

DRAFT

SOUTH UTAH VALLEY ELECTRIC SERVICE DISTRICT BOARD MEETING November 8, 2022

South Utah Valley Electric Service District (SESD) held its regular Board Meeting on Tuesday, November 8, 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: Ryan Bagley, Brook Christensen, Dan Ellsworth, Jennifer Hatcher, and Mark Holdaway – SESD
Jens Nielson, Attorney at Law – Wasatch Land & Title/Law

Ray Loveless welcomed everyone and called the meeting to order at 11:00 a.m. Dan Ellsworth offered a prayer and Brook Christensen led the group in *The Pledge of Allegiance*.

PUBLIC FORUM

Jon Haderlie of Larson & Company presented the FY 2022 audit report.

MOTION to accept the FY 2022 Annual Audit will be ratified during the December 2022 board meeting.

APPROVE BOARD MEETING MINUTES

MOTION to approve the October 11, 2022 board meeting minutes.

MOTION to approve the October 27, 2022 Special Board meeting minutes.

Nelson Abbott made a motion seconded by Kenny Seng to approve the October 11, 2022 board meeting minutes. Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

Bent Winder made a motion seconded by Joel Brown to approve the October 27, 2022 Special 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 reviewed the October 2022 Disbursements & Expenses report.

MOTION to approve the October 2022 Disbursements & Expenses.

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

MOTION to accept the October 2022 Financial Report.

Brent Gordon made a motion seconded by Brent Winder to accept the October 2022 Financial Report. 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 allocation and acquisition. Joel reported that the committee also reviewed the power costs and financial reports. Ray Loveless provided an update on future resource acquisition. (see UAMPS Report below)

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RESOURCE COMMITTEE

SEPTEMBER 2022 OPERATIONS REPORT

Mark Holdaway presented and reviewed the power purchases for September 2022. Mark reported that September was the last month for generation from the San Juan coal plant and that the Nebo Power Plant will not be producing power at 100% capacity until well after the new year.

MOTION to accept the September 2022 Operations Report.

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

EXECUTIVE COMMITTEE

Ray Loveless reported that the Executive Committee met this morning prior to the board meeting. Ray stated that the committee reviewed the Disbursements and Expenses, Financial Reports, and Operations Report.

Rate Discussion

Ray Loveless stated that the bond expectations recommend a \$500K surplus and SESD currently has a \$500K budget deficit. Ray reported that SESD's financials are \$1M short of the bond requirements. Ray asked Mark Holdaway to present his rate calculations for bringing SESD's budget in line with the bond conditions.

Mark Holdaway stated that rates would need to increase approximately \$.07-.08 across the board, inclusive of all rate classes and tiers.

Nelson Abbott reported that the Resource Committee discussed alteration of the Power Cost Adjustment configuration, reducing the rolling average from 12 to 3 months, in addition to increasing the rates. Nelson stated that the PCA calculation modification would reduce or mitigate future gaps between power purchase pricing and utility revenues.

Ray Loveless expressed his concern that a 10% reduction in customer connections due to city annexations may further reduce revenues.

Nelson Abbott pointed out that customer reduction would lead to less load and therefore lighten the need for additional resource, which may help power purchases in the immediate future.

PUBLIC POWER - LATEST NEWS AND INSIGHTS

Ray Loveless stated that Brent Winder prompted an overview and discussion regarding a recent editorial in the Deseret News regarding community solar.

Community Solar

Ray Loveless stated that there have been several conversations regarding community solar farms with landowners in the Lakeshore and West Mountain areas.

Nelson Abbott suggested that Payson City has uninhabitable land around the city landfill that would be an ideal spot for a community solar farm.

Ray Loveless also shared some notable research from BYU relating to nuclear energy, stating that BYU suggests the option of using salt as a coolant, in replace of water, to increase plant safety and conserve a diminishing, essential resource: water.

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UAMPS REPORT

Ray Loveless provided an update on future UAMPS resources, stating that SESD has a 2.5 MW subscription with the Steel Solar projects that will be on-line by the end of next year. He reported that the Muddy Creek geothermal project was disbanded and stated that the NuScale CFPP generation is still on track to begin generation of its resource in 2029.

