

1 **Witness Identification, Qualifications and Purpose of Testimony**

2 **Q. Please state your name, business address and present position.**

3 A. My name is Walter W. Haase. My business address is P.O. Box 170, Fort Defiance,
4 Arizona 86504. My present position is General Manager for the Navajo Tribal
5 Utility Authority (“NTUA”).

6 **Q. Please briefly describe your education and business experience.**

7 A. I have a Bachelor of Science degree in Electrical Engineering from the University
8 of Illinois and a Master of Business Administration degree from the Keller
9 Graduate School of Management located in Chicago, Illinois. I am a professional
10 engineer licensed in the states of Illinois and North Carolina. I also have a Gas
11 Pipeline Operator’s license from the United States Department of Transportation. I
12 have been employed with NTUA as General Manager since 2008. Prior to joining
13 NTUA, I was General Manager of the Board of Public Utilities in the City of
14 Jamestown, New York from 2000 to 2008. I have served in senior level
15 management positions in the electric utility industry for over 23 years.

16 **Q. Have you previously testified before the Public Service Commission of Utah
17 (“Commission”) or other state commissions?**

18 A. Yes. I have provided testimony before the New York Public Service Commission.

19 **Q. What is the purpose of your testimony in this proceeding?**

20 A. The purpose of my testimony is to support approval by the Commission of the
21 Application for Approval of Purchase and Transfer Agreement and Power Supply
22 Agreement and Amendment of Certificate of Public Convenience and Necessity
23 (“Application”) filed with this testimony. In particular, my testimony describes

24 NTUA and explains why the transaction is in the interests of customers within the
25 Navajo Nation.

26 **Summary of Testimony**

27 **Q. Please summarize your testimony.**

28 A. NTUA is an enterprise of the Navajo Nation. It was created by the Navajo Nation
29 Council in 1959 to provide utility services to residents of the Nation. Following the
30 creation of NTUA, Rocky Mountain Power's predecessor, Utah Power & Light
31 Company ("UP&L"), entered into a letter agreement with the Navajo Nation
32 Council ("Letter Agreement"). A copy of the Letter Agreement is Exhibit D to the
33 Purchase and Transfer Agreement ("PTA") which is attached as Confidential
34 Exhibit RMP___(LPM-1) to the confidential testimony of Mr. Loren P. ("Lucky")
35 Morse. In the Letter Agreement, UP&L agreed that the Nation would have an
36 option to purchase certain facilities serving customers within the Nation at net book
37 value and negotiate to purchase other facilities.

38 In 2009, NTUA commenced discussions with PacifiCorp dba Rocky
39 Mountain Power ("the Company") regarding acquisition of the Company's
40 facilities within the Nation. The parties pursued discussions and negotiations in
41 good faith, addressing and ultimately resolving a number of difficult issues. On
42 December 4, 2013, the parties entered into the PTA and a Power Supply Agreement
43 ("PSA"), which is attachment N to the PTA, subject to approval of the Navajo
44 Nation Council and the Commission and other necessary approvals.

45 The parties entered into a First Amendment to the Purchase and Transfer
46 Agreement ("First Amendment to PTA") and a First Amendment to the Power

47 Supply Agreement (“Amendment to PSA”) dated March 4, 2015, based on
48 modifications to the Navajo Nation Council Resolution attached as Exhibit K to the
49 PTA. The First Amendment to PTA is Confidential Exhibit RMP___(LPM-2) to
50 Mr. Morse’s testimony. The Amendment to PSA is Confidential Exhibit
51 RMP___(LPM-4) to Mr. Morse’s testimony. As a result of a number of factors and
52 circumstances, the planned schedule for seeking approval of the transaction, closing
53 of the PTA and completion of the separation plan needed to be modified. The
54 parties entered into a Second Amendment to the Purchase and Transfer Agreement
55 (“Second Amendment to PTA”) dated December 2, 2015, to modify the dates by
56 which the parties must take certain actions and to clarify how service to customers
57 outside the Nation that the parties agree would currently be better served by NTUA
58 will be handled. The Second Amendment to PTA is Confidential Exhibit
59 RMP___(LPM-3) to Mr. Morse’s testimony.

