

**Arizona Tribal Electrical Association  
January 28, 2016**

**2015 Year in Review: Position and Promise**

We are living in an exciting era of the energy industry. The changes in technology, the innovation in markets and the shifting sands of electricity production present us with challenges and opportunities not seen in the last 50 years.

I share this with you today because I want to be clear: we are well positioned to actively pursue all opportunities to be effective stewards of your money, our partnership, and our nation's assets. And we are dedicated in our promise to continue delivering on our mission.

*Relationship with Tribes*

An important part of delivering on our mission is our relationship with our Tribal customers. We recognize our trust responsibilities with Tribal Sovereign Nations and are committed to our government-to-government relationship.

Tribes are a significant and important partner in our operations, making up more than 13 percent of our core power customers. We sell federal hydropower to nearly 700 preference customers, including 92 tribes, regardless of whether or not those tribes have utility status. Together, our tribal customers receive the benefits of 1.1 million megawatt-hours of electricity each year.

## *Our Position: 2015 Year in Review*

We are in a good position. We remain one of the lowest cost providers of electricity and transmission in the nation, a feat made possible by a sharp focus on sound business principles as well as investments for the future. But it is rates that are our scorecard. After safety and reliability, I believe Western should be judged on the rate impacts for those things within its control.

In order to minimize the impacts to rates, Western is working hard to become even more efficient and improve processes across the organization. We are creating headroom in some areas in order to be able to afford needed human and other capital in another. We achieve this by maintaining business, technology and organizational excellence, by cultivating mutually beneficial partnerships, and by evolving our services to keep pace with the changes across the energy frontier.

This past year is a good example of our business principles in action, with many accomplishments.

Here in Arizona the Electrical District 5-to-Palo Verde Hub transmission line began commercial operation January, 10, 2015, after energization of the final transformer at the Electrical District 5 substation. The project directly helps 18 communities and tribes. It also increases transmission capacity to deliver renewable energy, primarily solar, to consumers in Arizona, southern Nevada and southern California, adding enough capacity to power 30,000 homes. It is the second project to be successfully completed under the Transmission Infrastructure Program. The 109-mile transmission line was completed on time and within budget. It connects a renewable-rich zone south of Phoenix, AZ, with

the Palo Verde market hub, a major electrical trading hub in the western United States. As a result, there are currently 264 MW of available transmission capacity for ED5 to Palo Verde posted on the Western Area Lower Colorado Open Access Same Time Information System.

In November, we saw another TIP project moving toward completion. I signed the Final Environmental Impact Statement for the proposed Southline project, a 360-mile electric transmission line proposed to run from New Mexico to Arizona.

Last year, Western conducted more than 10 public and 18 tribal meetings through the National Environmental Policy Act process. A section of each meeting was devoted to identifying tribal populations and receiving input on environmental justice concerns and improvements to agency environmental justice strategy.

We also did quite a bit of remarketing work. As projects are remarketed, Western leverages the opportunity to meet, both informally and formally, with customers, including tribal entities.

In 2015 we published the final allocations for the post-2017 remarketing of the Boulder Canyon Project, providing for marketing and delivery of the electric generation at Hoover Dam. This will provide low-cost, renewable, reliable federal hydropower to Native American tribes and other preference customers in Arizona, California and Nevada. As a result of this Remarketing effort, 59 new customers will receive power generated at Hoover Dam, including 23 allocations to tribal entities. The Desert Southwest Region is in the midst of the

process developing its new electric service contracts and conducting a series of customer meetings, including meetings specifically for tribal customers, only. My Senior Vice President and Desert Southwest Regional Manager, Ron Moulton, joins me here today and will update you on that process a little later.

Our Sierra Nevada Region is in the informal stage of its 2025 remarketing efforts. They are still a few months away from any formal processes. All SN customers have been invited to attend and participate in these meetings, including tribal entities.

Similarly, our Colorado River Storage Project Management Center worked through the informal stage of its Post-2024 remarketing efforts that will determine the amount of firm capacity and energy to be sold to eligible entities in Arizona, Colorado, Nevada, New Mexico, Utah and Wyoming. They hosted four informal customer meetings last summer and began the formal process in December with the publication of the Federal Register Notice on December 16, 2015. A Public Information Forum was conducted on January 14, 2016. All CRSP customers were invited to attend and participate in these meetings, including the 54 tribal customers who make up roughly 40 percent of CRSP's firm electric service customers. My Senior Vice President and CRSP Manager, Lynn Jeka, is also here today and will speak more to this a little later.

