

DRAFT

SOUTH UTAH VALLEY ELECTRIC SERVICE DISTRICT BOARD MEETING February 13, 2024

South Utah Valley Electric Service District (SESD) held its regular Board Meeting on Tuesday, February 13, 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, and Cory Thompson.

Trustees Excused: Brent Winder

Also Present: Dan Ellsworth, Brook Christensen, and Mark Holdaway – SESD; Nelson Abbott--Public

Ray Loveless welcomed everyone and called the meeting to order at 11:03 a.m. Ray excused Brent Winder from the meeting explaining that Brent was out of town.

Dan Ellsworth offered a prayer and Cory Thompson led the group in *The Pledge of Allegiance*.

PUBLIC FORUM

None.

PRESENTATION TO NELSON ABBOTT FOR BOARD SERVICE

Ray Loveless welcomed Nelson Abbott to the Board Meeting. Ray explained that Nelson had served on the SESD Board of Trustees for about 12 years when his term ended on 12/31/2023. Ray thanked Nelson for his wisdom, his ability to communicate, and the strong friendship that was developed with him during his tenure on the Board. Ray then presented Nelson with his Board portrait, Board name plate, and a signed Resolution of Appreciation from the SESD Board of Trustees as mementos of his Board service.

BOARD MEMBER INTRODUCTIONS

Ray Loveless stated that over the next few months he is going to do a Board member highlight at each Board meeting. He said doing so will give the Board an opportunity to get to know each other better and find some commonality with one another. Ray invited Richard Behling to introduce himself. Richard briefly recapped his childhood growing up in Payson and Spring Lake and then shared the events of his early adulthood that led him into a career in the insurance industry. Richard mentioned that since Nelson Abbott also works in the insurance industry, he has associated with Nelson many times professionally during his career. He praised Nelson for Nelson's business integrity and ethics. After allowing the Board to ask Richard some more questions about his life, Ray thanked Richard for his introduction.

APPROVE BOARD MEETING MINUTES

MOTION to approve the January 9, 2024 Board Meeting minutes.

Richard Behling made a motion seconded by Kenny Seng to approve the January 9, 2024 Board Meeting minutes. Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Cory Thompson approved the motion.

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FINANCE COMMITTEE

Ray Loveless invited Brent Gordon, Finance Committee Chair, to report on the District's finances. Since Brent wasn't attending in person, he asked Kenny Seng to review the disbursements and expenses with the Board. Kenny explained that the large inventory purchases were for new development infrastructure. Richard Behling pointed out that this inventory was previously paid for by developers.

Ray Loveless asked Mark Holdaway to explain the new disbursements recorded since the Finance Committee Meeting. Mark described the purchase of some additional transformers and reimbursements for Board member expenses at the most recent CREDA meeting. Kenny pointed out that, due to power costs being lower than projected, the District has been able to transfer additional funds into its savings accounts. Richard Behling said he learned in an insurance meeting he attended recently that saving money and having a savings plan can help limit an entity's liability in the event of a disaster.

Ray asked Mark where the inventory purchases show up in the financial statements. Mark explained that the developer's payment shows up in the New Construction revenue account which offsets the inventory purchase payment. He also showed how some of the inventory purchases end up in certain maintenance accounts on the income statement.

Kenny reviewed the credit card disbursements with the Board. Ray pointed out purchases for some small screwdrivers and tape measures. Mark explained these are for SWAG to strengthen SESD's relationship with its customers. After the Board discussed some other smaller expenditures, Ray asked for a motion to approve the disbursements and expenses.

MOTION to approve the January 2024 Disbursements & Expenses.

Kenny Seng made a motion seconded by Joel Brown to approve the January 2024 disbursements & expenses. Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Cory Thompson approved the motion.

Kenny Seng gave the Financial Report. Kenny said that about 58% of the financial year had transpired. Kenny stated that most of the accounts were within or below budget, but that some of the labor accounts were over budget. Brook Christensen explained that the labor accounts reflect the type of work the crews perform and can fluctuate depending on the season; but the labor accounts usually balance out by the end of the year. Dan Ellsworth described how SESD's crews use FERC accounting to track their labor hours in minute detail on their timesheets. After the labor hours discussion, Kenny pointed out that SESD had done much better financially this year compared to last year at the same time. Mark mentioned that new construction revenue was much higher this year than compared to last year and a key reason for SESD's improved financial situation.

MOTION to accept the January 2024 Financial Report.

Brent Gordon made a motion seconded by Joel Brown to accept the January 2024 Financial Report. Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Cory Thompson approved the motion.

