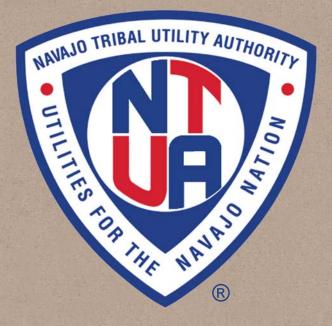
Navajo Tribal Utility Authority An Enterprise of the Navajo Nation

An Enterprise of the Navajo Nation



2012 PROGRESS REPORT

Utilities:

Electric • Natural Gas • Water •
Wastewater • Renewable Energy • Telecommunications •

Regions Served:

• Northern Arizona • Northwestern New Mexico • Southeastern Utah •

Service Area: 27,000 square miles



Greetings and Ya'aa'teeh, We have all welcomed a New Year and it is my goal that the Navajo Tribal Utility Authority continues on the Path of Progress.

Since my arrival on the Navajo Nation in 2008, I have made it my intent to improve the operations of NTUA. In doing so my goal became to do what I can to improve the lives of people living throughout our service territory.

This year that intent and that goal will not change because there are thousands of homes that are still without basic utility services. It is because of this we remain motivated. As a team of 650 employees, we have accomplished much.

As a workforce, we understand it will be another challenging year. As a proud enterprise of the Navajo Nation, we are prepared. We know our mission and



we will continue to work hard to be a cost-effective utility operation that meets the basic needs of the customers we serve. We acknowledge that is our core responsibility and we will move forward to provide safe and reliable utility services to the region.

As General Manager, I know that receiving utility service is such a life changing event, especially for families who are being connected for the very first time. It is my personal goal to see that more families experience the joy of utility services.

We are also seeing younger families returning to the family homesteads. These young families are moving back home from metropolitan areas. They are used to the comfort of urban amenities such as electrical power and running water. They give all that up so that their children can be nurtured and raised in the Navajo culture. As parents we want the best for our children. We respect that choice. We give families recommendations and suggestions for utility services.

We consider our work as a privilege, and we honor the responsibility that has been vested upon us. This year we will do our best to continue to fulfill the mission that was set in 1959. We have communicated the successes and will keep discussing what needs to be completed.

Lastly, I would like to say I am truly grateful for the opportunity to serve the Great Navajo Nation. I am equally thankful for the support, understanding, and encouragement that I have received since my tenure began.

Sincerely,

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Walter W. Haase, P.E. General Manager Navajo Tribal Utility Authority

It's almost here: Navajo Nation Middle/ Last Mile Broadband Project

High speed broadband and wireless internet will very soon be available for most of the Navajo Nation. The 570-mile NTUA Navajo Nation Middle/Last Mile Project is more than 95 percent complete. By the second quarter, these services will be available for residents, hospitals, businesses, and schools throughout the Navajo Nation, giving the region another choice in telecommunication services. In addition to the fiber optic backbone, NTUA will provide connectivity to 49 chapter houses. The primary initiative was to bring high quality broadband technology to the Navajo Nation.

In March 2010, NTUA received a grant from the U.S. Department of Commerce National Telecommunications and Information Administration (NTIA) to build a fiber and microwave infrastructure throughout the central core of the Navajo Nation. Thereafter NTUA went to work. The challenge was to build. The goal was to demonstrate that a Navajo Nation entity is capable of managing a major multi-million federal grant from beginning to end.

NTUA received \$32.2 million through the American Recovery and Reinvestment Act (ARRA), which at the time was the largest broadband grant awarded in the United States. Overall, the project will cost approximately \$46 million, which includes a \$14 million co-match from NTUA and sub-grant recipient NTUA Wireless.

According to Commet Wireless, this high quality 4G broadband network will not only provide connectivity but true high speed Internet, enabling many important and vital mobile broadband applications for the first time on Navajo Lands, consistent with similar services available throughout urban America. This project is one huge step in closing the major technology gap that has existed for years in the regional southwest. Once the project is formally launched, it will provide fixed and mobile service to over 30,000 households and 1,000 businesses in 15 of the largest communities on the Navajo Nation, including







Window Rock, Shiprock, Kayenta, Chinle, Ganado, Dilkon, and Tuba City. In addition, the project will provide high capacity connectivity on the combined middle-mile backbone to an additional 49 tribal communities.

NTUA Choice Wireless

The construction of the NTUA Broadband project also paves the way for a new business that will be majority owned by the Navajo people – a wireless cellular phone company called NTUA Choice Wireless. It will be the first time the Navajo Nation and the Navajo people will have majority ownership in a broadband wireless and mobile phone system.

In April 2011, NTUA formed a joint venture with Broadband grant co-applicant, Commnet Wireless, forming the company NTUA Choice Wireless. Commnet, owned by ATN (Atlantic Tele-Network) is the seventh largest phone company in the United States. NTUA Choice Wireless is a company that has tremendous strengths in the telecommunications industry and the passion to succeed to deliver quality wireless services to the Navajo Nation.

