

DRAFT

SOUTH UTAH VALLEY ELECTRIC SERVICE DISTRICT

BOARD MEETING

March 12, 2024

South Utah Valley Electric Service District (SESD) held its regular Board Meeting on Tuesday, March 12, 2024 – at 11:00 a.m. at the SESD office 803 N 500 E – Payson, UT.

Trustees Present: Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder.

Richard Behling and Cory Thompson

Trustees Excused:

Also Present: Dan Ellsworth, Brook Christensen, and Mark Holdaway – SESD; Mason Baker – UAMPS; Steve Anderson – Fusion Networks; Seth Perrins, Chris Thompson, and Jake Theurer – Spanish Fork City.

Brent Gordon offered a prayer and Joel Brown led the group in *The Pledge of Allegiance*.

PUBLIC FORUM

Ray Loveless welcomed and introduced Mason Baker, CEO and General Manager of UAMPS. Ray explained that Mason was present to discuss SESD's resource portfolio and UAMPS' future resource plans. Ray then welcomed Steve Anderson of Fusion Networks. Ray said Steve was present since SESD was approving the sale of an asset in Elk Ridge to Fusion Networks.

Ray welcomed Seth Perrins, Chris Thompson, and Jake Theurer of Spanish Fork City. Ray stated that SESD and Spanish Fork City entered into a facility transfer agreement a couple of years back. Due to the success of that agreement, SESD was approving an agreement extension with minor modifications. Ray pointed out that SESD's representatives were present at the Spanish Fork City Council meeting where the Spanish Fork City Council approved the agreement extension, and SESD had invited Spanish Fork City representatives to this meeting where SESD's Board planned on approving the agreement extension.

Ray invited the SESD Board and staff to introduce themselves to the visitors. Ray excused Cory Thompson and Richard Behling from the meeting.

BOARD MEMBER SPOTLIGHT

Ray Loveless stated that over the next few months he is going to do a Board member spotlight at each Board meeting to help the Board members get to know each other better. Ray invited Kenny Seng to introduce himself. Kenny said he was born in Superior, Montana, and grew up in the small town of St. Regis, Montana. Kenny shared his experiences of becoming good friends with his wife-to-be at a very young age, joining the Church of Jesus Christ of Latter-day Saints, marrying his wife, attending college, and then starting a successful construction company. Ray pointed out that Kenny Seng Construction is working on several projects in the area and built some very fine baseball facilities in Payson. Ray thanked Kenny for his great influence in the community and his company's exceptional work.

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APPROVE BOARD MEETING MINUTES

MOTION to approve the February 13, 2024 Board Meeting minutes.

Brent Winder made a motion seconded by Joel Brown to approve the February 13, 2024 Board Meeting minutes. Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

APPROVE AGREEMENTS

Documents for Sale of Elk Ridge Fiber System to Fusion Networks

Ray Loveless explained the documents associated with the sale of the Elk Ridge Fiber System were discussed at length in the Finance Committee and turned the time over to Brent Gordon. Brent Gordon stated that the Finance Committee met with Steve Anderson in its February 2024 committee meeting to discuss the documents. Brent said Steve and the Finance Committee were able to discuss their concerns about certain language in the documents and were able to successfully come to an agreement on terms. Brent said that Steve recently asked to add one more sentence for clarification to the Partial License Agreement which was approved by the Finance Committee. Brent stated the Finance Committee was ready to present the documents authorizing the sale of the Elk Ride Fiber System to Fusion Networks for approval.

MOTION to approve Documents for Sale of Elk Ridge Fiber System to Fusion Networks.

