

DRAFT

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

South Utah Valley Electric Service District (SESD) held its regular Board Meeting on Tuesday, April 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, Ray Loveless, Kenny Seng, and Cory Thompson.

**Trustees Excused:** Brent Winder

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

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

## PUBLIC FORUM

Ray Loveless welcomed Matt and Sandra Jarvis to the meeting and invited them to address the Board. Sandra said her son-in-law, Jake Freeland, as well as another lineman, were recently terminated from their employment at SESD. She shared several concerns she saw with the termination process and asked the Board to address those concerns. Ray thanked Sandra for sharing her concerns. The Board discussed the two terminations with Dan, Brook, and Mark. It was determined that policies and procedures were properly followed with the terminations.

## BOARD MEMBER SPOTLIGHT

Ray Loveless invited Joel Brown to introduce himself and give his Board member spotlight. Joel shared several experiences he had growing up in Payson and said these experiences helped him develop a deep love for the community and its people. Joel then talked about being drafted into the military, serving a mission for The Church of Jesus Christ of Latter-day Saints, working in the family plumbing business, and opening Freeway Propane with his brothers. Ray thanked Joel for his comments and invited Brent Gordon to give the spotlight next month.

## APPROVE BOARD MEETING MINUTES

**MOTION** to approve the March 12, 2024, Board Meeting minutes.

**Joel Brown made a motion seconded by Kenny Seng to approve the March 12, 2024, Board Meeting minutes. Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Cory Thompson approved the motion.**

## FINANCE COMMITTEE

Ray Loveless invited Brent Gordon, Finance Committee Chair, to report on the District's finances. Brent said the Finance Committee reviewed the disbursements and expenses. Brent noted some purchases of poles and transformers, final pay for the terminated employees, and power purchases. Ray pointed out a disbursement for irrigation water assessments. The Board discussed SESD's water shares and asked the staff to explore how the District can best utilize those shares.

**MOTION** to approve the March 2024 Disbursements & Expenses.

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

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(continued)

Brent Gordon gave the Financial Report. Brent said that 75% of the financial year had transpired. Brent reported that, overall, expenses were within budget, and he did not foresee SESD needing to amend its FY 2024 Budget. Brent said new construction revenue for the financial year has been higher than projected and has helped SESD put some money away into savings. Ray pointed out that most of SESD's new construction comes out of Elk Ridge and asked Cory Thompson about Elk Ridge City's projected growth. Cory stated that Elk Ridge is nearing complete buildout on land available for development. He said future growth will largely be determined by negotiations on land use south of the city.

(Cory Thompson excused himself from the meeting).

Ray asked Mark Holdaway about the FY 2025 budget. Mark explained a draft of the FY 2025 budget will be ready for Board review in May and the final draft will be ready for public hearing and approval in June.

**MOTION** to accept the March 2024 Financial Report.

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

### Net Metering Credits

Brent Gordon explained that, under SESD's current Net Metering Policy, any remaining net metering credits are zeroed out during the April billing period. He said a small number of customers have asked if their remaining credits can be applied to one of their other accounts instead of being zeroed out. The Board discussed the feasibility of combining all a customer's accounts into a "list bill"; researching how other utilities address net metering credits; applying net metering credits to the whole bill instead of just to kilowatt hour charges; contributing eliminated credits to a low-income assistance program; and federal or state reporting requirements associated with returned net metering credits. Due to the complexities and uncertainties surrounding net metering credits, Brent recommended zeroing out the credits this year according to SESD's Net Metering Policy and revisiting the issue at a later date.

### RESOURCE COMMITTEE

#### February 2024 Operations Report

Ray Loveless invited Joel Brown to give the February 2024 Operations Report. Joel said the Resource Committee reviewed SESD's power resources and costs. He stated that power costs have been quite stable over the last few months. Mark Holdaway stated that the mild Summer 2023, Fall 2023 and Winter 2024 temperatures have probably been the biggest factor in the stable power prices. Kenny asked if Deseret Power will be able to offer SESD any power for the coming summer. Mark said Dan Ellsworth is in discussions with Deseret Power and he won't know until the end of the month.

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(continued)

**MOTION** to accept the February 2024 Operations Report.

**Joel Brown made a motion seconded by Kenny Seng to accept the February 2024 Operations Report. Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, and Kenny Seng approved the motion.**

### DG&T PPA Proposed Rates

Ray Loveless said Deseret Power (DG&T) has offered to enter into a power purchase agreement (PPA) with SESD for 5MW of baseload power over the next six years starting in October 2024. Ray stated that he carefully reviewed DG&T's proposed rates with Dan Ellsworth and Mark Holdaway and found them to be very competitive with or lower than SESD's other resource rates. Ray said that Mason Baker has stated that other UAMPS members would be very willing to purchase any excess UAMPS resource displaced by SESD's DG&T power purchases. Ray also pointed out that the DG&T PPA will help limit SESD's exposure to volatile open market power prices.