60 Approval of the Application is in the public interest. The PTA and PSA
61 fulfill the Company’s obligations in the Letter Agreement in a fair and reasonable
62 manner. Consummation of the agreements will allow NTUA to provide electric
63 service to customers within the portion of the Nation in San Juan County, Utah. As
64 an enterprise of the Nation, NTUA is obligated to extend service to as many
65 members of the Nation as reasonably possible consistent with the Nation’s policies
66 and goals. Although the Company has provided service to many customers within
67 the Nation in southeastern Utah, it has been limited in its ability to extend service
68 to certain customers in outlying regions by the fact that it was required to comply
69 with line extension policies of this Commission and to obtain easements from the

70 Nation. Many customers simply do not have the means to afford line extensions,
71 and obtaining grants from the Nation to satisfy line extension requirements and
72 acquisitions of easements on Tribal lands is a complex and time-consuming
73 process. As a subdivision of the Nation, NTUA will be able to extend service to
74 more customers and to obtain easements more readily. Furthermore, with the PSA,
75 NTUA is assured that it will have the opportunity to have an adequate source of
76 reasonably priced power to the customers for many years.

77 NTUA is an experienced and qualified provider of electric service,
78 particularly in the conditions encountered within the Nation. Following the transfer
79 of customers, the Council has authorized NTUA to charge smaller customers rates
80 comparable to those that would have been charged by the Company for a reasonable
81 transition period, until such time as NTUA adopts new rates in accordance with its
82 regulatory authority under Navajo law, and to negotiate rates to be paid by large
83 users. In addition, NTUA will provide service to the handful of customers located
84 outside but adjacent to the Nation who will be transferred to it on the same terms
85 and conditions that it provides service to similarly situated customers within the
86 Nation. For these reasons, NTUA requests that the Commission approve the
87 Application.

88 **Background**

89 **Q. Please describe NTUA.**

90 A. In 1959, the Nation created NTUA as a department of the Nation and authorized it
91 to provide public utility services throughout the Nation. In 1965, the Nation
92 reorganized NTUA as an independent enterprise and subdivision of the Nation.

93 Since that time, NTUA has developed and acquired utility assets to provide electric,
94 communication, natural gas, renewable energy, water and waste water utility
95 services within the Nation. It currently provides these utility services in most of the
96 parts of the Nation.

97 NTUA currently serves approximately 39,600 electric customers who are
98 spread out over a 27,000 square mile service territory. It employs approximately
99 720 individuals, 97 percent of whom are of Navajo descent. NTUA is the largest
100 multi-utility owned and operated by an American Indian Tribe. NTUA's capital
101 investments for electric service are financed through the Rural Utility Service of
102 the United States Department of Agriculture ("RUS"). Thus, NTUA has access to
103 available capital at reasonable costs and has secured financing for this acquisition.

104 NTUA's operations are overseen by a Management Board composed of
105 seven individuals, all of whom are experienced in the utility industry and/or have
106 strong ties to the Nation. The members of the Management Board are appointed by
107 the Navajo Nation Resources and Development Committee and one of its members
108 is a member of the Navajo Nation Council.

109 **Q. When the Nation required UP&L to enter into the Letter Agreement in 1959**
110 **as a condition to obtaining easements to continue to provide service within**
111 **the Nation, did the Nation intend that NTUA would eventually acquire the**
112 **Company's system?**

113 A. Yes. When the Nation created NTUA in 1959, it did so with the intent that utility
114 services within the Nation would eventually be provided by an enterprise of the
115 Nation subject to the policies and goals of the Nation.

116 **Q. Has NTUA previously attempted to acquire the Company's system?**

117 A. Yes. NTUA approached UP&L regarding the possible exercise of its option to
118 acquire facilities of the Company used to provide service to customers within the
119 Nation pursuant to the terms of the Letter Agreement several times in the past. None
120 of these approaches resulted in NTUA's acquisition of any Company facilities.
121 Although I was not with NTUA at the time of these earlier approaches, I believe
122 this result was at least in part attributable to disagreements between the Company
123 and NTUA regarding interpretation and application of the Letter Agreement.

124 **Q. What is different this time?**

125 A. NTUA now has a clear mandate from the Nation to acquire the Company's system
126 and is in a strong position financially to proceed with the acquisition at this time.
127 Also, the easements granted just after the Letter Agreement was signed were
128 beginning to expire. In addition, NTUA and the Company were both committed to
129 work creatively and cooperatively to address their differences regarding the
130 meaning of the Letter Agreement in a way that would not disadvantage either party
131 and in addressing the other issues related to the acquisition. Over a period of
132 approximately four years, the parties were able to address and resolve their
133 differences and these issues in a positive and productive way. The negotiations were
134 complex and difficult, but were ultimately successful.

