lake Mead Elevation – Lake Mead is currently just below 1,075. By this time next year we anticipate the elevation to be below the 1,050ft mark.

Forecast from CBRE website – for Arizona is hot and dry with a 30%-40% chance of above average precipitation over the next 3 months.

LEGISLATIVE & POLICY UPDATE: Mr. Gerak provided an update on the following issues:

- Hoover Solid Waste Site Update – Arizona Delegation Discussions
- Power Impacts – Drought on Colorado River Discussions

REPORT OF THE EXECUTIVE DIRECTOR: Mr. Gerak provided an update on the following conferences:

- Cooperative Financial Corporation (CFC) Summer Summit Meeting Update
- American Public Power Association (APPA) Annual Meeting Update

BUSINESS ITEMS:

- Interagency Service Agreement – Attorney General’s Office Representation – FY2022 Amendment - Discussion and Consideration of Approval
 - **Motion:** To approve the FY2022 Interagency Service Agreement with the Arizona Attorney General’s Office was made by Commissioner Jones and seconded by Vice Chairman Bashaw.
 - **Vote:** Commissioners Bashaw, Jones, Owens, Sullivan & Sweeney approved the motion.
 - **Resolved:** Approved as stated above and the written documents are entered into the Commission records.
- Western Area Power Administration Contract 13-DSR-12446, Operation, Maintenance & Replacement - Discussion and Consideration of Approval
 - **Motion:** To approve the revised Western Area Power Administration Contract 13-DSR-12446, Operation, Maintenance & Replacement, was made by Commissioner Jones and seconded by Commissioner Owens.
 - **Discussion:** Mr. Gerak explained the history of the arrangement. The only substantive changes to the contract are the allowance of electronic signatures.
 - **Vote:** Commissioners Bashaw, Jones, Owens, Sullivan approved the motion. Commission Sweeney lost internet connection and was unable to vote.
 - **Resolved:** Approved as stated above and the written documents are entered into the Commission records.

COMMISSIONER COMMENTS: None

VISITORS’ COMMENTS/CALL TO THE PUBLIC: None

ADJOURNMENT:

There being no further business to come before the Commission, Chairman Sullivan adjourned the meeting.

The meeting was adjourned at 11:28 a.m.

John F. Sullivan, Chairman

ATTEST:

Heather J. Cole, Executive Secretary to Commission