Ray Loveless explained that UAMPS sent out a call to its members to gauge interest in acquiring subscription for additional resource. Ray reported that although he requested 6MW for SESD, the entities extending the generation rescinded the offer due to rising costs, confident that they would be able to secure a higher price in the future.

Dan Ellsworth reported that he was optimistic after his meeting with the Deseret Power representatives. He stated that SESD should be able to contract with Deseret to receive power for all but the peak summer months. Dan also explained that Deseret Power proposed installation of reciprocating generators on SESD property; stating that the generators would run off of diesel fuel or natural gas.

Ray Loveless reported that several UAMPS members have similar generator installations, including Payson, Springville, and Lehi cities. Ray suggested that the generators would need to be tied to the UAMPS system if for no other reason than the necessity of tapping the natural gas lines that supply the Nebo Power Plant.

Ray Loveless reported that UAMPS has solicited interest in a solar project that involves battery storage to supplement the generation after sundown. He stated that the batteries would extend daytime generation for approximately 4 additional hours and that the overall cost for the resource would be about \$40-5/MWh. Ray reported that the generation would be available at the beginning of the summer season 2024.

Ray Loveless asked Brook Christensen how many customers would be transferred to the cities within the next fiscal year.

Brook Christensen reported that there would be approximately 425 customers transferred: 10% of the current SESD customer base.

Ray stated that the loss of 10% of SESD's customers would reduce the base load, but pointed out that the reduction may be marginalized by growth.

Richard Behling suggested securing resource, at a minimum, to cover the San Juan loss and generation reduction as the result of the Nebo Power Plant being off-line.

Dan Ellsworth cautioned that renewable resource cannot be calculated as a one-for-one net gain.

Kenny Seng stated that due to the reduction in resource output he suggested a reasonable split between renewables and CFPP be 25%/75% respectively.

Dan Ellsworth concurred with Kenny Seng's approximation.

Richard Behling recommended that SESD acquire enough resource to keep the lights on while reducing the need to purchase power on the open market.

Ray Loveless agreed with all of the projections and recommendations and asked the board what amount they would like to requisition from the current UAMPS solicitation.

Dan Ellsworth suggested a subscription request of 5MW.

Richard Behling echoed Dan's suggestions and Joel Brown agreed that SESD should request a subscription rate of 5MW.

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(continued)

UAMPS REPORT (continued)

Ray Loveless stated that he would sign the solicitation and that there would be a Motion to Ratify during the December Board meeting.

Ray Loveless concluded that with the addition of the 5KW, SESD’s total solar resource subscription with UAMPS would amount to 7MW.

CREDA REPORT

Ray Loveless expressed his concern with himself continuing to be SESD’s voting delegate in the CREDA organization, stating that the travel is cumbersome and the meeting agendas aren’t always directly relevant to SESD.

Dan Ellsworth provided an overview of CREDA history and SESD’s participation in the organization dating back to the inception of CREDA supported by Strawberry Water Users Association.

Ray Loveless recommended that SESD continue as a member of the CREDA organization and asked for another board member to be an alternate, capable of traveling to the quarterly CREDA meetings.

Richard Behling stated that he is comfortable traveling and would like the opportunity to become more knowledgeable about CREDA. Richard stated that he would welcome the opportunity to represent SESD.

SUVPS REPORT

Brook Christensen stated that there were no significant updates; SUVPS continues to work on system analysis and bond acquisition.

POWER SYSTEM REPORT

Outage Report

Brook Christensen reported that there were a few outages related to storms and snow-packed trees.

LEGAL UPDATE

Ray Loveless stated that there had been no response from Payson City regarding the letter and signed agreement submitted by SESD.

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 12:55 p.m.

Ray Loveless, Chairman

Mark Holdaway, Clerk

Date Approved

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Next Meeting Date

The next board meeting will be held on Tuesday, December 6, 2022 beginning at 11:00 a.m.