135 **The Agreements**

136 **Q. Please briefly describe the PTA and PSA.**

137 A. The PTA and PSA are described in the confidential testimony of Mr. Morse and
138 Mr. Paul H. Clements. Therefore, I will not describe them in any detail. However,
139 I will highlight certain terms and conditions of the agreements.

140 The PTA provides that NTUA will acquire the facilities of the Company
141 within the Nation for [REDACTED]

142 [REDACTED]

143 [REDACTED]

144 NTUA has agreed in the PTA to reimburse the Company for its expenses
145 incurred in undertaking the transaction as described in Mr. Morse’s confidential
146 testimony [REDACTED]. In that
147 regard, I should note that NTUA does not anticipate at this time that any upgrades
148 of the Company’s facilities to meet RUS standards will be required. NTUA has also
149 agreed to include in the purchase price a pro-rated share of property taxes to be paid
150 by the Company and any tax effects of the transaction and to pay any transfer fees
151 associated with the transaction.

152 [REDACTED]

153 [REDACTED]

154 [REDACTED]

155 [REDACTED]

156 [REDACTED]

157 [REDACTED]

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[REDACTED]

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[REDACTED]

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It is anticipated that the sale of facilities and transfer of customers may take place in up to three steps depending on when the first closing occurs in relation to Resolute Natural Resources Company, LLC's ("Resolute") completion of a transmission line and related facilities enabling it to receive power from the Company at Resolute's Aneth, McElmo and Ratherford Substations and the expiration of the Company's Master Electric Service Agreements ("MESAs") with Resolute. These steps are described in more detail in Mr. Morse's testimony.

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Under the PSA, NTUA may acquire power from the Company at Schedule 9 equivalent service for a period of ten years. This will allow NTUA to provide power to the customers being transferred to it on approximately the same terms as the Company is currently providing power to those customers.

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Q. Please explain the terms and conditions on which NTUA proposes to provide service to the customers transferred to it.

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A. The Council has authorized NTUA to charge smaller customers rates comparable to those that would have been charged by the Company for a reasonable transition period, until such time as NTUA adopts new rates in accordance with its regulatory authority under Navajo law, and to negotiate rates to be paid by large users. As an enterprise of the Nation, NTUA is motivated to serve customers in the most efficient and reasonable manner possible and at the lowest prices possible. In that respect, NTUA is not a for-profit entity.

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180 **Q. How can the Commission be assured that the fourteen customers not within**
181 **the boundaries of the Nation that will be transferred to NTUA will be treated**
182 **fairly?**

183 A. NTUA has agreed to serve these customers because they are already served from
184 facilities located within the Nation that will be transferred to NTUA. The Company
185 believes it is impractical at this time to build completely separate facilities to
186 provide service to these fourteen customers. NTUA has agreed that it will treat
187 these customers in the same manner that it treats similarly situated customers within
188 the Nation. This agreement includes rates and charges, including rebates or refunds,
189 and other terms and conditions of service. NTUA has also agreed to provide these
190 customers with a dispute resolution process. Therefore, these customers will have
191 the same protections as similarly situated customers within the boundaries of the
192 Navajo Nation.

193 **Q. Is it possible that NTUA will serve additional customers located outside the**
194 **boundaries of the Navajo Nation?**

195 A. Yes. If any additional customer requests service from NTUA, if NTUA is willing
196 to provide the service, and if Rocky Mountain Power agrees that NTUA may
197 provide the service and obtains approval from the Commission, NTUA will provide
198 service to the customer.

199 **Q. Is it possible that the customers outside the boundaries of the Nation served**
200 **by NTUA may be transferred back to the Company?**

201 A. Yes. At some point in the future if the Company wishes and is able to install
202 facilities to serve these customers directly, NTUA has agreed that it will transfer

203 the customers back to the Company within six months after notice and receipt of
204 payment for NTUA’s facilities dedicated to serving the customers [REDACTED]
205 [REDACTED]. These transfers will be done in a manner that minimizes
206 disruption of service to the customers. NTUA will continue to provide service to
207 the customers until the transfer takes place.

