

SOUTH UTAH VALLEY ELECTRIC SERVICE DISTRICT

BOARD MEETING

April 11, 2023

South Utah Valley Electric Service District (SESD) held its regular Board Meeting on Tuesday, April 11, 2023 – 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, Jennifer Hatcher, and Mark Holdaway – SESD

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

PUBLIC FORUM

None.

SPANISH FORK CITY SETTLEMENT AGREEMENT DISCUSSION

Ray Loveless invited those in attendance from Spanish Fork City (SFC) to address the board. SFC Mayor Mike Mendenhall thanked SESD for the partnership in carrying out the Settlement Agreement. Mayor Mendenhall also expressed the gratitude of the SFC City Council for SESD's cooperation throughout the process; especially commending the line crew for their craftsmanship and expertise. The mayor asked SESD's trustees to be PROs, explaining that the acronym encourages the mindset of a Pragmatist, Realist, and Optimist; he expressed a desire to come together with SESD to collaborate through another contract or enact an extension, when the current agreement expires. Mayor Mendenhall stated that cooperation will be paramount for another reason in the near future, as the likelihood of high water and flooding in south Utah County is eminent, making collective-community action and mutual aid essential components of SFC and SESD's relationship going forward into the future.

Power Superintendent Jake Theurer shared the history of the current transfer agreement reporting that the contract was signed by SFC on January 7, 2022 and that approximately 85% of the transfers were completed by October 2022. Jake asked Brook Christensen how he and his crew felt the actual work in the field was conducted with the SFC and SESD crews working together.

Brook responded that the two-week advance notice provided plenty of lead time and that the transfer process at the homes went smoothly, lasting approximately 2.5-3 hours.

Jake reported that SFC only has three customers left to transfer and asked Brook for an update on the transfer timeframe.

Brook Christensen stated that the customers were located around the area adjacent to Circle V and that SESD is building the necessary line and waiting for the final UDOT permit in order to move forward. Brook estimated that the transfers were 2-3 weeks out and stated that SESD would like SFC Power to help with setting poles.

Jake stated that SFC Power would be available to assist with the poles. Jake also reported on the two most recent annexations: Oberg and 3400 E. Jake stated that SFC Power would be ready for the Oberg transfers in two months and that the 3400 E transfers were completed earlier this year. Jake stated that SFC Power had no complaints with the coordinated efforts between their crew and SESD's. Jake reported that the SESD crew was responsive, competent, and safety conscious. Jake stated that he hopes the good working conditions and the important relationship between SFC and SESD can continue as they work toward drafting another agreement for future annexations and that the productive collaboration will carry over to the SUVPS organization as well.

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(continued)

SPANISH FORK CITY SETTLEMENT AGREEMENT DISCUSSION (continued)

SFC City Manager Seth Perrins stated that although SFC Power and SESD completed 74 transfers, a number not too significant in and of itself, the fact that those 74 transfers were in 16-18 nonadjacent, widespread areas of the valley took concerted effort and coordination; Seth commended SESD for its responsiveness and professionalism and extended his gratitude for the work completed under the Agreement. Seth recounted that there were no safety issues or accidents reported during the process; stating that it was quite an achievement to have two separate crews working so closely together without a single incident. He asked Brook to pass along his congratulations and appreciation to the SESD line crew. Seth asked if there were things to be done to continue to improve the relationship between the city and the district, stating that regular updates and progress reports to the city council and board of trustees were a good start, but he believes that more can be done. Seth expressed concern about the communication process going forward with future annexations. He stated that there have been about a dozen annexation requests submitted to SFC and that he is clear on the legal process timelines of notification and the minimum requirements but wants to ensure that if more time or warning is needed, he and the SFC staff and power department will do what they can to meet the needs of SESD. Seth stated that he understands that the actual process with each specific parcel of land is unique, and each individual annexation study and approval can be lengthy. Seth asked how SFC is currently keeping SESD updated on the annexation approval progress.

Mark Holdaway stated that SESD receives the initial annexation notification through the mail but no further progress reports until SFC Power requests the transfers.

Seth invited SESD to contact Kim Brenneman in the SFC Office of Community Development if they have questions about an annexation or what is currently being reviewed or engineered for council approval. Seth asked that SESD not contact Jake Theurer with annexation questions, stating that his knowledge is restricted to power-related issues and not the overall annexation approval process.