**MOTION** to accept the DG&T PPA Proposed Rates.

**Kenny Seng made a motion seconded by Richard Behling to accept the DG&T PPA Proposed Rates. Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, and Kenny Seng approved the motion.**

Joel Brown thanked Dan Ellsworth for working so diligently with Deseret Power on the proposed rates.

### EXECUTIVE COMMITTEE

No report.

(Cory Thompson rejoined the meeting)

### UAMPS REPORT

Resolution Authorizing a Tax Certificate & Agreement for UAMPS Firm Power Supply Project; and Related Matters (Prepaid Electricity)

Ray Loveless said that UAMPS has informed its Board that the IRS and U.S. Treasury allow the issuance of tax-exempt bonds to finance the prepayment of natural gas and electricity. The electricity generated at the Red Mesa Solar Farm; the natural gas burned, and electricity produced at the Nebo Gas Plant; and eventually the electricity produced at the Steel Solar Farms, qualify for prepayment. The bonding, being done through another entity, is projected to give UAMPS members about an 8% discount on the price of the power generated at these facilities. Richard Behling pointed out that Rocky Mountain Power has done something similar with its coal plants for tax credits. Ray stated that the UAMPS Board fully supports the tax-exempt bonding for power and gas prepayment.

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(continued)

**MOTION** to approve Resolution Authorizing a Tax Certificate & Agreement for UAMPS Firm Power Supply Project; and Related Matters.

**Joel Brown made a motion seconded by Brent Gordon to approve the Resolution Authorizing a Tax Certificate & Agreement for UAMPS Firm Power Supply Project; and Related Matters. Richard Behling, Joel Brown, Brent Gordon, Ray Loveless, Kenny Seng, and Cory Thompson approved the motion.**

Ray reminded the Board of the UAMPS Municipal Toolkit Workshop being held on Wednesday, April 17, 2024, in St. George, UT, and encouraged the Board to attend.

## CREDA REPORT

### April 2024 CREDA Meeting

Richard reported that the State of Colorado has passed a mandate that all new power production in the state must be carbon free after 2030. Some utilities are trying to install small natural gas generators before the mandate takes effect while others are exploring the use of hydrogen power production. Richard said some CREDA members are beginning to look at virtual power plants – distributing power with great precision – to minimize the need for new power generation. Richard stated CREDA also discussed controlling small-mouth bass in the Colorado River below the Glen Canyon Dam; WAPA loans for solar farms, battery storage, and transmission projects; and WAPA power purchase agreements with CRSP.

Richard stated that CREDA is becoming concerned about the “Duck Curve”, where solar power dominates the power market during the middle of the day but is unavailable during the morning, evening, and night. Power generators, such as dams, are unable to shut down production during times of peak solar generation due to the damage fluctuating water flows cause to dam infrastructure. The “Duck Curve” also causes drastic power price volatility throughout the day. Richard said an increasing number of power producers in the West are struggling with the repercussions created by the solar “Duck Curve”.

## SUVPS REPORT

Ray Loveless invited Brent Gordon to give the SUVPS report. Brent reported that SUVPS is in the process of acquiring easements; purchasing some inventory, materials, and property; and negotiating a new tap with Rocky Mountain Power for system upgrades. Brent also said that the finance managers of each SUVPS member met together to discuss bonding as a finance committee. Mark Holdaway stated that SUVPS is planning on approving a \$45 million bond with either 20-year, 25-year, or 30-year payback options. Mark said that SUVPS members’ monthly assessments are projected to double starting in July if the bond is passed by the end of June. Blake Anderson told the SUVPS Finance Committee that SUVPS needs a second round of \$40 million-\$45 million bonding in 3-5 years to complete all the necessary upgrades.

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Joel Brown was concerned about the cost to upgrade the SUVPS transmission system and questioned how the upgrades, and the system itself, would benefit the area. Brook Christensen and Mark Holdaway pointed out that outage times are significantly lower and system reliability is significantly better in the SUVPS transmission system compared to other transmission systems maintained by Rocky Mountain Power.

**POWER SYSTEM REPORT**

Outage Report  
None.

**LEGAL UPDATE**

Cam Cutler, SESD’s legal counsel with Snell & Wilmer, and Shawane Lee, also of Snell & Wilmer, joined the meeting via Zoom. Cam introduced Shawane to SESD’s Board. Cam said that Shawane recently joined Snell & Wilmer and specializes in utility work. He said with SESD’s litigation hopefully soon coming to an end, SESD will be working more closely with Shawane for utility and regulatory questions.

**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 12:45 p.m. Cory Thompson made a motion seconded by Richard Behling 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.**

**Cory Thompson made a motion seconded by Brent Gordon to reconvene the Regular Board Meeting at 1:25 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 Joel Brown.**

**Ray Loveless adjourned the meeting at 1:25 p.m.**

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Ray Loveless, Chairman

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Mark Holdaway, Clerk

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Date Approved

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Date Approved

**Next Meeting Date**

The next board meeting will be held on Tuesday, May 7, 2024, beginning at 11:00 a.m.