Smart Grid – A new utility metering system

For the past year and a half, NTUA has replaced old utility meters and installed new ones to improve our utility network. It's part of the Smart Grid initiative made possible with a grant from the U.S. Department of Energy for \$4.9 Million. NTUA is contributing \$5.6 Million to the overall project. Originally NTUA proposed changing out 28,000 electric meters; however, the Department of Energy was impressed with the project and the significant progress that they approved a grant deadline extension for one year to allow NTUA to replace 40,000 electric meters. Because NTUA demonstrated efficiency, the project was approved to expand the scope of work and it will move forward without an increase in additional costs. In addition, NTUA will replace 37,000 water meters and 8,000 natural gas meters.



These new meters will allow NTUA to read meters electronically, saving time and money. Customers will have more timely and detailed information of electricity consumption. These new meters will allow all customers to use electricity more wisely and to help with managing utility bills.

Energy Efficiency and Conservation Grant

NTUA is also preparing to finalize the \$6.1 Million grant also awarded by the U.S. Department of Energy. It created a partnership between NTUA and other Navajo Nation Divisions and Enterprises to introduce a broad range of programs focusing on Energy Efficiency and Conservation

NTUA was awarded the largest tribal allocation in the United States and was selected to be the lead agency for the Navajo Nation application. The Energy Efficiency and Conservation Program of the Navajo Nation consisted of seven primary areas. Here's a brief account of how the grant was utilized.

- **1.** Energy Auditing for NTUA and Tribal buildings Completed Energy Auditing for 400 residential and commercial buildings on the Navajo Nation, including 80 NTUA buildings.
- 2. Energy Audit Implementation and Weatherization Services – Completed & Ongoing

Energy Conservation Measures (ECMs) implementation included energy efficient appliances, energy efficient windows and doors, roofing, lighting, pipe and jacket insulation and wall insulation.

3. LEED Design Elements in new NTUA Buildings – Completed Energy efficient design elements were incorporated into NTUA's new buildings in Chinle and Crownpoint, including energy efficient upgrades for district offices and corporate headquarters. According to Leadership in Energy and Environmental Design (LEED) criteria, design elements include: passive lighting; reuse of materials; solar water; energy efficient appliances and equipment;, roofing treatment, heating and air conditioning system.

4. Renewable Energy Projects Solar/Wind combo Upgrade – Completed

Twenty Five - 1,800W Solar & Wind-hybrid power systems featuring refrigeration are in the process of being installed throughout the NTUA service area. In addition, 65 solar units were upgraded to include refrigeration.

5. Solar Generation Farms – New construction – Ongoing

Chinle, Fort Defiance, Crownpoint and Dilkon served as primary sites for the largest solar panel projects existing on the Navajo Nation. The panels mark the first step into demonstrating that renewable energy is possible on the Navajo Nation. These sites are complete. The last system is set for the new Shonto school.

a. Solar Technology Education – Ongoing

NTUA is working in conjunction with Navajo Technical College and SunCarrier to develop renewable energy learning modules (awareness, informational, educational) in conjunction with photovoltaic (solar energy) generation plants at NTUA facilities.

6. Partnership – Navajo Nation Telecommunications and Utilities Department – Completed

NTUA partnered with the NNTUD to offer an energy efficient and energy conservation program for residents throughout the Navajo Nation.

7. Proposed Navajo Nation Energy Policy – Completed Work continues on a Navajo Nation Energy Efficiency and Conservation Strategy and to update the comprehensive Navajo Nation Energy Policy. A draft version of the Energy Policy was completed by the Navajo Nation Division of Natural Resources and the President's Energy Advisory Team.









Renewable Energy Development

The Navajo Nation is blessed with natural resources, including coal, oil, and natural gas. While the Navajo Nation has historically focused on oil and gas operations and the sale of coal, the economy of these resources is decreasing, especially in recent years as the region is witnessing the downsizing of such operations.

As a result, NTUA is taking a leadership role to develop renewable energy resources and has introduced a vision to create an energy economy that will bring economic progress and sustainability to the Navajo Nation.

These efforts will shape a long-term energy strategy for the NTUA and ensure increased energy development for the future of the Navajo Nation for the benefit of the Navajo people for generations upon generations.

Boquillas Wind Project

Work continues developing the plan which is to build and operate a Wind Farm to generate and sell electricity. The best part of this plan is that the Navajo Nation, through NTUA, would be a 51 percent owner. This means that for once, the Navajo Nation would directly benefit from energy produced on its own land, while using clean resources. NTUA is awaiting state and federal permits. Our hope is that construction will begin by the end of 2013.

Solar Energy Development

The Navajo Nation is extremely attractive geologically for solar generation development. To accelerate solar deployment, NTUA is partnering with the U.S. Environmental Protection Agency to identify and prioritize sites for solar developments. To date, NTUA has installed the nine large solar panels in four different locations. These panels are the largest solar energy panels existing on the Navajo Nation. In addition, NTUA is exploring other solar energy development opportunities.

New NTUA District Office

In the fall of 2012, NTUA opened the doors to the newest NTUA district office in Crownpoint. The new office will meet the utility needs of the growing Eastern Navajo agency. The office is located next to the old NTUA sub-office which was built in the early 1970s. Upon the dedication of the building, NTUA established its newest District, complete with district management and operations.

Navajo Electrification Demonstration Project

According to regional statistics, approximately 16,000 homes on the Navajo reservation still do not have access to basic electricity—contributing to the 75% of all households in the United States. This statistic resulted in creation of the "Navajo Electrification Demonstration Project" (NEDP) under U.S. Public Law 106-511 and extended by Public Law 108-59. The Congressionally mandated program was earmarked to provide funding for rural electrification of homes on the Navajo Nation.

