

DRAFT

SOUTH UTAH VALLEY ELECTRIC SERVICE DISTRICT BOARD MEETING February 7, 2023

South Utah Valley Electric Service District (SESD) held its regular Board Meeting on Tuesday, February 7, 2023 – at 11:00 a.m. at the SESD office 803 N 500 E – Payson, UT.

Trustees Present: Nelson Abbott, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder.

Trustees Excused: Richard Behling, Joel Brown

Also Present: Brook Christensen, Dan Ellsworth, and Mark Holdaway – SESD

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

PUBLIC FORUM

Steve Anderson of Fusion Networks asked if he could address the Board. Ray invited Steve to stand and make his comments. Steve talked about his internet business, Fusion Networks, and how he is looking to expand into the fiber market. Steve expressed concern that because SESD currently only allows one internet provider on its fiber network, he will have to install his fiber network directly over SESD’s fiber network to bring service to his customers. Steve felt this duplication of infrastructure was wasteful and asked SESD to consider opening its fiber network to additional providers. Steve also expressed an interest in purchasing SESD’s fiber network and working with SESD to facilitate the installation of an AMI system in Elk Ridge. Steve then said he would be very happy to partner with SESD to assist with its fiber network expansion into West Mountain. He told the Board he would rather be a partner than a “reluctant competitor.” Ray thanked Steve for his offer and said the Board would take his comments into consideration.

APPROVE BOARD MEETING MINUTES

MOTION to approve the January 10, 2023 Board Meeting minutes.

Nelson Abbott made a motion seconded by Brent Gordon to approve the January 10, 2023 Board Meeting minutes. Nelson Abbott, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

As the Board discussed the January 26, 2023 Public Meeting minutes, Kenny Seng pointed out that the minutes erroneously include him approving the motion to increase the new rate structure. Kenny reminded everyone that he had left the meeting early due to another engagement and was therefore not present when the motion was made. Kenny asked that the correction be made in the minutes.

MOTION to approve the January 26, 2023 Public Meeting minutes.

Kenny Seng made a motion seconded by Brent Winder to approve the January 26, 2023 Public Meeting minutes with the requested corrections. Nelson Abbott, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

FINANCE COMMITTEE

Brent Gordon reviewed the January 2023 Disbursements & Expenses as well as the January 2023 Financial Report.

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FINANCE COMMITTEE (continued)

MOTION to approve the January 2023 Disbursements & Expenses.

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

MOTION to accept the January 2023 Financial Report.

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

The Board discussed how SESD should best respond to higher-than-normal wholesale power prices. Nelson Abbott suggested that SESD cut some of its costs by ending its lobbying relationship with Foxley & Pignanelli. He said things have been quiet in the legislature pertaining to SESD and that the lobbying costs are no longer justifiable. Nelson recommended putting a motion on the March 2023 Board Meeting agenda to terminate lobbying services with Foxley & Pignanelli at the end of the 2023 Legislative Session. He then said that because SESD still has a good relationship with Foxley & Pignanelli, the District could always reach out to them again in the future if necessary.

Brent Gordon brought up the timing of payment for invoices. He said some vendors send multiple months' worth of invoices all at once which can cause a problem with cash flow. He asked Mark Holdaway to work more closely with vendors to assure more timely receipt of invoices.

Ray Loveless told the Board that he asked Mark Holdaway to compile a list of SESD's policies. He said he would like the Board committees to review SESD's policies and update them as needed. Ray mentioned that he would like the Finance Committee to begin by reviewing the Procurement Policy. He stated that, too often, the Board is not aware of expenditures until after the fact. He reminded everyone of the Board's fiduciary responsibility to assure that all expenditures, especially larger ones, are necessary and appropriate. Ray also reiterated that SESD will be able to best weather the storms it faces as the Board and staff work more closely together. Brent Gordon warned that the Board should not micromanage SESD's operations but affirmed that the Board needs to be more aware of what is going on.

JANUARY 26TH RATE MEETING REVIEW

Ray Loveless told the Board he wanted to review some of the comments made at the public meeting held on January 26, 2023, and any feedback the Board and staff have received since. To begin with, Ray read a card the office received from a customer who attended the public meeting. This customer thanked the Board for the polite way they listened and responded to the customer comments made at the meeting. This customer also thanked the Board for their efforts to educate the public about the challenges facing the power industry and the Board's efforts to mitigate those challenges.

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JANUARY 26TH RATE MEETING REVIEW (continued)

Ray then addressed two items brought up repeatedly during the public meeting:

Time-of-use Incentives – Ray read a note sent from a customer in Woodland Hills requesting that SESD implement time-of-use rates to discourage on-peak power consumption. Ray said other people at the public meeting inquired about time-of-use rates as well. Ray asked Dan what hours of the day would be considered off-peak. Dan said that off-peak hours are generally between around 11:00 p.m. – 6:00 a.m. and then from around 9:00 a.m. – 4:00 p.m. Brook Christensen informed the Board that time-of-use metering can only be accomplished through AMI metering. Brook reminded everyone that an AMI metering system is one of the main reasons SESD installed a fiber system in Elk Ridge and is pursuing a fiber system in the West Mountain area. Ray encouraged the staff to continue reviewing the best ways to implement time-of-use metering.