Richard Behling asked if Seth was offering SESD advanced notice of annexations that would precede the required Public Notice.

Seth stated that SFC was open to establishing a regular pattern of communication and notification that would be acceptable and beneficial for SESD. He suggested that the notification process be identified and outlined as a part of the next SFC SESD Agreement and proposed that SESD be notified when the SFC City Council accepts an annexation for a study.

Richard stated that it would be beneficial for everyone involved if all stakeholders, including SESD, were involved in the initial annexations discussions to ensure that mapping and inventory of infrastructure are communicated in advance. Richard stated that having all parties present during the annexation meetings would promote openness and prevent future hurdles to reaching an agreement. Richard suggested that SESD be involved in applicable annexations long before the Public Notice and that preemptive communication would be welcome and greatly appreciated.

Seth stated that he would discuss the inclusion of SESD and others during annexation studies, noting that after an annexation is accepted by the city council, the request must be completed within 180 days from start to finish. Seth explained his term for unusual annexations, stating that he refers to out-of-the-ordinary boundaries or annexations that create an island as “wonky” annexations. He explained that oftentimes wonky annexations are necessary because an individual landowner refuses to have their property included in an annexation. Seth stated that wonky annexations create confusion and can be an acute Public Safety concern due to incongruent addresses and mixed infrastructure.

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SPANISH FORK CITY SETTLEMENT AGREEMENT DISCUSSION (continued)

Seth suggested that wonky annexations be included in the discussion during the next agreement negotiations. Seth suggested that SFC and SESD plan to engage in preliminary agreement discussions eight months prior to the current agreement's end-date. Seth stated that he was unsure if the current contract ended in June or December of 2024, but either way, he can see the expiration date fast approaching and recommended that SFC and SESD be proactive and start having conversations and comparing calendars in order to schedule a date to discuss initial considerations.

Brook Christensen stated that the current agreement ends on December 31, 2024.

Ray Loveless asked if developers were happy with the current agreement and the transfer process thus far? Seth reported that most developers are unaware that the agreement exists or that transfers are happening. He stated that there haven't been any complaints; he feels that no news is good news.

Ray agreed with Seth's sentiments with regard to the developers and inquired about the customers' experiences, stating that many of the transfers involve long-time, loyal SESD customers and he hopes that the transfers have had minimal impact on the individuals and that the transfers are a virtually painless process for all involved.

Jake Theurer reported that the majority of the customers have been good to work with, although they have encountered the occasional customer who really doesn't want to leave SESD. Jake stated that the only significant challenge for SFC has been with setting up new accounts and billing specifically, but with individually-focused customer service, all have agreed to set up their accounts with SFC.

Seth stated that offers of free SFC internet seem to ease the customers' concerns and defiance.

Brook Christensen stated that SESD has encountered a few customers who were shocked when the SESD crew arrived to shut off their power; he reported that a handful of customers were unaware of impending transfer. Brook suggested that SFC reach out to individuals with follow-up phone calls to ensure that the SFC letters of notice are received and understood.

Ray Loveless reported that the SESD board's only concern is related to the district's recent bond acquisition. Ray stated that the bond issuer included a customer-count threshold stipulation that may require other financials to be factored in and considered during the next agreement negotiations. Ray reported that the rulings related to the litigation with Payson and Salem cities direct the district and the cities to move forward with future annexations using UT Code 421. Ray suggested that following UT Code 421 during future SFC annexations would simplify the process and eliminate the need for further negotiations or separate agreements.

Seth explained that he believes that the current Agreement satisfies UT Code 421 requirements. He stated that he is confident that the process SFC and SESD are currently using satisfies the code, but he will seek SFC's legal counsel's input on the matter. Seth stated that he is concerned that if UT Code 421 is used exclusively, there will be redundant studies and unnecessary duplication of costs for assessing inventory and individual infrastructure investigations; whereas a new agreement would eliminate the need to address each annexation at step one, starting from scratch.

Ray asked what the reasoning was for selecting 2024 as the Agreement end-date.

Seth stated that both parties wanted to test the waters with a short-term agreement to prevent a reoccurrence of 1998. Seth also stated that set cost per customer would need to be reevaluated based on current industry prices and previous transfer experiences. Seth suggested that SFC and SESD talk soon and often in order to reach another understanding, define acceptable acquisition costs per customer, and have a seamless transition from the current Agreement to the new normal.