As of the end of 2012, the NEDP funding program officially ended. Currently there is no pledge from the U.S. government that the program will be renewed. Nonetheless the program was a true endowment for hundreds of Navajo families. The funding provided first-time electricity service to more than 2,000 homes on the Navajo Nation.

Community Development Block Grant

The Community Development Block Grant program is another valuable resource for NTUA and regional communities. CDBG provides funding to allow NTUA to extend electric service to more families. NTUA works closely with the tribal departments and tribal communities to ensure each project is construction ready.

Community Education

Navajo Tribal Utility Authority

NTUA offers an extensive bilingual customer educational program to generate and foster a better understanding of NTUA operations, including programs that will be of long-term financial benefit to the customer. Programs include short workshops to further educate customers, such as energy and water conservation, and utility safety, especially for children and the elderly.

NTUA CUSTOMER NUMBERS – December 2012

Electric	40,657
Gas	7,955
Water	
Wastewater	
Solar Energy	

NTUA Believes in Community Service through Ke'

At NTUA we believe in community; therefore, we are community. Our employees consider their communities as one large extended family. There seems to be no separation between work and community. This has always been the case at NTUA. Our community service is our Ke' project. Our employees volunteer to chop and haul firewood to the elderly, volunteer for community events and activities, raise money to buy holiday gifts for homeless children, raise money to send holiday care packages to military servicemen and women who will not be home for the holidays. Employees do not hesitate to be a part of community events, including runs, walks, and other fund-raising activities. Sometimes, employees take information from the fund-raising event to share with co-workers, whereby consideration includes the donation of time, money and or supplies to the event.

When people say Ah'ee'ee to our employees, it carries deep appreciation and we accept that appreciation with gratitude that we are able to help and serve and support our communities.



Navajo Tribal Utility Authority

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Utility Construction Projects







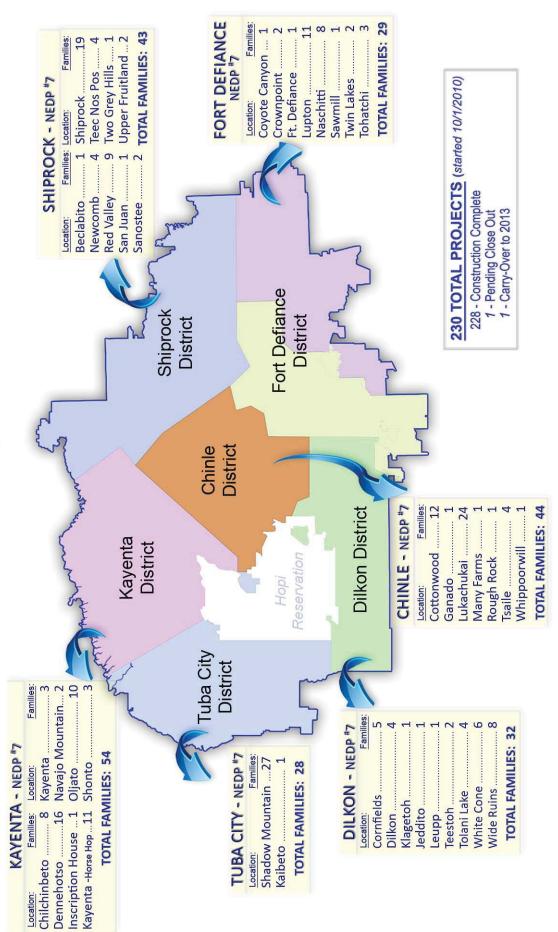
Navajo Electrification Demonstration Project #7