Net Metering Policy Review – Ray told the Board that net metering and rooftop solar were other suggestions brought up during the public meeting as ways to address SESD’s exposure to the open market. Ray asked the Resource Committee to review SESD’s Net Metering Policy and bring recommendations for changes back to the Board. Ray said he would like the Resource Committee to complete this review, if possible, over the next couple of months. Nelson expressed a desire to learn more about the grid-limiting factors that prevent people from installing larger systems. He recommended maybe establishing net metering standards based on a customer’s power use.

Other – The Board discussed the role power conservation will play in reducing overall power costs. Nelson recommended encouraging people to use smart thermostats; he also suggested an email campaign and utilizing ad space on customers’ power bills to share conservation ideas. Ray pointed out that if each customer could reduce consumption by even as little as 5%, the effect District-wide would be tremendous.

UAMPS REPORT

UAMPS Resources

CFPP Discussion – Ray reported that UAMPS held several information meetings during the month of January at different UAMPS member locations to provide updates on the Carbon Free Power Project (CFPP). Ray informed the Board that one of the items discussed in these meetings was how the CFPP Project Management Committee (PMC) decided to raise the Levelized Cost of Energy (LCOE) threshold from \$55/MWh up to \$89/MWh. The PMC decided the LCOE increase was necessary due to the high inflation of material prices and supply chain issues. While discussing the LCOE, Ray reminded the Board that CFPP agreements give CFPP participants the opportunity to leave the CFPP if the LCOE changes. This was the reason he asked for an agenda item to approve another CFPP resolution. Ray told the Board another reason for the UAMPS meetings was to inform members that 80% of the CFPP power production must be subscribed to by the end of 2023 or the project will be terminated. Currently, the CFPP is at just above 20% subscription.

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UAMPS REPORT (continued)

UAMPS Resources (continued)

CFPP Discussion (continued)

Ray asked for comment from those who attended the UAMPS information meetings. Brent Gordon said he attended the information meeting held in St. George. He stated the first presenter spoke of the hurdles the CFPP has already overcome and was very optimistic about the future of the project. The second presenter, Mason Baker, spoke of the challenges still facing the CFPP. Brent said the meeting was very informative. He mentioned that after learning about the challenges laid out by Mason Baker, he and others at the meeting felt concerned about the viability of the CFPP. Brent Winder said he learned that many more entities would like to participate in the CFPP but are unable to do so due to transmission infrastructure limitations. Since there were concerns about the costs to bring the CFPP online, Ray reminded the Board that funds from the Inflation Reduction Act and other tax credits are helping to reduce the cost of the CFPP for UAMPS' participants.

Nelson Abbott recommended that SESD stay in the CFPP at least at its current subscription level; he pointed out there are very few options for baseload power at this time. Kenny Seng asked if SESD can increase its subscription level. Ray stated that the participants are really only deciding right now whether they will stay in the CFPP, lower their subscription, or leave; but there will be an opportunity in the future to subscribe for more power. Ray explained other CFPP participants have also expressed an interest in more power from the CFPP. Kenny asked Ray to assure UAMPS of SESD's desire to increase its subscription of CFPP power. Ray said he would.

MOTION to approve CFPP Resolution

Nelson Abbott made a motion seconded by Brent Gordon to approve the CFPP Resolution. Nelson Abbott, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

Public Power Discussion – No discussion on this agenda item.

RESOURCE COMMITTEE

December 2022 Operations Report

Nelson Abbot stated that the Resource Committee met the previous day and discussed SESD's resource mix. Nelson said he heard at the January 26th public meeting that people want to know what SESD is doing about affordable resource in the future. Ray told the Board that UAMPS' top priority right now is to find power, especially for the peak months of the summer. He also reminded the Board that three UAMPS power projects are scheduled to come online within the next one to two years: Steel I Solar in September 2023; Steel II Solar in December 2023; and NextEra Solar & Storage in 2025. Nelson suggested SESD look for additional power resource outside of UAMPS. Nelson explained that the need for affordable resource is so critical that he asked Mark Holdaway to include a motion on the agenda authorizing Ray and the staff to find power resource for peak months. Brent Winder asked about SESD's hydro power contract with the Strawberry Water Users Association (SWUA) and wondered if SESD could procure more of that resource. Dan Ellsworth informed the Board that SESD is contracted to buy everything that is generated by the SWUA hydro generators. Dan also stated that the SWUA hydro is like other renewable energy – it is intermittent (it is dependent on the flow of the river) and thus difficult to schedule. Nelson recommended that SESD meet with SWUA to see if the two entities would be willing to extend the hydro contract into the next decade.

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RESOURCE COMMITTEE (continued)

December 2022 Operations Report (continued)

Discussion then turned to member internal generators (MIG's). Ray mentioned there has been some discussion about investing in gas powered MIG's and using them during peak hours. Dan said MIG's can provide baseload power when needed, but they are subject to the volatility of gas market pricing. There was also the question of whether enough gas pipeline capacity is available in this area for MIG's. Dan recommended that if SESD does decide to pursue MIG's, that it should partner with UAMPS to try to mitigate some of the MIG installation and operation costs. Ray also said that he would talk with the Hyrum City UAMPS' representative at the next UAMPS meeting to see how much time Hyrum City spent installing its MIG's.