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Elk Ridge Fiber Sale Update

Kenny Seng asked Mark Holdaway to give the update on the sale of the Elk Ridge Fiber System to Fusion Networks. Mark said he has been working with Steve Anderson of Fusion Networks for several months on sales terms that are agreeable to both parties; both Mark and Steve were in agreement on most of the terms, but Steve was concerned about some language in the Partial License Agreement. Mark stated he invited Steve to share his concerns with the Finance Committee. Mark said Steve Anderson and the Finance Committee discussed their concerns (namely system access for AMI metering and cost responsibility for system extensions) with each other and were able to reach an agreement on Partial License Agreement terms. Mark stated he believes all the documents for the sale of the Elk Ridge Fiber System will be ready for approval at SESD's March 2024 Board Meeting.

Succession Planning

Ray Loveless said that, although it is not on the agenda, he wanted to briefly discuss succession planning for Dan Ellsworth and Mark Holdaway. Ray stated both Dan and Mark perform critical roles for the District, and he is concerned about how those roles will be performed should something happen to Dan or Mark. Joel Brown, Kenny Seng, and Richard Behling said key man insurance (which is like a life insurance policy) could be considered. Ray invited Dan, Mark, and the Board to work together to create a succession plan for Dan's and Mark's responsibilities.

RESOURCE COMMITTEE

December 2023 Operations Report

Ray Loveless invited Joel Brown to give the December 2023 Operations Report. Joel Brown reported that the Resource Committee reviewed SESD's power purchases for the month of December 2023 and discussed future resource needs. Joel pointed out that power costs, especially in the pool, have come in much lower this winter than projected, and have been considerably lower than the previous year. Joel stated that even though power prices are good now, there is concern over what they will be like in the future.

Ray mentioned that UAMPS has offered a Locked-In power product for some market power for the next 12 months. Ray stated that SESD entered into a similar Locked-In power product last year (for April 2023 – March 2024). Ray said the decision to enter into the new 2024-2025 Locked-In product had to be made before the Board committees met, so he could not discuss it with the whole Board. Instead, Ray said he and Mark Holdaway worked together to make the decision by carefully considering SESD's current and future resource mix, projected demand for the next 12 months, and consulting with Kelton Anderson at UAMPS. Ray pointed out that over the last 12 months SESD paid considerably more for the power purchased under the 2023-2024 Locked-In product than what it would have paid had the power been bought from the market. Ray said the pricing for the proposed 2024-2025 Locked-In product from UAMPS is very expensive; Ray felt the market price will probably be lower than the proposed 2024-2025 Locked-In product price. Ray stated that Steel 1A and Steel 1B (two solar farms) are now in SESD's resource portfolio; Mark mentioned that

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hydro generation from the Strawberry Water Users Association should be comparable this year to what it was last year. After careful pricing and resource analysis, Ray said he and Mark decided to not enter into the proposed 2024-2025 Locked-In product from UAMPS.

MOTION to accept the December 2023 Operations Report.

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

EXECUTIVE COMMITTEE

2024 State Legislative Session Update

Ray Loveless invited Mark Holdaway to report on the 2024 Utah State Legislative Session. Mark said the Utah Association of Special Districts (UASD) and Mike Squires of UAMPS were following several bills, but only a handful of bills would directly impact SESD this year. Mark reported on HB 306, which limits the collection of impact fees; HB 374, which changes the State's energy policy criteria and helps protect baseload generation; HB 215, which provides protections from unethical solar sales practices; and SB 189, which increases the amount of credit a utility pays for net metering. Mark said there are other bills he is watching, but these four were some of the most important ones.

UAMPS REPORT

Locked-In Power Resource 2024-2025

Ray Loveless reported that UAMPS was offering a Locked-In power product for 2024-2025. He said this product had already been discussed to some degree during the Operations Report. Ray explained that UAMPS sent out a sheet showing projected resource shortfalls for each month between April 2024 – March 2025. SESD was between 1 MW to 3MW short during the summer months according to the UAMPS projection. Ray reiterated his concern at the high price of the 2024-2025 Locked-In product explaining that the summer price will be from \$0.195/kWh to \$0.206/kWh. Ray stated that market pricing has been relatively stable over the past year, and he expected market pricing to remain below the 2024-2025 Locked-In product pricing for the term of the 2024-2025 Locked-In product. Kenny Seng pointed out that the market price was sometimes less than half of the 2023-2024 Locked-In product price. Ray reminded the Board that Steel 1A came online already and Steel 1B will come online this summer. Ray stated that SESD's lower risk of peak exposure did not merit paying the high-power prices of the 2024-2025 Locked-In product. The Board concurred.

UAMPS Governing Board Workshop

Ray Loveless reminded the Board that UAMPS holds a governing board workshop each year. In this workshop governing board members learn more about UAMPS and the services it provides to its members. Ray said the information in these workshops is very useful and encouraged the Board to attend the workshop being held in Fairview on February 22, 2024. Brent Gordon reported that he attended the Governing Board Workshop in St. George. He

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said he learned greater details about the power projects UAMPS is developing and UAMPS' plans and goals for the future. Brent stated the workshop was worth his time and encouraged the other Board members to attend.