Brent Gordon made a motion seconded by Kenny Sent to approve the Documents for Sale of Elk Ridge Fiber System to Fusion Networks. Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

Agreement Regarding Reimbursement and Facility Transfer with Spanish Fork City

Ray Loveless welcomed Seth Perrins, Chris Thompson, and Jake Theurer of Spanish Fork City. Ray stated that SESD representatives met with Spanish Fork City representatives a few months back to discuss the Settlement Agreement that was signed between SESD and Spanish Fork City about two years prior. Ray said both sides felt the Agreement was working well and wanted to extend the Agreement for another nine years with some slight modifications. Ray shared his appreciation that Spanish Fork City was willing to work with SESD to end a long-standing conflict. Ray said that SESD and Spanish Fork City now have a good working relationship, and he hopes for that good relationship to last for many years to come.

Ray pointed out that the Spanish Fork City Council approved the Agreement Regarding Reimbursement and Facility Transfer in a recent city council meeting. Ray Loveless apologized for not attending that city council meeting. Ray stated that he wanted to be present for the new agreement's approval but was unable due to a prior commitment with the UAMPS' Board. Ray thanked Brent Winder, Mark Holdaway, and Brook Christensen for representing SESD at the city council meeting.

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Brent Gordon pointed out that for many years SESD has felt belittled and mistreated by its neighboring cities. Brent stated that as Spanish Fork City has made the effort to treat SESD with respect and to recognize its needs, it has made all the difference in the way SESD operates and works with its neighbors. Brent expressed his sincere appreciation to the Spanish Fork City officials and staff who helped resolve the conflict between SESD and Spanish Fork City. Joel Brown thanked Seth Perrins and Mayor Leifson for being willing to remove the emotion out of Spanish Fork City's conflict with SESD and to instead let common sense prevail. Doing so allowed both sides to come to the table and create an agreement that was fair to everyone. Joel stated that he hopes Salem and Payson will look at Spanish Fork City's example of common sense and be willing to fairly resolve their conflicts with SESD.

Seth Perrins recalled a meeting six years ago between SESD and Spanish Fork, Payson, and Salem. Seth stated that the meeting was filled with contention, and that contention led to wasteful litigation. As time went on, Seth said he and Mayor Leifson recognized they needed to find a better way to work with SESD to avoid the cost and time spent on litigation. Seth stated he and Mayor Leifson saw a need for clarification in the takeover process of SESD customers annexed into Spanish Fork City, especially with the cost and timing of takeover. Seth acknowledged that both sides did some heavy lifting to come up with acceptable terms and procedures in the Agreement. Seth said the revised agreement includes inflation adjustments on payments to SESD and is scheduled to renew or terminate on non-election years. Seth thanked Jake Theurer, Brook Christensen, and their crews, for helping to finalize the details of the agreement. Jake Theurer expressed his gratitude that the SESD and Spanish Fork City crews are now able to work better together and stated that he looks forward to SESD and Spanish Fork City becoming better friends. Chris Thompson mentioned how SESD and Spanish Fork City built a joint power line several years ago. The joint power line avoided duplicate infrastructure and saved Spanish Fork City considerable money. Chris stated he had very positive interactions with SESD's staff during the drafting of the revised settlement agreement and hoped to continue building on those relationships moving forward.

MOTION to approve Agreement Regarding Reimbursement and Facility Transfer with SFC.

Kenny Seng made a motion seconded by Brent Gordon to approve the Agreement Regarding Reimbursement and Facility Transfer with Spanish Fork City. Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

Interlocal Cooperation Agreement with Mapleton City

Ray Loveless stated that Brook Christensen has been working with Mapleton City on an interlocal agreement for an area that SESD serves within Mapleton City, and the agreement is now ready for approval.

MOTION to approve Interlocal Cooperation Agreement with Mapleton City.

Joel Brown made a motion seconded by Brent Winder to approve the Interlocal Cooperation Agreement with Mapleton City. Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

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Salem 1998 Settlement Agreement

Ray Loveless stated that all the customers referred to in the Salem 1998 Settlement Agreement have now been taken over by Salem City, and the only term remaining to be fulfilled is the \$162,000 payment to SESD within 30 days of agreement execution.

MOTION to approve Salem 1998 Settlement Agreement.