SESD's Board discussed the power cost adjustment (PCA). Nelson brought up the existing lag between the time SESD's customers consume power to when they are billed for it. He questioned if the PCA is properly capturing the true cost of power, especially considering the recent high wholesale power prices from UAMPS. Nelson recommended that the Board revisit the PCA formula if it is found to not properly capture the actual cost of power.

MOTION to accept the December 2022 Operations Report.

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

MOTION to authorize UAMPS representative and SESD staff members to find power resource for peak months.

Nelson Abbott made a motion seconded by Brent Winder to authorize UAMPS Representative and SESD Staff Members to find power resource for peak months. Nelson Abbott, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

CREDA REPORT

February 2023 meeting in Las Vegas

Ray Loveless reported that he and Richard Behling attended the CREDA board meeting held in Las Vegas, NV on February 2-3, 2023. Ray stated that most of the meeting discussions revolved around the drought and its affects on the Colorado River system. Ray said that Lake Powell is at 27% capacity and the Western Area Power Administration (WAPA) is concerned about Lake Powell's water level dropping below the intake tubes for the Glen Canyon Dam power generators. In addition to the drought, smallmouth bass have infiltrated the Colorado River below the Glen Canyon Dam and are hurting endangered fish species. As a result, federal agencies are considering pulling cooler lake water through bypass tubes in the lower section of the dam to try and deter smallmouth bass breeding. Pulling water through the lower-dam bypass tubes would eliminate all power generation.

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CREDA REPORT (continued)

February 2023 meeting in Las Vegas (continued)

Because of drought and smallmouth bass operations affecting Glen Canyon Dam power production, WAPA and CRSP have released an RFI for short-term and long-term contracts for 400+ megawatts of power. Ray said he would recommend to the CFPP PMC that they respond to the RFI.

SUVPS REPORT

Brent Gordon reported that the SUVPS Board had accepted the bid from EPC to relocate the SUVPS 46 kV transmission line along 1600 S. Spanish Fork as part of the I-15 freeway expansion. The SUVPS Board also accepted bids from two other companies for materials to upgrade the SUVPS transmission system: Siemens for transmission breakers and Nehring for transmission conductor. As for bonding, SUVPS accepted Stifel's bid for bond underwriter.

Brent then stated that SUVPS is negotiating with Rocky Mountain Power (RMP) to purchase about two acres of property next to the RMP substation at the mouth of Spanish Fork Canyon. SUVPS would like to install new substation transformers on this property.

Brent informed the Board that Blake Anderson is still waiting for a letter from SESD in support of title transfer for the 46 kV system from the Bureau of Reclamation (BOR) to SUVPS. Dan Ellsworth mentioned that Blake had also asked him about the letter recently, too. Dan reminded the Board that SESD has been waiting to see the final transfer agreement language before submitting a support letter. Dan said that Blake explained to him that the support letter is to only show support to begin the process to draft a transfer agreement. The details of the transfer and any member concerns can be addressed in the agreement itself before it is signed. Dan then said he would work with Blake and SESD staff on a title transfer support letter for SUVPS.

Brent stated that SUVPS is putting out bids for 138 kV transmission system components. Ray Loveless expressed concern about the current SUVPS assessment being able to cover the costs for the transmission system upgrade materials. Brook Christensen explained that SUVPS has been gathering capital improvement funds through its member assessments for the last few years. He said SUVPS has enough capital improvement funds to cover the materials that have been purchased or are currently out for bid. Ray then asked about the timing to receive the materials being ordered. Brook said some of the larger, more expensive items could have lead times of over a year. Nelson Abbott inquired about the SUVPS bond and how bond costs will be allocated. Dan clarified that bond costs will be assessed annually based on transmission system use - those members who use a higher percentage of the system will pay a higher percentage of the bond costs.

POWER SYSTEM REPORT

Outage Report

Brook Christensen reported that there were a few outages up Loafer Canyon due to snow on the lines. Brook then explained that the recent outage affecting customers along Powerhouse Road and east of Salem was due to Van Con equipment hitting a power pole near Cloward's Corner and taking down a power line. Fortunately, no one was injured.

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LEGAL UPDATE - No discussion on this agenda item.

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 12:44 p.m. Nelson Abbott made a motion seconded by Kenny Seng 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, Brent Gordon - Y, Ray Loveless - Y, Kenny Seng - Y, and Brent Winder - Y.

Nelson Abbott made a motion seconded by Kenny Seng to reconvene the Regular Board Meeting at 2:39 p.m. Nelson Abbott, Ray Loveless, Kenny Seng, and Brent Winder approved the motion. (Brent Gordon had to leave before the Board came out of closed session).

ADJOURNMENT

Nelson Abbott made a motion to adjourn the meeting.

Ray Loveless adjourned the meeting at 2:40 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, March 7, 2023 beginning at 11:00 a.m. (the first Tuesday in March)