

DRAFT

SOUTH UTAH VALLEY ELECTRIC SERVICE DISTRICT ANNUAL MEETING & BOARD MEETING August 9, 2022

South Utah Valley Electric Service District (SESD) held its Annual Meeting and a regular Board Meeting on Tuesday, August 9, 2022 – at 11:00 a.m. at the SESD office 803 N 500 E – Payson, UT.

Trustees Present: Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder.

Also Present: Dan Ellsworth, Jennifer Hatcher, and Mark Holdaway – SESD

Ray Loveless welcomed everyone and called the meeting to order at 11:00 a.m. Richard Behling offered a prayer and Nelson Abbott led the group in *The Pledge of Allegiance*.

ANNUAL MEETING

ELECTIONS & APPOINTMENTS OF BOARD OFFICERS

None.

2022 BOARD MEETING SCHEDULE

Jennifer Hatcher stated that the board meeting schedule for the remainder of 2022 adheres to the standard rotation with each month's meeting being held on the second Tuesday. Jennifer reported that she will coordinate with Ray Loveless to ensure that the 2023 Board Meeting Schedule will not conflict with UAMPS meetings. She stated that the 2023 schedule will be presented for approval during the September board meeting.

STATE OF THE DISTRICT

General Manager Dan Ellsworth shared his thoughts about the district's current status and key indicators and future factors in the electric utility industry that will influence the district's operations, resources, and continued reliability.

Dan's full State of the District address is included as APPENDIX A.

BOARD MEETING

PUBLIC FORUM

No public in attendance.

URECA 2022 YOUTH LEADERSHIP RECOGNITION

Ray Loveless welcomed Keller and Heather Stinson to the board meeting. Ray reported that Keller attended this year's URECA Youth Leadership Challenge at Snow College as SESD's Youth Director; Ray congratulated Keller on being chosen as the 2022 Youth Director of the Year and receiving a \$3,000.00 URECA YLC scholarship. Keller Stinson presented the board with an overview of the planning and preparation for the summer's events and the 2022 Challenge highlights. Keller thanked the board for the opportunity to participate.

Heather Stinson, Keller's mother, expressed her heartfelt gratitude for the many experiences Keller had as a 2021 youth challenge participant and as SESD's 2022 Youth Director. Heather stated that she would be willing to help with 2023 YLC recruitment efforts and attend as one of SESD's chaperones during next summer's challenge, if needed.

SOUTH UTAH VALLEY ELECTRIC SERVICE DISTRICT BOARD MEETING

August 9, 2022

(continued)

APPROVE BOARD MEETING MINUTES

MOTION to approve the June 29, 2022 Public Hearing meeting minutes.

Richard Behling made a motion seconded by Brent Gordon to approve the June 29, 2022 Public Hearing meeting minutes. Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

MOTION to approve the July 12, 2022 board meeting minutes.

Nelson Abbott made a motion seconded by Kenny Seng to approve the July 12, 2022 board meeting minutes. Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

FINANCE COMMITTEE

Brent Gordon stated that the July 2022 Disbursements & Expenses report was reviewed prior to the board meeting.

MOTION to approve the July 2022 Disbursements & Expenses.

Brent Gordon made a motion seconded by Brent Winder to approve the July 2022 Disbursements & Expenses. Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

Brent Gordon reviewed the July 2022 Financial Reports.

MOTION to accept the July 2022 Financial Reports.

Brent Gordon made a motion seconded by Richard Behling to accept the July 2022 Financial Reports. Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

RESOURCE COMMITTEE

Joel Brown stated that the Resource Committee met to discuss operations and resource. Joel asked Mark Holdaway to review the May and June 2022 Operations Report.

MAY AND JUNE 2022 OPERATIONS REPORT.

Mark Holdaway reviewed the power purchases for May and June 2022.

Dan Ellsworth explained that the irrigation season affects the hydro-power production.

MOTION to accept the May and June 2022 Operations Report.

Richard Behling made a motion seconded by Brent Gordon to accept the May and June 2022 Operations Report. Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

SOUTH UTAH VALLEY ELECTRIC SERVICE DISTRICT BOARD MEETING

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(continued)

EXECUTIVE COMMITTEE

Ray Loveless stated that the Executive Committee met just prior to Board Meeting. Ray reported that an SESD Net Metering customer who has a 5KW solar system on his home attended the meeting; the customer requested that the monetary credit for his excess production be applied to other outstanding SESD power bills. Ray explained that Mark Holdaway reviewed the customer's potential credits with the committee and the customer, noting that the overall credit at the end of the annual cycle will amount to approximately \$6.40. Ray reported that, in light of the calculation resulting in a menial credit, the committee and customer agreed to table the request and address it again at the end of the annual net feed-in-tariff term if the credit amounts to something more substantial and warrants additional discussion.

UAMPS REPORT

MOTION to ratify retaining of UAMPS margin FY 2022.

Joel Brown made a motion seconded by Kenny Seng to ratify the retention of the FY 2022 UAMPS margin totaling \$96,814.04. Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

MOTION to approve Geothermal Project Study Agreement.