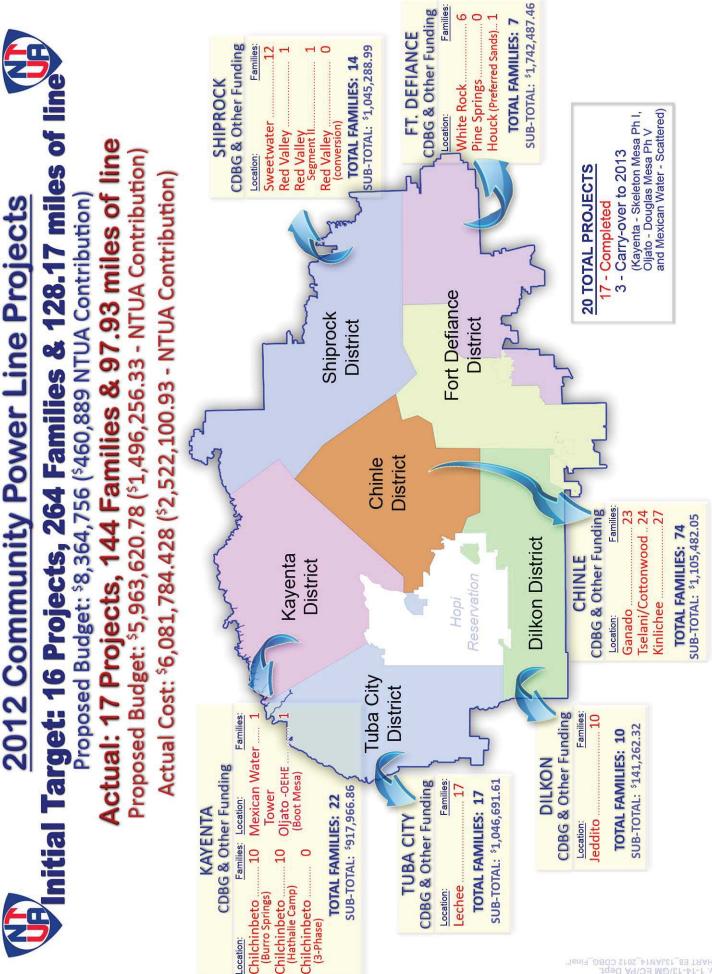


Initial Target - 177 Families and 59.70 miles of line

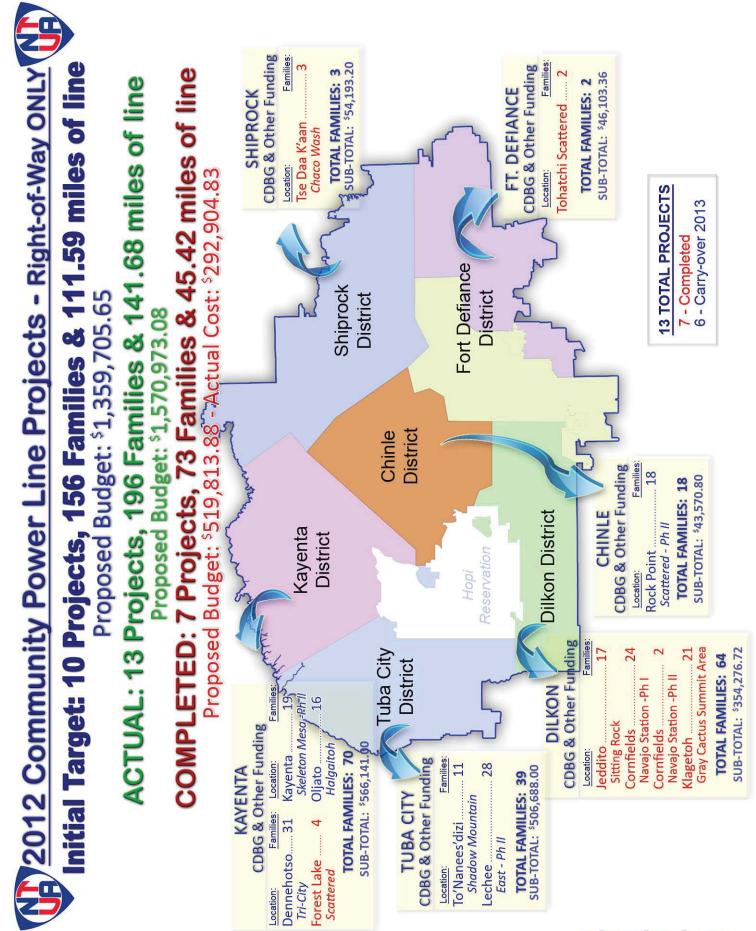
(Actual: 230 Families and 90.5 miles of line) Actual Cost: *3,677,703.54 Total Budget of *3,568,985

(\$1,750,000 DOE Grant and \$1,818,985 Matching Contribution (\$268,262 NTUA Contribution))

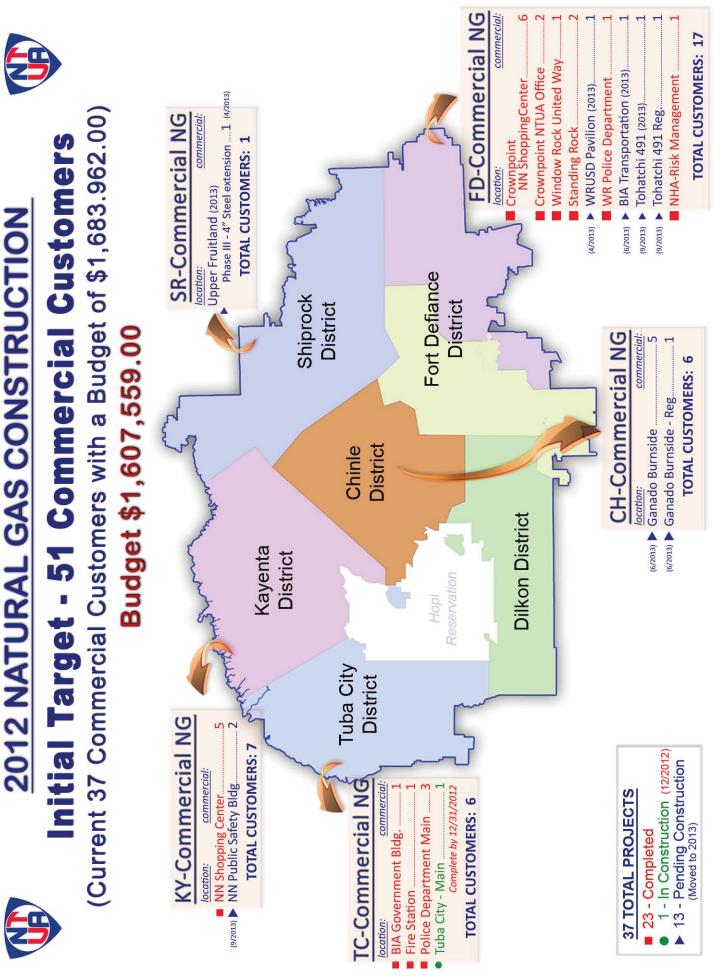




rev. 1-14-13/GM EC/PA Dept. "CHART E8_13/HN4_2012 CDBG_Final"



rev. 1-14-2013/GM EC/PA Dept. "CHART E10_13JGM EC/PA Dept.