208 **Q. Why is the PSA part of the transaction?**

209 A. NTUA sought the PSA consistent with its long-term needs and to provide some
210 assurance that it would have power immediately available to serve the customers,
211 and particularly Resolute, at prices consistent with the prices the Company was
212 providing service to the customers.

213 The Company recognized that continued service to Resolute during the term
214 of the MESAs and continued provision of power to NTUA at Schedule 9 equivalent
215 rates for a period of time would provide a significant benefit to the Company’s
216 other customers.

217 UP&L and the Navajo Nation entered into the Letter Agreement based upon
218 the structure of the electric utility industry at that time. The industry has changed
219 dramatically since then. The compromise that the parties struck in the PSA is
220 consistent with today’s structure of the electric utility industry. I believe the PSA
221 is in the interest of both utilities and their respective customers.

222 [REDACTED]
223 [REDACTED]
224 [REDACTED]
225 [REDACTED]

226 [REDACTED]

227 [REDACTED]

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261 [REDACTED]

262 [REDACTED]

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266 [REDACTED]

267 [REDACTED]

268 [REDACTED]

269 [REDACTED]

270 **Q. Please describe the approval of the NTUA Management Board of the**
271 **agreements.**

272 A. The Management Board adopted a resolution approving the agreements on August
273 23, 2013. In that resolution, the Management Board granted a limited waiver of
274 sovereign immunity to the Company with respect to the agreements. This is
275 significant because as an enterprise of the Nation, NTUA has sovereign immunity
276 and cannot be sued except under certain limited conditions. With this waiver, the
277 Company will be able to enforce the agreements and resolve any dispute regarding
278 them in accordance with the dispute resolution provisions in the agreements. The
279 Management Board submitted the resolution to the Speaker of the Navajo Council
280 on September 11, 2013, and the waiver became effective on October 11, 2013, in
281 accordance with Navajo Nation Council Resolution No. CAP-18-10. A copy of
282 Navajo Nation Council Resolution No. CAP-18-10 is attached to my testimony as
283 Exhibit RMP____(WWH-2).

284 The Management Board adopted a resolution approving the First
285 Amendment to PTA and the Amendment to PSA on February 26, 2015. The
286 Management Board also adopted a resolution approving the Second Amendment to
287 PTA.

288 **Q. Please describe the approval of the agreements by the Council.**

289 A. The Council approved the Resolution as modified by the First Amendment to PTA
290 on May 19, 2015. The Resolution was certified on May 27, 2015. A copy of the
291 Resolution and all of the accompanying Chapter and Department approvals are
292 attached to my testimony as Confidential Exhibit RMP____(WWH-1).

293 **Public Interest**

294 **Q. What are the benefits of the transaction to the Navajo Nation?**

295 A. The PTA and PSA fulfill the Company's obligations in the Letter Agreement in a
296 fair and reasonable manner. As the PTA is closed and the PSA becomes effective,
297 NTUA will be able to provide electric service to customers within the portion of
298 the Nation in San Juan County, Utah, consistent with the Nation's policies and goal.
299 The Company's ability to serve certain customers in outlying regions within the
300 Nation in southeastern Utah has been limited by the fact that it was required to
301 comply with line extension policies of this Commission and to obtain easements
302 from the Nation. Many customers simply do not have the means to afford line
303 extensions, and obtaining grants from the Nation to satisfy line extension
304 requirements and acquisitions of easements on Tribal lands is a complex and time-
305 consuming process. As a subdivision of the Nation, NTUA will be able to extend
306 service to more customers and to obtain grants and easements more readily. The
307 PSA assures NTUA that it will have an adequate source of reasonably priced power
308 to serve the transferred customers for many years.

309 **Conclusion**

310 **Q. What do you conclude?**

311 A. The PTA and PSA are the product of extensive and difficult negotiations between
312 the Company and NTUA. They represent a carefully balanced compromise of
313 complex issues and must be viewed together and in their entirety. They resolve the
314 long-standing issues related to the Letter Agreement in a manner that is satisfactory
315 to both parties. Their approval is in the public interest for the reasons stated above.

316 **Q. What do you recommend?**

317 A. NTUA recommends that the Commission approve the Company's Application.

318 **Q. Does this conclude your direct testimony?**

319 A. Yes.