Joel Brown made a motion seconded by Kenny Seng to approve the Geothermal Project Study Agreement and authorize Ray Loveless to sign the agreement. Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

SUVPS REPORT

Brent Gordon stated that he attended the SUVPS board meeting on July 28, 2022. Brent reported that Craig Michaelis - SUVPS Engineer, is finalizing his review of the system infrastructure and working toward conclusive project recommendations and proposed costs for bond acquisition consideration. Brent also reported that the title transfer had been signed by SUVPS and is now in process with the US Bureau of Reclamation.

POWER SYSTEM REPORT

Dan Ellsworth reported that the recent heat wave has had a significant impact on the SESD power grid. Dan stated that despite the increased stressed on the system, the line crew has been able to maintain a high level of reliability.

Mark Holdaway stated that most of the recent outages were not heat-related but rather had been caused by vehicle accidents; he noted a significant increase in struck power poles.

LEGAL UPDATE

Ray Loveless stated that the new SESD Transfer of Service application did not result in a positive reaction from the cities. Ray reported that Salem City was opposed to filing the application and stated that the SESD legal team would be contacting Salem City's legal counsel to further explain the application process and emphasize the value-added benefits of the streamlined method for evaluating area infrastructure in proposed annexations.

SOUTH UTAH VALLEY ELECTRIC SERVICE DISTRICT BOARD MEETING

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(continued)

LEGAL UPDATE (continued)

Ray also reported that Payson City has submitted a draft agreement that would allow SESD to continue to serve in the Goosenest Annexation. Ray stated that Payson City used the Spanish Fork Agreement as an example and that the proposed agreement would allow SESD to serve the customers in the Goosenest area until Payson City had sufficient infrastructure in place to complete the takeover.

CLOSED SESSION - UT Code 52-4-205(d)

No closed session.

ADJOURNMENT

Nelson Abbott made a motion to adjourn the meeting.

Ray Loveless adjourned the meeting at 12:40 p.m.

Ray Loveless, Chairman

Mark Holdaway, Clerk

Date Approved

Date Approved

Next Meeting Date

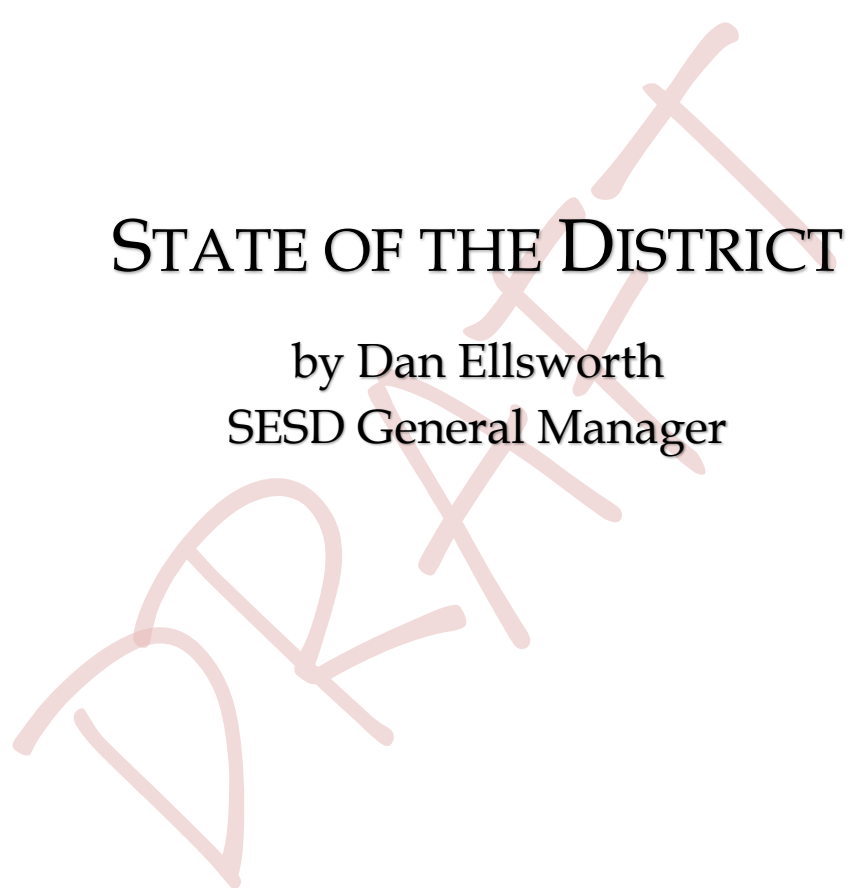
The next scheduled meeting will be a board meeting held on Tuesday, September 13, 2022 at 11:00 a.m.

APPENDIX

A

STATE OF THE DISTRICT

by Dan Ellsworth
SESD General Manager



SESD 2022

Three-Legged Stool

In a 1932 campaign speech President Franklin D. Roosevelt referred to Public Power as a “yardstick”, in that people served by a private for-profit utility could judge the quality of **service** and the **rates** by comparing other public power utilities under the public power model. Roosevelt asserted that this measurement by the people was necessary, and that it is not possible for the Government and regulatory agencies to ensure that the public gets a ‘**fair deal**’ in every case.