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SPANISH FORK CITY SETTLEMENT AGREEMENT DISCUSSION (continued)

Ray agreed that SFC and SESD need to begin conversations relating to the on-going process for handling future annexations in the very near future. Ray stated that he and many of the other SESD Trustees would be attending a SFC City Council meeting to propagate the momentum of SFC's presentation to the board and initiate preliminary collaborations with the city.

APPROVE BOARD MEETING MINUTES

MOTION to approve the March 7, 2023 Board Meeting minutes.

Richard Behling made a motion seconded by Joel Brown to approve the March 7, 2023 Board Meeting minutes. Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

FINANCE COMMITTEE

Richard Behling reviewed the March 2023 Disbursements & Expenses.

MOTION to approve the March 2023 Disbursements & Expenses.

Kenny Seng made a motion seconded by Nelson Abbott to approve the March 2023 Disbursements & Expenses. Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

Mark Holdaway reviewed the March 2023 Financial Report.

MOTION to accept the March 2023 Financial Report.

Brent Gordon made a motion seconded by Brent Winder to accept the March 2023 Financial Report. Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

MOTION to establish a date for a Budget Amendment Hearing.

Richard Behling made a motion seconded by Kenny Seng to schedule the Budget Amendment Hearing for Wednesday, May 17, 2023 at 6:00 p. m. Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

MOTION to establish a date for a Public Hearing to change the PCA calculation.

Kenny Seng made a motion seconded by Brent Gordon to schedule the Public Hearing to change the PCA calculation for Wednesday, May 17, 2023 at 6:00 p. m. Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

Richard Behling explained that PeHP's LTD Policy Pilot Program would include mental health and stated that PeHP extended the invitation for the district to participate in the pilot. Richard explained that the increased cost to participate would be approximately \$200 a month.

MOTION to participate in the PeHP LTD Policy Pilot Program

Nelson Abbott made a motion seconded by Joel Brown to participate in the PeHP LTD Policy Pilot Program as presented. Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

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FINANCE COMMITTEE (continued)

Procurement Policy Update

Mark Holdaway reported that the rules and regulations relating to the state's procurement process have been revised. He is reviewing the changes and comparing SESD's current procurement policy to ensure compliance. Mark stated that he will have a revised procurement policy draft proposal to present to during a future board meeting.

RESOURCE COMMITTEE

February 2023 Operations Report

Mark Holdaway reviewed the February 2023 Financial Report.

MOTION to accept the February 2023 Operations Report.

Richard Behling made a motion seconded by Brent Gordon to accept the February 2023 Operations Report. Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

Ray Loveless explained that UAMPS was offered the opportunity to purchase resource in the Sunnyside Waste Coal Facility. Ray stated that the facility would have a 50 MW capacity and that the resource is estimated to run for three years at a price of \$79/MW. Ray reported that the solicitation deadline was prior to the board meeting and that after discussing the details with SESD staff he signed the solicitation of interest on behalf of SESD.

MOTION to ratify the Sunnyside Waste Coal Facility Solicitation of Interest.

Kenny Seng made a motion seconded by Richard Behling to ratify the Sunnyside Waste Coal Facility Solicitation of Interest. Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

Ray Loveless reported that additional resource will be needed to meet the summer peak demand. He stated that UAMPS secured the additional resource to reduce the need to seek power in the open market.

MOTION to ratify Revised Lock-in Transaction Confirmation Firm Power Supply Project.

Joel Brown made a motion seconded by Brent Winder to ratify Revised Lock-in Transaction Confirmation Firm Power Supply Project. Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

Net Metering Policy Update

Mark Holdaway reported that there have been several customer requests for larger solar installations and an increased monetary credit for excess customer generation. Mark stated that the Resource Committee asked Brook Christensen to request a bid from ICPE for system reviews related to individual solar applications and infrastructure capacity. Mark stated that Brook will be presenting his findings and additional cost information from ICPE in future committee meetings.

Brent Winder reported that residents in his service area see SESD as "standing in the way" of enlarging solar capacity. Brent suggested that, with the scarcity of resource and in light of the fact that many of the customers requesting larger systems are coupling panels with ample storage resulting in a meaningful power resource, SESD make it a priority to revise and enact a new solar policy that includes concessions for a customer-generated, resource-rich environment as quickly and prudently as possible.