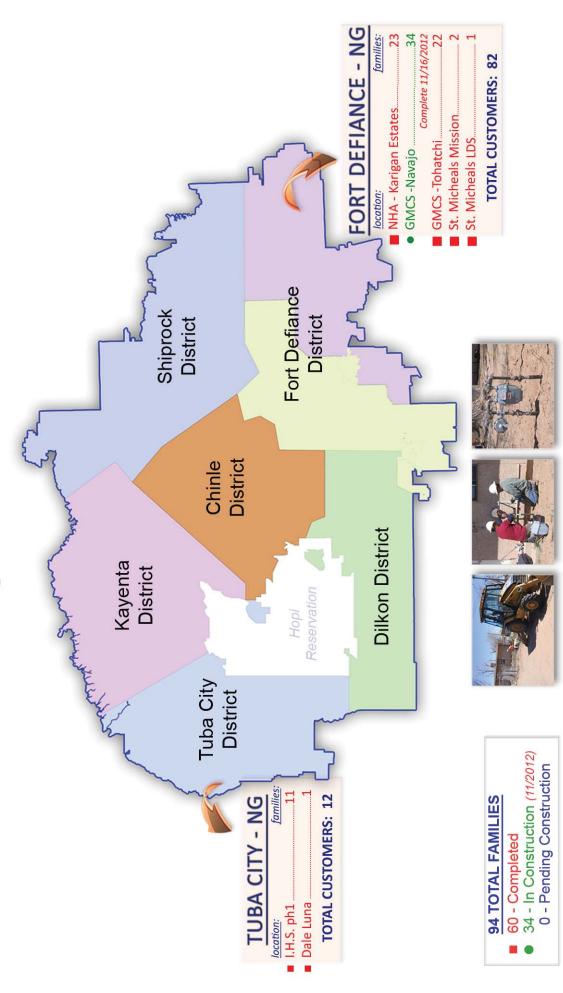


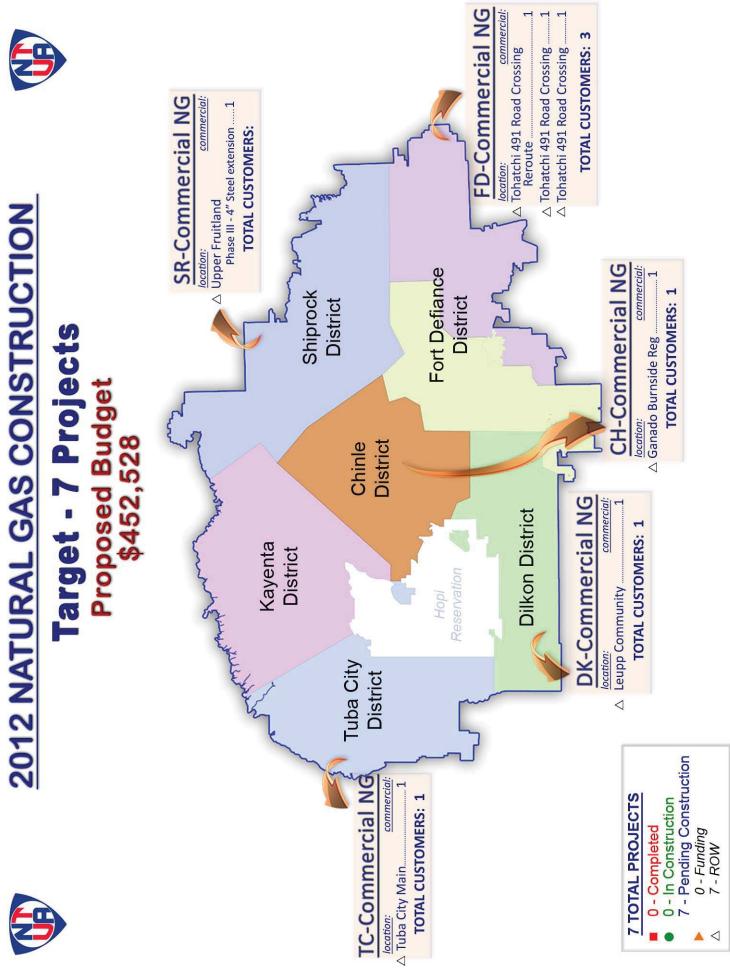
2012 NATURAL GAS CONSTRUCTION

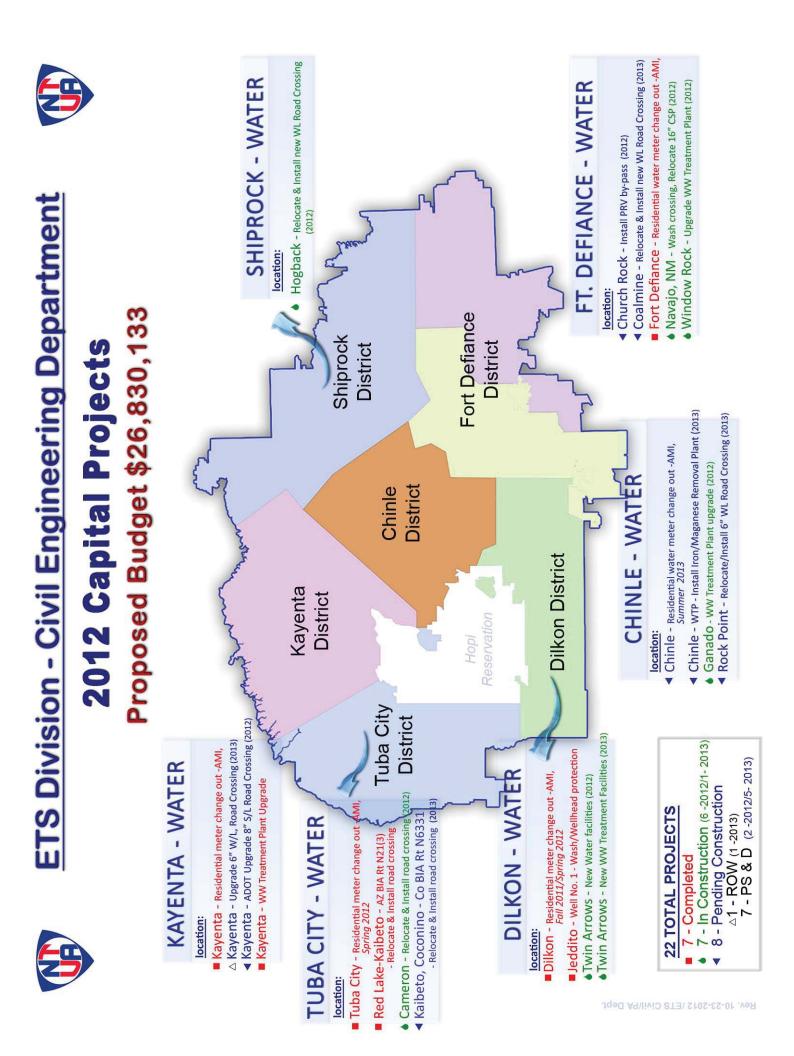