Even though these words were spoken before the “Rural Electrification Act”, when only 11% of rural households had access to electricity across the US, Roosevelt alluded to how **quality of service** and **rates** affect the true access of the service.

Over the next decade, we will likely witness a redefinition of the role of the electric utility. New and improved energy technologies, progressive policies, changing customer sentiment, and growth of competition, with many faces and angles that will continue to “**combine and disrupt**” the tried-and-true business model we have operated under prior to President Roosevelt campaign speech. We are seeing evidence of change in many parts of the country, and we know that those ideas are working their way into our world, whether we like it not.

Third party energy service providers have had meaningful success connecting with many of the utilities’ residential and commercial business customers, and offering distributed energy resources, demand response, energy efficiency, microgrids, and a range of other related services. All of these advances threaten utility growth and profitability and raise serious strategic and tactical issues regarding the future of many utility companies, BOTH LARGE AND SMALL. How is SESD’s relationship with its customers?

Some of the challenges SESD faces is developing a transformational strategy in adapting with all the industry changes and challenges facing us now and, in the future, along with the time consuming and resource consuming challenges we have locally, that are unique to SESD.

- Obstacle 1:** Utilities need a vision for the future of the industry, which will create a strong value position for an integrated planning effort, including generation, transmission and distribution. Utilities today have the burden of not only developing new strategies, but also the weight of justifying the results of decisions and investments to our customers. (rates)
- Obstacle 2:** The Path to integrating the utility planning functions can take months or years. Moving forward without a clear roadmap can be a struggle to make meaningful progress and decisions as other demands intercede and the momentum is lost. (Preserving service territory)

Obstacle 3: There are no silver bullets, we may be attracted by the idea that a single model or tool exists for integrating planning efforts. In my experience, this is a fallacy. While the individual utilities and the industry might one day evolve to a point where a single model can handle the task of planning the entire generation, transmission and distribution systems, this does not exist today. (As we all know, trying to work with our public power neighbors for many years has yet to achieve that outcome.)

Now, let's bring this back home and briefly talk about our day-to-day operations.

Costs are going up, as we all know. We are seeing upward pressure on all aspects of the business; our overall power costs have increased 1.5 to 1.75 cents per kwh in the last quarter. We continue to receive legal bills that are uncomfortable at best. Even after our team's best efforts to resolve the outstanding issues. The ongoing supply chain problems, availability of basic materials and gaming in the manufacturing industry have forced major price increases and long-term delivery dates, let alone laying out a timeline schedule, to plan and construct projects. This has created upward pressures on the "on-hand" inventory items with costs averaging around 40% overall in the last 2 years.

On the bright side, SESD has seen some unexpected growth and we have made some positive inroads while increasing support for the communities we serve. I would like to remind all of us that with everything I have mentioned, we cannot lose focus of the very basic foundation of our charter, the responsibilities of both the trustees and the employees is to serve SESD's customers.

This foundation acts as a three-legged stool, each leg is independent and needs to function at the top of its game in this very very competitive market. Should one leg become weak or break, we all know what happens to the stool.

Let's talk about what the 3 legs are:

- Leg 1: Rates.** As we heard loud and clear in a recent public hearing, (if we can't compete, then why are we in the business?) That still rings in my ears today. SIMPLY-if we cannot keep rates equal to or below our surrounding providers our customers will make that decision for us.
- Leg 2: Dependable Service.** Whenever a storm rolls thru this end of the valley it goes thru SESD's service territory. It is critical we provide a reliable dependable service to weather the storm(s) and keep the power flowing at a higher-than-average percentage rate.
- Leg 3: Professional staff.** The SESD staff are a wonderful group of people and serve the SESD customer very well. With that said, there is always a need for improvement requiring investing in more training and education, to keep up with new information and gain knowledge in the ever-changing energy industry.

To conclude:

With everything coming at us in the energy world today, it's imperative, that we remember the 3- legged rule, (rates, highly dependable service, and maintaining an educated, very efficient, and dependable work force). WE MUST always protect and keep a firm foundation (**3-LEGGED STOOL**) to support all the other challenges both known and unknown at this time and in the future. If each one of us work diligently and extremely smart, we can survive.

Every aspect and decision will need to be carefully examined and vetted to make the correct decisions going forward. Small missteps could prove disastrous in this tight competitive energy market we are in, and it **will** get tighter and more competitive going forward. It is too bad we don't control every aspect of our world, but we don't. There are many aspects of this business we simply don't control. All we can do is work together and diligently continue to make the best decisions with the best information.

Prudent decisions about purchasing inventory, securing resources at the best possible price, and hiring employees who value our culture here at SESD are foremost going forward. I for one, have heard many other employees mention how they appreciate the interaction between the board and the staff. Difficult topics can be discussed with mutual respect, generally, to a great and common agreed upon outcome. Exchanging information and ideas is priceless for the district going forward. Our future depends on it. Many decisions will need to be made going forward. Hard and Difficult decisions are to come, regarding the long-term service to SESD's valued customer.

The SESD Team is solid, welcome to the TEAM!