

DRAFT

# SOUTH UTAH VALLEY ELECTRIC SERVICE DISTRICT BOARD MEETING January 9, 2024

South Utah Valley Electric Service District (SESD) held its regular Board Meeting on Tuesday, January 9, 2024 – at 11:00 a.m. at the SESD office 803 N 500 E – Payson, UT.

**Trustees Present:** Richard Behling, Joel Brown, Brent Gordon (via Zoom), Ray Loveless, Kenny Seng, Cory Thompson, and Brent Winder.

**Trustees Excused:**

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

Ray Loveless welcomed everyone and called the meeting to order at 11:01 a.m. Kenny Seng offered a prayer and Brook Christensen led the group in *The Pledge of Allegiance*.

### OATH OF OFFICE FOR NEW BOARD MEMBERS

Ray Loveless asked Mark Holdaway to conduct the Oath of Office for New Board Members. Richard Behling, Ray Loveless, Kenny Seng and Cory Thompson repeated the Oath.

Ray said he would like to give each Board member an opportunity over the next six months in Board meeting to introduce themselves. He invited Cory Thompson to introduce himself to the Board.

### PUBLIC FORUM

None.

### APPROVE BOARD MEETING MINUTES

**MOTION** to approve the December 12, 2023 Board Meeting minutes.

**Richard Behling made a motion seconded by Brent Winder to approve the December 12, 2023 Board Meeting minutes. Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, Cory Thompson, and Brent Winder approved the motion.**

### FINANCE COMMITTEE

Ray Loveless invited Brent Gordon, Finance Committee Chair, to report on the District's finances. Brent explained that the District was in a good financial position but emphasized the importance of reviewing the District's finances each month. Since Brent wasn't at the meeting in person, he asked Richard Behling to review the disbursements and expenses with the Board.

Ray Loveless pointed out some substation fuses from Stuart C. Irby being billed to Salem City and asked Brook Christensen to share the details of this billing. Brook explained that in the early part of the summer Salem's Arrowhead Substation recloser blew the substation fuse and took down the power to everyone served by the Arrowhead Substation – both Salem and SESD customers. Brook clarified that Arrowhead Substation maintenance expenses are normally shared between Salem and SESD, but because the blown fuse was directly caused by Salem's infrastructure, Salem was covering the full cost of the new fuse plus one extra.

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Ray then asked Richard to review the credit card expenditures. Richard said the Verizon payment was unusually high, but that the Finance Committee was informed that other data was being paid for other than just cell phone usage.

**MOTION** to approve the December 2023 Disbursements & Expenses.

**Kenny Seng made a motion seconded by Richard Behling to approve the December 2023 disbursements & expenses. Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, Cory Thompson, and Brent Winder approved the motion.**

Richard Behling gave the Financial Report. Richard said that 50% of the financial year had transpired. He explained that some individual accounts were much higher than the current 50% of budget, but that these accounts had their expenses at the beginning of the financial year. As the year progresses, these accounts should fall into their budgeted amounts. Richard then pointed out that the Interest Income account was higher than what it has been in recent years, largely because of higher interest rates. Richard explained the Street Light Expense account included expenses associated with maintaining streetlights for Santaquin City. Dan Ellsworth noted that SESD has an interlocal agreement with Santaquin City to maintain the city's streetlights.

Ray pointed out that the Industrial Revenue account was significantly higher than budget. He said he asked Mark Holdaway in the Executive Committee meeting to review the sole customer in this account to assure that this customer's rates weren't too high. Richard explained that this customer's highest usage occurs during harvest season near the beginning of the financial year and that he expects the account to fall within budget as the financial year progresses. Dan Ellsworth recommended re-evaluating the account at the end of the financial year. Richard stated that the District showed a positive net income and is financially healthy. Brent Gordon thanked Kenny Seng for his insights in the recent Finance Committee Meeting and thanked the whole committee for their dedication and excellent work.

**MOTION** to accept the December 2023 Financial Report.

**Joel Brown made a motion seconded by Cory Thompson to accept the December 2023 Financial Report. Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, Cory Thompson, and Brent Winder approved the motion.**

**RESOURCE COMMITTEE**

*November 2023 Operations Report*

Ray Loveless invited Joel Brown to give the November 2023 Operations Report. Joel Brown reported that the Resource Committee did a thorough review of SESD's resource portfolio. One of the things the committee discussed was the life expectancy of the Nebo Gas Plant. The committee recognized that baseload (24/7/365) resource is becoming more scarce and less affordable. The committee wanted to know how long SESD could expect to receive power from the Nebo Plant. Ray Loveless explained that the Nebo Plant was designed to run for 40 years and that the plant is currently about halfway through its expected life.