### *Our Promise to Customers*

Our promise to our customers is to expand our transparency and continue evolving to meet your needs. We remain committed to collaborating with you. Our goal is to be inclusive of our customers and

stakeholders in our operational choices and capital planning efforts. I look forward to expanding our engagement with customers, becoming ever-more agile in our planning. And this includes work with our Tribal partners.

One way we do this is through our Tribal Webinars. The annual webinar series offered by Western in partnership with the DOE Office of Indian Energy Policy and Programs is a cost-effectively approach to reaching thousands of Native American representatives and others interested in learning about renewable energy technologies, markets, and policies. The annual series, now in its 4th year, offers a webinar the last Wednesday of each month.

The 2016 series focuses on key elements of strategic energy planning as its foundation supported with tribal case studies, informational and resource tools, and technical experts.

We are finding the changeover within Tribal councils and staff makes these kinds of training extremely valuable on an annual basis. The more information we can provide the better situated the Tribes will be in dealing with energy self-sufficiency opportunities and issues, which are priorities for them

Much thought is put into developing the webinar series each year and is reflected in the popularity of the webinar series and the positive feedback we receive from Tribes and industry.

Not only are we bridging the knowledge gap within Tribal organizations, we are also bridging awareness within the energy industry of what tribes are doing successfully, who they are, how to work with them.

We have heard directly from Western staff that the webinar series helps out tremendously with increasing tribal understanding of the power industry and that in turn helps the Tribes understand issues related to Western hydro power marketing and transmission issues.

As a regular course of business, Western participates in meetings and workshops to identify other federal and private mechanisms for the organization, enhance research and data collection, and facilitate and improve our environmental justice activities.

Western continues to increase awareness to tribal governments, populations and communities that may be affected by projects or activities addressed under NEPA.

These activities include National Historic Preservation Act, Section 106 and increased government-to-government consultation efforts. Awareness strategies include outreach through sources such as tribal newsletters and media, local community media venues and verbal contact with tribal leaders.

Western seeks to increase partnerships with Native American tribal customers. Many tribal nations have lands that are rich in energy resources that they would like to develop. Western stands ready to provide technical assistance regarding power marketing, resource management and transmission service issues.

Some of the most successful technical assistance activities offered through Western's Renewable Resource Program are pre-feasibility transmission studies and Market Option Analysis Studies.

Pre-feasibility Transmission Studies are conducted in support of potential renewable energy projects on tribal lands. The studies help Tribes determine the probable size, interconnection and feasibility of proposed Tribal renewable projects. A study can also assist in the search for potential off-takers and financing of proposed renewable projects.

The most successful Prefeasibility Transmission study to date was conducted for the Moapa Band of Paiutes in Southern Nevada, which has subsequently resulted in the largest utility scale solar project on Tribal lands to date, a 250 MW (AC) solar photovoltaic project with a 25 year off take going to the Los Angeles Department of Water and Power. Construction has begun and the project should be completed by June of 2016.

Western also conducts Market Options Analysis Studies to help tribes evaluate options beyond their current energy supply arrangements. These studies were previously called “pre-feasibility tribal utility formation studies,” but we found this too limiting. There are options beyond forming a tribal utility, such as being a direct access customer, participating in a community aggregation program, or installing solar PV and other distributed generation technologies.

### *Conclusion*

We have grown much over our 38 year history. While our positions adjust to meet the changing industry around us, we remain true to our promises. We must remain organizationally excellent, open to the benefits of partnership, and willing to evolve to meet the changing

times. We can only accomplish these things by continuing to work directly with you.

Through these accomplishments I have described and programs I have outlined, we see a promising future, one we can work cooperatively to achieve. We ask for your support in improving all of our processes and understanding that the entire organization is aimed at maintaining your resources and the low rates you enjoy today so we can enjoy them affordably in the future.

That is how we will continue to collaboratively power the energy frontier.