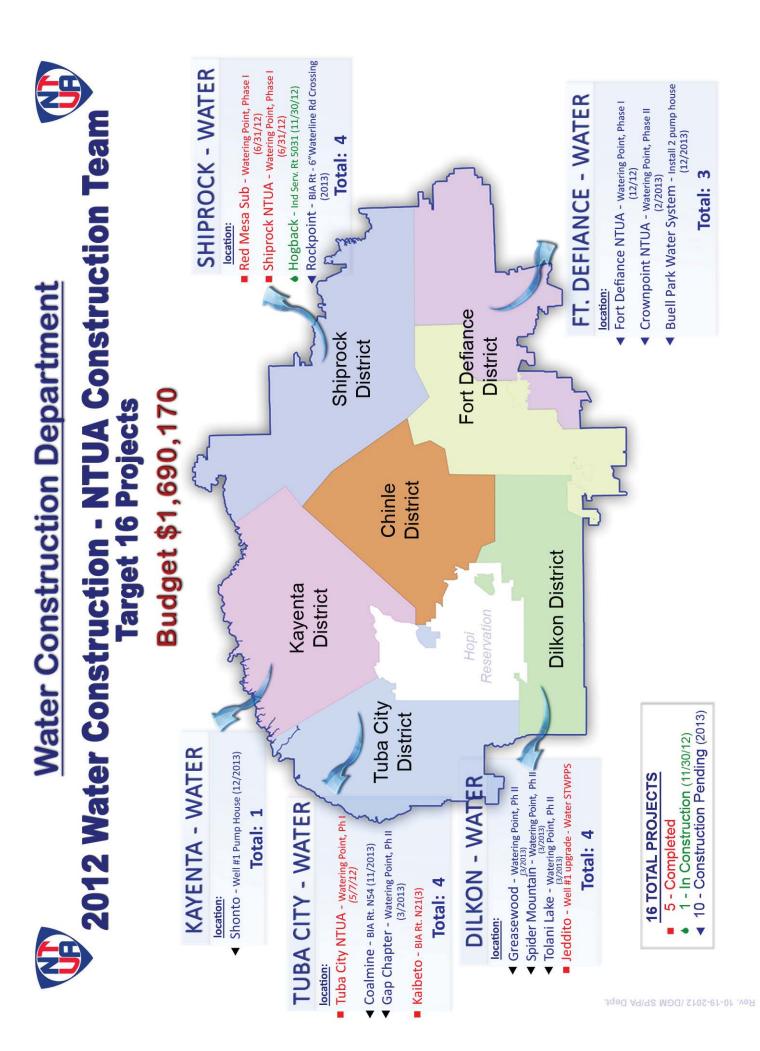
(Current 94 Residential Customers with a Budget of \$128,236.00) Initial Target - 153 Residential Customers