Brent Gordon made a motion seconded by Kenny Seng to approve the Salem 1998 Settlement Agreement. Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

UAMPS REPORT

Presentation by Mason Baker

Ray Loveless stated he was moving Mason Baker's presentation up in the agenda. Ray invited Mason to give his presentation. Mason began his presentation by briefly reviewing the history of UAMPS and how it has now grown to almost 50 members in seven states. Mason explained that the UAMPS model up until now has focused on member autonomy and members' choice of the power generation projects in which they want to participate. Mason said that, due to changing power market conditions, UAMPS is now exploring a hybrid project and all-in generation model. Mason pointed out that many of UAMPS' smaller members do not have the resources necessary to properly participate in a project generation model, and the all-in portion of the model will better support these members' power needs. When asked about the termination of the CFPP, Mason explained that the CFPP Project Management Committee wanted a higher level of outside cost sharing to minimize financial liability for UAMPS' CFPP participants. Since the CFPP was only able to reach a 25% subscription rate, the project cost targets were not met. As a result, the project could not continue.

Mason was asked about the new all-in model and if it would help lower member power costs. Mason said the all-in model is designed to create efficiencies in the power procurement process. Mason explained that project financing institutions examine the financial strength of all members participating in a project. A part of that examination includes participant rate structure analysis. Mason stated that some UAMPS members, especially the smaller ones, have gone many years without a rate increase and are therefore viewed by financing institutions as being weak financially. Excessive general fund transfers can also weaken the financial position of a member. Mason said UAMPS wants to devote more resources to helping members create rate structures, policies, and practices which will make them stronger financially; as individual members become more financially stable, UAMPS will be able to receive better financing terms for its power projects.

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Mason reviewed SEDS's resource portfolio and the general UAMPS power portfolio. Mason pointed out that SEDS has a relatively high percentage of hydro generation compared to other UAMPS members. He also said that SEDS, due to its current resource mix, is highly exposed to the wholesale market. Mason continued the resource discussion by explaining that coal generation in the United States has steadily decreased while natural gas generation has steadily increased over the last 16 years. Some Board members expressed concern about the closure and dismantling of coal plants; they pointed out that transmission lines and other facilities are already in place. They said the overall power market would be improved if these closed coal plants could be repurposed with other sources of energy production. Mason stated that market power prices have become more volatile in recent years due to the closure of fossil fuel plants. Mason said fossil fuel generation is increasingly being replaced in the West by solar and wind, which are intermittent and subject to the weather. Even though these intermittent renewable energy sources initially appear cheaper compared to fossil fuels, intermittent renewables are proving to be unreliable when the grid is in most need of power. The drought has also affected hydro generation. Mason and the Board discussed the importance of educating people about the need for 24/7/365 baseload power resources for a reliable grid.

Mason shared the North America Energy Reliability Corporation's (NERC's) 4 Pillars to Navigating the Energy Transition: 1) reliable low to no carbon energy resources; 2) transmission capacity; 3) balancing intermittent energy production with grid reliability; and 4) energy supply chain security – becoming less reliant on other nations for grid and energy production components.

Mason discussed the UAMPS Integrated Resource Plan (IRP). Mason said UAMPS is aggressively pursuing new sources of energy production: geothermal production, 300 MW – 500 MW of natural gas production, 300 MW of solar, 300 MW of wind, and 150 MW of battery storage. Mason explained that many hurdles, like transmission capacity and permitting, greatly hinder bringing new sources of power online; therefore, UAMPS is also working diligently to keep its existing generation plants, like Nebo and Hunter, producing as long as possible into the future.

Mason reviewed SEDS's resource mix in more detail. He pointed out SEDS's heavy reliance on the Nebo Gas Plant for most of its power and the need for greater diversification in SEDS's portfolio. Mason then acknowledged that SEDS has signed up to participate in some new UAMPS projects. Ray stated that SEDS has been striving to diversify its portfolio over the last several years. Ray said that even though SEDS has been signing up to participate in new generation projects, they do not get past the study and permitting phase and are never built. The CFPP is a good example. Mason recognized Ray's concerns about so many projects never arriving at the building phase. Mason said UAMPS' staff have changed their approach to new projects and they believe they will be able to get through the study and permitting phases much more quickly and efficiently moving forward.