CREDA REPORT

Ray Loveless invited Richard Behling to give the CREDA report. Richard reported that meteorologists are forecasting this year to be dryer with below normal runoff into the Colorado River drainage system; however, as of yet, dam releases will not be affected. Richard said Celeste Maloy, Utah congresswoman, has introduced a bill authorizing WAPA to purchase power to replace diminishing hydro generation from Glen Canyon Dam. Some CREDA members are concerned that there are not enough other available power resources to replace lost hydro generation. Richard then stated that The Bureau of Reclamation is trying to address aging dam infrastructure, and biologists are still struggling to control smallmouth bass populations below the Glen Canyon Dam.

Ray Loveless said meteorological officials reported 376 major weather/climate disasters occurred in the United States since 1980 costing the nation more than \$2.655 trillion; flooding was the most common disaster. Ray stated meteorologists are forecasting higher intensity hailstorms which can damage wind turbines and solar panels. Ray said he learned at CREDA that 83% of power outages between 2000–2021 were the result of weather events. He also learned that aquifers around the nation are decreasing in size due to subsidence, and carbon capture may exacerbate subsidence problems.

SUVPS REPORT

Ray Loveless stated that he attended the most recent SUVPS Board Meeting. He said he signed all the documents he was authorized in the January 2024 Board Meeting to sign. Ray reported that SUVPS is planning to take out a \$40 million bond to pay for capital improvements. Each member's share of the bond payment will be based on each member's percent use of the SUVPS system; percent use will be determined annually. Ray said SESD's current share is about 8%. Brook Christensen mentioned that SUVPS is planning to hold a Finance Committee meeting sometime in March 2024 to discuss bonding in more detail.

POWER SYSTEM REPORT

Outage Report

Brook reported that SESD crews responded to a small house fire and repaired lightning arrestors on the top of West Mountain. He also said that the crews repaired a power issue for Utah County on the top of Lake Mountain that was affecting 911 calls and aviation tower communications. Brook said a single-engine plane lost power and flew through the 138 kV power lines near 1000 N. 3000 W., Spanish Fork. Miraculously, the plane was able to fit between the static line and top phase line causing very minor damage to the top phase power line. Brook said he is coordinating de-energizing the 138 kV lines with UAMPS and the Nebo Power Plant so the top phase line can be repaired.

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Customer Complaint/Comment Report

Ray Loveless stated that he asked Mark Holdaway in the January 2024 Board Meeting to track customer complaints/comments during the month of January and give a report on them in this month's Board meeting. Mark began his report by reading a note a customer sent with their payment requesting that SESD include return envelopes again with its mailed statements. Mark said the office staff receive calls monthly with this request. Cory Thompson stated that many customers do not use the envelopes and just throw them away, so it didn't make economic sense to reissue return envelopes to all customers. He recommended informing customers that return envelopes are available upon request.

Mark said the office frequently receives phone calls about solar – people not understanding SESD's solar policy before buying rooftop solar; people asking SESD to increase the amount credited back with net metering; and people asking that a net credit not be erased in the April true-up period. Mark then reported that an increasing number of developers are calling in on Fridays with questions that the office cannot answer, that need to be answered by the crews that work Monday – Thursday and are off on Friday. These developers often ask why the office is open and yet no one is there who can answer their questions. They often get upset that they must wait until the next week for their answers.

Mark reported that several customers called SESD asking why they were being taken over by the Cities. Many of them said they never received any notice before the takeover and wanted to stay with SESD; they asked why they didn't have a say in the matter. Mark then finished his report by stating that Brad Gordon received numerous compliments this last month because of his excellent customer service. He met with several people who called in about high power bills and helped them understand the behaviors and appliances that contribute to high usage.

Ray asked Brook if it would be possible to split crew time, so some crew members work Monday – Thursday and others work Tuesday – Friday. Brook stated that SESD's crew size is too small to properly function with split hours. Brook said that Payson City and most of the other municipal utilities in the area are closed on Fridays, so most developers are used to crews only being available Monday--Thursday. Brook mentioned he or a crew member are usually available by phone to answer some questions if needed on Fridays.

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).

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At 12:36 p.m. Joel Brown made a motion seconded by Kenny Seng 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.

Richard Behling made a motion seconded by Joel Brown to reconvene the Regular Board Meeting at 1:44 p.m. Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Cory Thompson approved the motion.

ADJOURNMENT

Richard Behling made a motion to adjourn the meeting seconded by Kenny Seng. Ray Loveless adjourned the meeting at 1:44 p.m.

Ray Loveless, Chairman

Mark Holdaway, Clerk

Date Approved

Date Approved

Next Meeting Date

The next board meeting will be held on Tuesday, March 12, 2024 beginning at 11:00 a.m.