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RESOURCE COMMITTEE (continued)

West Mountain Fiber Discussion

Nelson Abbott recommended that SESD discontinue any pursuit of fiber for its customers. He stated that SESD is an electrical service district, not an internet provider.

Ray Loveless concurred with Nelson, stating that he believes SESD should focus on providing its customers with reliable power at reasonable rates.

Brent Winder asked if there was any way to recoup any of the project expenditures.

Brook Christensen reported that there are no tangible assets to sell; the only cost outlay has been for the project engineering.

Mark Holdaway reported that he has sent an inquiry to the state regarding the status of the grant, the ability to transfer the funds to another entity, or the consequences to SESD if the grant project is not completed and abandoned.

EXECUTIVE COMMITTEE

All items of note were discussed during the other committee reports.

UAMPS REPORT

UAMPS Resources

Ray Loveless stated that he will attend the UAMPS meeting next week. He reported that, as of today, there have not been any updates or a change in status as far as the Steel 1 and Steel 2 solar projects; the projects are still on hold due to product import child labor regulations.

Public Power Discussion

None.

CREDA REPORT

Ray Loveless stated that he and Richard Behling will be attending the quarterly CREDA meeting in Salt Lake City later this week.

SUVPS REPORT

Brook Christensen reported that SUVPS received USBOR's draft agreement for the title transfer and has returned the document with a few minor edits; he stated that the signing of the agreement is eminent.

Brook reported that there was an SUVPS callout that will require future maintenance on the switch.

Mark Holdaway stated that he attended the SUVPS finance session, reporting that based on the Rocky Mountain Power task force study, SUVPS anticipates the bond will amount to \$40M, with SESD's portion calculating at approximately \$3.2M.

Brook Christensen reported that SESD will be receiving future credit for excess SWUA power purchased to shore up the SUVPS system. Brook explained that the system was short 2.3 MW and SESD was able to purchase 5.24 MW from SWUA, stating that the overage will be distributed to SUVPS members in need and the resulting funds will be credited back to SESD.

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POWER SYSTEM REPORT

Outage Report

Brook Christensen reported that there were a few damaged junction boxes and transformers as a result of the recent storms, he stated that there were several direct impacts caused by snowplows, including a Utah County transformer on State Street. Brook also reported an outage due to a car hitting a RMP pole on the northside of the westbound lane in the vicinity of the I-15 South 8000 S/Benjamin Exit. Brook recounted that there have been multiple outages in the area over the course of several years. He explained that when the pole is struck by a vehicle, the distribution line flips up into the 138kv and that contact takes the Nebo Power Plant out of production. Brook reported that the most recent incident tripped the Nebo steam turbine, but the main generator remained on, preventing a total blackout. Brook explained that Mr. Hutchison of UAMPS will be contacting RMP to devise a plane to mitigate future problems by either installing another power pole or rerouting the line underground.

LEGAL UPDATE

Discussed during the closed session.

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

Ray Loveless stated that a closed session was necessary; the board needed to discuss matters that warranted a closed session according to UT Code 52-4-205(d).

At 1:25 p.m. Nelson Abbott made a motion seconded by Brent Gordon to convene into a closed session to discuss matters according to UT Code 52-4-205(d).

Ray Loveless asked for a Roll Call Vote: Mark Holdaway conducted the vote.

Nelson Abbott - Y, Richard Behling - Y, Joel Brown -Y, Brent Gordon - Y, Ray Loveless - Y, Kenny Seng - Y, and Brent Winder - Y.

Richard Behling made a motion seconded by Nelson Abbott to reconvene the Regular Board Meeting at 2:15 p.m. Nelson Abbott, Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

ADJOURNMENT

Nelson Abbott made a motion to adjourn the meeting.

Ray Loveless adjourned the meeting at 2:15 p.m.

Ray Loveless, Chairman

Mark Holdaway, Clerk

Date Approved

Date Approved

Next Meeting Date

The next regular board meeting will be held on Tuesday, May 9, 2023 beginning at 11:00 a.m. A Public Hearing will be held on Wednesday, May 17, 2023 beginning at 6:00 p.m.