Budget \$198,416.00







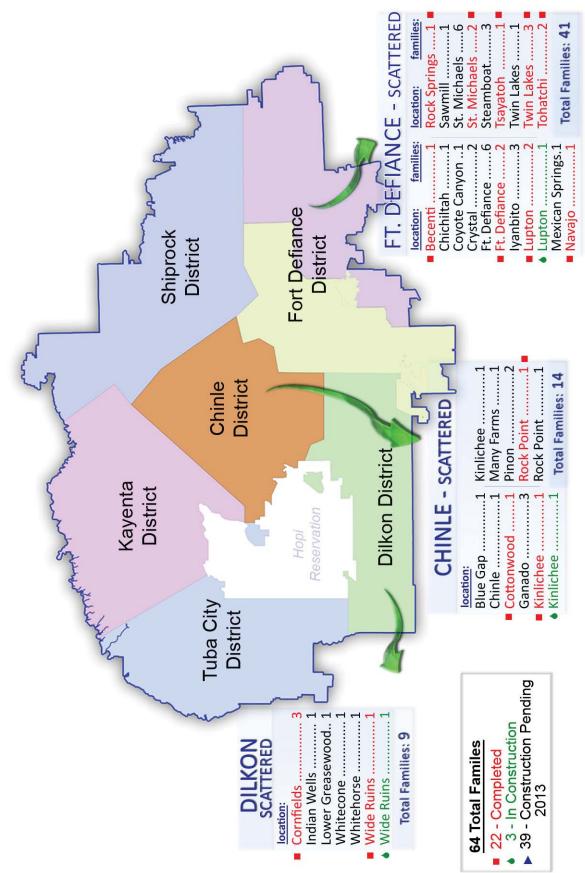




Scattered Projects Department



2012 Scattered Projects - 64 Familes Proposed Budget \$2,071,372.00



Navajo Tribal Utility Authority

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2013

- Financial Forecast Separation of Services
- Financial Forecast Capital Budget
- Approved O&M Budget
- Approved Capital Budget



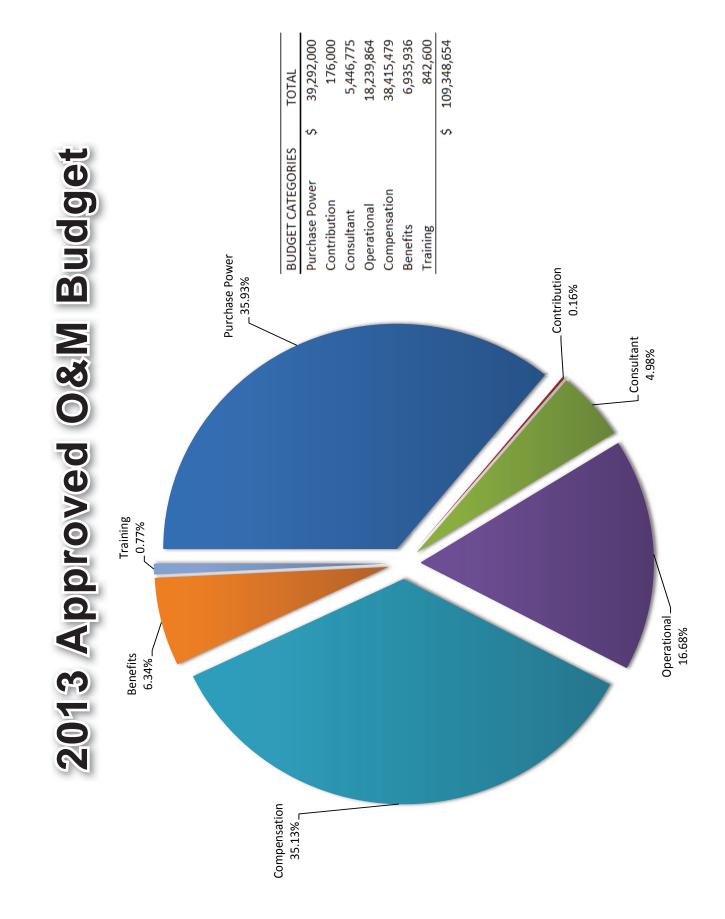


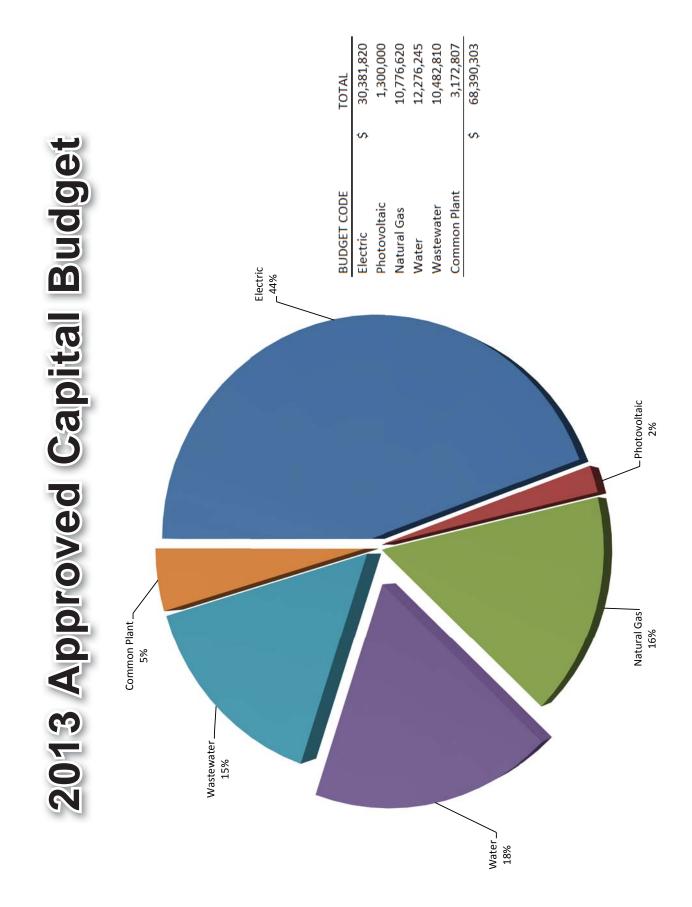
2013 Financial Forecast Separation of Services