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Mason discussed the new Steel 1 Solar Farm being built near Plymouth, Utah. He said it should be fully online by this summer. Joel Brown asked Mason if he knew the generation capacity factor of the solar farm. Mason stated utility scale solar farms have a production capacity factor of around 30%. Mason said the Fremont Solar and Storage Project should be online by the summer of 2026. Mason mentioned that UAMPS is studying geothermal generation sites, especially in Utah. He said fracking technology has opened many more geothermal opportunities. Mason pointed out that several UAMPS members have been installing small natural gas generators to shave their peak demand. Some members do all the installation and financing themselves while others rely on UAMPS to help. Mason then stated that UAMPS is trying to locate a site for a large gas plant. He said air permitting is already proving to be a challenge. Ray Loveless asked if air quality regulations could shorten the life of the Nebo Gas Plant. Mason stated that Nebo has taken several measures to maintain air quality standards and is not in jeopardy of being shut down. Joel Brown asked if natural gas regulations will prevent the building of a new gas plant. Mason replied that any new gas plant built will be able to run on a mixture of gas and hydrogen per EPA regulations.

Dan Ellsworth pointed out that intermittent renewable resources must be backed up by some type of dispatchable resource, like coal or gas, that is available 24/7/365. Dan asked if UAMPS has a standard ratio it follows for dispatchable resource to intermittent resource. Mason stated that UAMPS does not have a standard ratio it follows but acknowledged that a standard needs to be developed to assure grid reliability. Dan then told Mason that SESD supports the development of nuclear energy. He encouraged Mason to continue investigating nuclear generation opportunities, particularly in the form of power purchase agreements. Mason stated that UAMPS learned how difficult and expensive the process is to permit and build a nuclear generator. He agreed that a power purchase agreement would be the best way to acquire nuclear power in the foreseeable future. Ray asked about NuScale's plans now that the CFPP is terminated. Mason said NuScale is focusing on building nuclear plants overseas due to the high amount of domestic resistance to nuclear energy. Mason stated that domestic acceptance of nuclear power is starting to grow, though, due to the focus on carbon reduction and the high demand for power from data centers.

UAMPS Municipal Toolkit Workshop

Ray Loveless reminded the Board of the UAMPS Municipal Toolkit Workshop being held in St. George on April 17th and encouraged all Board members to attend. He said the Board is welcome to contact him if they need the registration information.

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Termination of the 138 kV O&M Contract

Ray Loveless announced that SESD was planning to terminate its 138 kV O&M contract with UAMPS as of April 1, 2025. Ray stated that the termination provisions of the contract require the terminating party to give at least one-year advance notice, and that upon Board approval, SESD would send written notice to UAMPS of SESD's intent to terminate. Ray said he has already had contract termination discussions with Rachel Stanford (UAMPS' Transmission Director), and the written notice is following contract termination requirements. Mark Holdaway and Brook Christensen pointed out that 138 kV maintenance and reporting standards have changed substantially since SESD and UAMPS entered into the O&M agreement in 2004. They said the SESD staff and Board felt it would be better to give up the O&M contract rather than invest in the additional resources necessary to abide by the new standards. Dan Ellsworth explained that even SUVPS is turning over its 138 kV O&M to Rocky Mountain Power because of the new maintenance and reporting standards. Dan said the SUVPS 138 kV O&M change heavily influenced SESD's decision to terminate its 138 kV O&M contract with UAMPS.

MOTION to terminate 138 kV O&M Contract.