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Ray said UAMPS knows the importance of the Nebo Plant for grid reliability and is doing everything it can to extend the life of the plant.

Richard Behling asked about UAMPS' plans for future baseload power plants, especially considering the termination of the Carbon Free Power Project. Richard said permitting baseload fossil fuel plants can take an extraordinary amount of time, and he was wondering if UAMPS was taking this extra permitting time into account with its planning; he said other UAMPS members have the same worry. Ray said that UAMPS is very concerned about the need for more baseload power and has already begun researching sites for a new gas power plant in Idaho. He then stated that UAMPS is also working with Deseret Power to acquire more baseload generation.

Ray informed the Board that many utilities throughout the state, and even the nation, are struggling to find affordable, reliable power resources for the future and to resolve transmission constraints. He said some UAMPS members are investing in CAT generators to run during peak load times. Ray acknowledged that these generators are expensive to install but said SESD may need to consider using them in the future.

**MOTION** to accept the November 2023 Operations Report.

**Brent Winder made a motion seconded by Richard Behling to accept the November 2023 Operations Report. Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, Cory Thompson, and Brent Winder approved the motion.**

**EXECUTIVE COMMITTEE**

*Board Training Requirements*

Ray Loveless reminded the Board that new Board members, including those who were re-elected, are required by the Utah State Auditor to complete a comprehensive training. Ray informed the Board that this training can be done online at the Utah State Auditor's website and invited them to reach out to Mark Holdaway if they needed help accessing the site.

*Board Committees/Responsibilities*

Ray Loveless explained the organization of the Executive, Finance, and Resource Committees. He recommended keeping the committees as presently constituted. The Board had no objections.

**UAMPS REPORT**

*Fremont Solar and Storage Study Project Agreement*

Ray Loveless reported that UAMPS was ready for those participating in the Fremont Solar and Storage Project to sign a study agreement. The Project is 99 MW of solar generation and 49 MW of battery storage. Ray said SESD has subscribed to 1 MW of the project and would therefore be responsible for approximately 1% of the study costs. He stated that once the study is complete, UAMPS will present a power purchase agreement to the participants. The project is expected to come online sometime in 2025.

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Joel Brown inquired about how much power SESD should expect to receive from the project since solar generation is intermittent. Dan Ellsworth explained that solar panels will only produce at full capacity during specific moments of the day and only at certain times of the year, never all the time. He said large-scale solar projects generally produce around 30% of nameplate capacity while rooftop solar produces around 20%. Dan also stated that grid-scale battery storage usually produces power for about two hours per day if the batteries are fully charged. He also reminded the Board that they must factor in transmission and A&G expenses (\$.015--\$.02/kWh) when calculating the actual price of power.

Some Board members pointed out that several UAMPS projects over the last few years never made it past the study or permitting phase. They were especially concerned about the Fremont Project since a very similar project, the NextEra Zions Project, never proceeded past the study phase. Ray stated that considerable study had already been done on the Fremont Project and he felt certain that it would be built. Ray and Cory Thompson both emphasized that, at 1% subscription, SESD's financial risk in the project was very low even if it never goes beyond the study phase.

**MOTION** to approve Fremont Solar and Storage Study Project Agreement.

**Joel Brown made a motion seconded by Brent Winder to approve the Fremont Solar and Storage Study Project Agreement. Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, Cory Thompson, and Brent Winder approved the motion.**

CFPP Financial Exposure

Ray Loveless reported that with the termination of the Carbon Free Power Project (CFPP), project participants are now required to pay UAMPS' portion of the project costs. Ray said SESD was subscribed to 3MW of power from the project which resulted in an estimated liability of around \$135,000. Ray stated that UAMPS will refine the amount owed in the coming months and send an invoice once the exact amount is known. The Board discussed how to pay the CFPP obligation. It was determined SESD had enough in savings and that the Finance Committee would decide how to pay the liability once SESD received the invoice from UAMPS.

**CREDA REPORT**

Ray Loveless reported that CREDA will be holding its next meeting on February 1-2, 2024, in St. George, Utah. Richard Behling (SESD's CREDA Representative) said he was planning on attending. Ray asked that, since Dan Ellsworth (CREDA Alternate Representative) was unable to attend the meeting, if the Board would approve of him going instead. The Board gave approval.