	Electric	Gas	Water	Wastewater	Photovoltaic	Total
Operating Revenues Electric Gas Water	\$ 70,771,015	9,246,697	17 168 766			\$ 70,771,015 9,246,697 17.168,565
Wastewater Photovoltaic				3,975,182	198,820	3,975,182 198,820
Total operating revenues, net	70,771,015	9,246,697	17,168,266	3,975,182	198,820	101,359,980
Operating Expenses		6 151 000	000 120 1			
Deration and maintenance	6,599,766	658,696	2,304,651	519,146	59,156	10,141,415
Customer accounts and sales	6,025,874	601,418	2,104,246	474,003	54,012	9,259,553
Administrative and general	16,068,996	1,603,782	5,611,324	1,264,008	144,031	24,692,141
Depreciation and amortization	11,001,600	916,484	3,519,756	833,766	214,705	16,486,311
Total operating expenses	71,776,236	9,931,380	14,600,978	3,090,922	471,904	99,871,420
Operating Income (Loss)	(1,005,221)	(684,683)	2,567,288	884,260	(273,084)	1,488,560
Nonoperating Revenues (Expenses) Allowance for funds used during construction	43,490	606'2	6,050	1,770	234	59,453
Investment and interest income	2,013,149	78,247	632,708	641,011	2,314	3,367,429
Interest expense	(2,569,724)	(61,002)	(383,014)	(117,440)	(22,120)	(3,153,301)
Fair value of investments	528,202	(37,175)	(17,765)	20,735	529	494,526
Jobbing, net	339,960	49,643	159,807	30,958	13,876	594,245
Income from joint venture	243,995	35,170	120,547	35,258	4,660	439,630
Other	5,433,719	(11,738)	(17,929)	(2,165)	250,292	5,652,179
Total nonoperating revenues (expenses)	6,032,789	61,055	500,404	610,127	249,786	7,454,161
Change in Net Assets	\$ 5,027,568	\$ (623,628)	\$ 3,067,692	\$ 1,494,387	\$ (23,298)	\$ 8,942,721

2013 Financial Forecast Capital Budget

		Electric		Gas		Water	M	Wastewater	Photovoltaic		Total	
Available Funds										-		
Add: Change in Net Assets	Ş	5,027,568	Ŷ	(623,628)	Ş	3,067,692	Ş	1,494,387	\$ (23,298)	\$ (1	8	8,942,721
Add: Depreciation Expense		11,001,600		916,484		3,519,756		833,766	214,705	620	16,	16,486,311
Add: Principal Payments from Notes		304,595		2,285		34,217		37,328				378,424
Add: MCM Financing		×		339,865		1,164,888		340,715	54,532	525	1,	1,900,000
Less: Principal Payments to Long Term Debt		(2,325,902)				(2,825)		(30,719)	3		(2,	(2,359,447)
Less: Principal Payments to MCM Bond		(1,239,660)		(588,960)		(4,022,810)		(1,114,082)	(246,487)	((2,	(7,212,000)
Total Available Funds		12,768,200		46,046		3,760,917		1,561,394	(548)		18,	18,136,009
Available Financing & Contributions												
RUS Financing		9,393,800		3		ġ.		: 1 .5	300,000		6	9,693,800
Utility Specific Contributions		16,583,616		9,687,134		8,323,478		7,140,000	1,000,000		42,	42,734,228
Common Contributions		ı			5	·	,	×				•
Total Financing & Contributions		25,977,416		9,687,134		8,323,478		7,140,000	1,300,000		52,	52,428,028
Total Funds Available for Capital Budget		38,745,616		9,733,179		12,084,395		8,701,394	1,299,452		70,	- 70,564,037
	5	12			3					l r		
Total Capital Budget		000 100 00		000 500 07				010 001 01			ţ	201 110
Utility Capital Budget		30,381,820		10,776,620		12,2/6,245		10,482,810	1,300,000		65,	964/17/69
Common Budget		1,781,637		256,813		880,225	3	257,455	34,028		3,	3,210,157
Total Capital Budget		32,163,458		11,033,433		13,156,470		10,740,265	1,334,028		68,	68,427,653
Net Balance	ŝ	6,582,159	Ś	(1,300,253)	Ś	(1,072,075)	Ś	(2,038,870)	\$ (34,576)	\$	2,	2,136,384
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