Brent Gordon made a motion seconded by Joel Brown to notify UAMPS of SESD's intent to terminate the UAMPS 138 kV O&M Contract as of April 1, 2025. Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

FINANCE COMMITTEE

Ray Loveless invited Brent Gordon, Finance Committee Chair, to report on the District's finances. Brent said the Board reviewed the disbursements and expenses in their committees and didn't see anything amiss. Ray pointed out a disbursement for transformers and explained that supply chain challenges are still creating long lead times on certain electrical components.

MOTION to approve the February 2024 Disbursements & Expenses.

Brent Gordon made a motion seconded by Brent Winder to approve the February 2024 disbursements & expenses. Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

Brent Gordon gave the Financial Report. Brent said that about 68% of the financial year had transpired. Brent reported that most accounts were within budget and the District was in a solid net income position. He also said the District was able to put some more money aside into its PTIF accounts.

MOTION to accept the February 2024 Financial Report.

Kenny Seng made a motion seconded by Brent Gordon to accept the February 2024 Financial Report. Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

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RESOURCE COMMITTEE

January 2024 Operations Report

Ray Loveless invited Joel Brown to give the January 2024 Operations Report. Joel asked Mark Holdaway to present the report. Mark reported that power prices were relatively stable for the month of January. He pointed out that open market pricing was lower than anticipated for this time of the year. Mark then reviewed rooftop solar generation and its fluctuations during the year.

Kenny Seng asked when SESD will begin to receive power from the Steel 1A and Steel 1B solar projects. Ray said Steel 1A should be online in either February or March, and Steel 1B should be online sometime around June.

MOTION to accept the January 2024 Operations Report.

Joel Brown made a motion seconded by Brent Winder to accept the January 2024 Operations Report. Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

EXECUTIVE COMMITTEE

No report.

CREDA REPORT

None.

SUVPS REPORT

Ray Loveless invited Brent Gordon to give the SUVPS report. Brent Gordon asked Brook Christensen to present the report. Brook reported that the SUVPS Board discussed bonding in its last meeting. Mark Holdaway stated that Blake Anderson sent out preliminary budget figures and SESD's monthly assessment will more than double because of SESD's share of the bond liability. Brook explained that SUVPS member bond liabilities will adjust annually based on system use measured by peak load. Ray asked about the bond closing date. Brook said the bond is scheduled to be closed in June 2024.

Brent Winder asked how the SUVPS bond was going to be spent. Mark Holdaway said that the bond will pay for much needed system capacity upgrades and redundancy across the SUVPS system footprint. He also explained the formula, based on member peak use of the SUVPS system, that will be used to annually adjust bond liability payments. Brook said SUVPS will probably take out another bond in about five years. Ray, Dan, and Brook then explained the difference between SUVPS transmission and Pacificorp transmission.

Brook reported that the SUVPS system experienced some faults and outages recently due to high rotational winds from a passing snowstorm. Most people had their power restored within an hour. Brook then said SESD's crews replaced a damaged 46 kV pole east of Salem. This led to a discussion about bird-friendly line construction and why it is used.

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POWER SYSTEM REPORT

Outage Report

Brook reported that SESD crews had to replace several line fuses throughout the distribution system because of the recent snowstorm and high rotational winds. He also said a switching procedure caused an outage in parts of Elk Ridge and Woodland Hills near the end of February.

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 1:37 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:

Joel Brown - Y, Brent Gordon - Y, Ray Loveless - Y, Kenny Seng - Y, Brent Winder - Y.

Joel Brown made a motion seconded by Brent Gordon to reconvene the Regular Board Meeting at 1:49 p.m. Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Brent Winder approved the motion.

Dan Ellsworth thanked the Board for being so willing to learn about the power industry. He invited them to reach out to the staff if they ever have any questions.

ADJOURNMENT

Joel Brown made a motion to adjourn the meeting seconded by Kenny Seng.

Ray Loveless adjourned the meeting at 1:51 p.m.

Ray Loveless, Chairman

Mark Holdaway, Clerk

Date Approved

Date Approved

Next Meeting Date

The next board meeting will be held on Tuesday, April 9, 2024 beginning at 11:00 a.m.