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## SUVPS REPORT

Ray Loveless stated that he attended the most recent SUVPS Board Meeting in place of Brent Gordon and asked Brook Christensen to give a report. Brook said that after reviewing its standard agenda items, the SUVPS Board reviewed the SUVPS Revised Organization Agreement, SUVPS Revised By-Laws and Resolution Approving Restated SUVPS Organization Agreement. The SUVPS Board recommended that these documents be sent to each SUVPS member's governing body for approval. Brook stated that SUVPS has spent the last six months evaluating the best ways to share system upgrade costs. It was decided that each member's demand and percent use of the SUVPS system would be reviewed and calculated annually. Each member's percentage use of the SUVPS system for the year would be that member's percentage cost share of the SUVPS system for the next financial year. Brook said that once the cost-sharing formula was agreed upon, the SUVPS Board had to revise its organizational documents to reflect the new formula.

Ray stated that each SUVPS member is responsible for capacity true-up costs associated with a transformer upgrade at the Dry Creek Substation. Brook said SESD's liability is estimated to be around \$78,000, but the exact amount will be determined once upgrade construction begins. Ray thanked Dan Ellsworth for negotiating the SESD purchase of Strawberry Water Users Association's SUVPS transformation last year. Ray said the additional transformation prevented SESD from having to pay higher capacity true-up costs.

Ray reminded the Board that the Resolution Approving Restated SUVPS Organization Agreement was authorizing SESD's SUVPS representative to sign the revised SUVPS organizational agreements at the next SUVPS Board Meeting. Ray also said that SUVPS is planning on bonding for \$50 million for system upgrades. The revised organizational agreements will hold all SUVPS members responsible for their share of bonding costs based on the new cost-share formula. Ray stated that the revised organizational documents were carefully reviewed by the SUVPS Board and each member's legal counsel. Ray said he felt very comfortable with the language in the revised organizational documents and recommended them for approval.

**MOTION to approve Resolution Approving Restated SUVPS Organization Agreement.**

**Joel Brown made a motion seconded by Kenny Seng to approve the Resolution Approving Restated SUVPS Organization Agreement. Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, Cory Thompson, and Brent Winder approved the motion.**

**MOTION to authorize SESD's SUVPS Representative to sign SUVPS Revised Organization Agreement.**

**Richard Behling made a motion seconded by Brent Winder to authorize SESD's SUVPS Representative to sign the SUVPS Revised Organization Agreement. Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, Cory Thompson, and Brent Winder approved the motion.**

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**MOTION** to authorize SESD's SUVPS Representative to sign SUVPS Revised Bylaws.

**Joel Brown made a motion seconded by Brent Gordon to authorize SESD's SUVPS Representative to sign the SUVPS Revised Bylaws. Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, Cory Thompson, and Brent Winder approved the motion.**

**POWER SYSTEM REPORT**

*Outage Report*

Ray Loveless asked Brook Christensen to give the outage report. Brook reported that SESD's on-call linemen had received calls for power outages in Payson City and Rocky Mountain Power's service area; a call from an SESD customer whose home breaker had tripped; and a call for a hit pole near the Sorensen Substation. The hit pole did not cause an outage. Overall, Brook said the month of December was quiet for outages.

Ray shared a discussion he had recently with Michele Cloward of the front office about customer complaints. Ray said he asked the office staff to keep a record of customer complaints during the month of January and then share that record with the Board in the February Board Meeting. Mark Holdaway stated that many customers call in during this time of the year to complain about high power bills due to space heater use and low solar production.

**LEGAL UPDATE**

None.

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

Ray Loveless stated the Board needed to go into a closed session to discuss certain matters according to UT Code 52-4-205(d).

**At 12:39 p.m. Brent Winder made a motion seconded by Cory Thompson to convene into a closed session to discuss certain matters according to UT Code 52-4-205(d).**

**Ray Loveless asked Mark Holdaway to conduct a Roll Call Vote:**

**Richard Behling - Y, Joel Brown - Y, Brent Gordon - Y, Ray Loveless - Y, Kenny Seng - Y, Cory Thompson - Y, and Brent Winder - Y.**

**Brent Winder made a motion seconded by Richard Behling to reconvene the Regular Board Meeting at 1:50 p.m. Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, Cory Thompson, and Brent Winder approved the motion.**

Ray Loveless stated that SESD and Salem were now ready to sign the Salem 1998 Settlement Agreement. Ray acknowledged that no motion was listed on the agenda to approve the agreement, but he asked the Board to authorize him to sign the agreement now with the expectation to ratify the agreement in the February 2024 Board Meeting. The Board authorized Ray Loveless to sign the Salem 1998 Settlement Agreement.

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ADJOURNMENT

**Richard Behling made a motion to adjourn the meeting seconded by Joel Brown.  
Ray Loveless adjourned the meeting at 1:53 p.m.**

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Ray Loveless, Chairman

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Mark Holdaway, Clerk

\_\_\_\_\_  
Date Approved

\_\_\_\_\_  
Date Approved

**Next Meeting Date**

The next board meeting will be held on Tuesday, February 13, 2024 beginning at 11:00 a.m.

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