Mayor
Nanette Billings

City Manager
Kaden C. DeMille

Power Board
Mac J. Hall, Chair
Dave Imlay, Vice Chair
David Hirschi
Colt Stratton
Kerry Prince
Mark Maag

The Hurricane City Power Board met on November 12, 2025, at 3:00 p.m. at the Clifton Wilson Substation located at 526 W 600 N.

In attendance were Mac Hall, Kerry Prince, Mark Maag, Mike Johns, Brian Anderson, Mike Ramirez, Jared Ross, Nanette Billings, Kaden DeMille, Dayton Hall, Mike Vercimak, Weston Walker, Fred Resch, Bruce Zimmerman and Crystal Wright.

Mac Hall welcomed everyone to the meeting. Dayton Hall led the Pledge of Allegiance and Kerry Prince offered the prayer. Mark Maag made a motion to approve minutes from the October 8, 2025, meeting. Kerry Prince seconded the motion. Motion passed unanimously.

Mike Johns: Mike Johns showed pictures and described our 50th Anniversary of Public Power Celebration held in October. It was a great event held at the Community Center for the first time and ended up being a great location. We had bucket truck rides, bounce houses, electric displays, hotline demonstration with the exploding hot dog, prize giveaways, and vouchers for free food at the food truck vendors on the corner. It was successful and a great way to celebrate with the community.

Brian Anderson: Brian Anderson explained the line crew has continued working on 1100 West as they are able. They're almost ready to pull wire in that section. Mayor Nanette Billings asked if, once the wire is pulled, the plan is to remove the poles out of the fields. Brian Anderson confirmed that is the plan. The month of October typically means a lot of employees with time off and it's been difficult to have a full crew to complete work. He showed the terminator to the board that had been promised in previous meetings. We also had 2 people attending and 4 people instructing at the IPSA Hotline School this past week.

Mike Ramirez: Mike Ramirez reported that we had Eaton come in person to hold a kickoff meeting for our AMI Metering project. We included utility staff, IT personnel, and other power department staff to share information about what our next steps are and working toward getting this project moved forward. He showed the propagation study that Eaton completed and where the AMI gateways will be installed. He discussed how this will be a meshed system where the meters will talk to each other and help find the most efficient pathway to a gateway. Next week he will be submitting a request for our first reimbursement of the Grid Reliance grant that we received. Mayor Nanette Billings asked what our plan is for installation of the AMI meters. Mike Ramirez answered that currently it is to install AMI meters on new builds and tackle existing meters by currently established radio read routes. Crystal Wright stated a big challenge will be the utility office's current constraint with meter changeouts. They are currently limited to a specific time frame to change meters out and are unable to do large amounts of changeouts manually. They purchased a program to enable them to do batch meter changeouts, however it hasn't been tested. They need to test and be comfortable with that batch meter changeout process before we change out large batches of meters. The suggestion was made that once we're ready to start changing meters that it may be a good idea to start with customers who are repeatedly on the non-payment list.

Jared Ross: Jared Ross reported they are preparing for the Generator 8 rebuild that will happen over the winter. He discussed some work completed with one of the Brentwood Substation relays. At Anticline they've been working on adding a recloser to accommodate the two new circuits that are being built out in that area. Brent George attended a Survalent training as well as the IPSA Hotline School. He described a relay setting that caused a 20-second outage at the Brentwood Substation. Bids for the Sky Mountain Substation control building and walls have gone out. There is a pre-bid meeting scheduled for November 25th. We will go through the awarding process and get that project going in January 2026. 30% substation drawings have been approved through ICPE, and 60% drawings are expected within a week.

Discussion and possible recommendation to the City Council regarding the Cost of Service Study: Jillian Jurczyk is a Rates Manager with Utility Financial Solutions (UFS), the company conducting our Cost of Service Study. She is presenting virtually with Janel Albrecht, her Rate Analyst. She presented an overview of the minimum cash calculation comparison as well as their electric financial projection and cost of service study projection. They used trial balances, financial statements, and trends in revenues, expenses, and capital spending. They used that history to build out a projection over the next five years. They use the projection and apply economic indicators like inflation and power supply changes, growth, and the proposed capital plan to see if Hurricane Power can recover the costs to serve customers. They also look at operating income to ensure that revenues cover expenses as well as cash balances to identify a minimum cash calculation. Hurricane has an existing Cash Reserve Policy that defines how much cash the utility should be holding. This policy drives the rate design proposals. If the current policy is desired to be maintained as it exists, then a decision will need to be made on what the best proposal is to get to that goal. A 2.6% inflation factor was used in the assumptions, however, power supply made up about 71% of the 2026 budget so the inflation piece only affects about 30% of the expenses. That factor isn't as much a driver as power supply expense. A 4.5% growth rate was used due to the high growth area which makes sense when looking at the capital plan that exists. A 3% cost escalator was used for the cost to purchase power. That is standard for the state of Utah. Capital is separated into impact fee related and retail funded capital. Impact fee related capital refers to capital coming because of growth to accommodate new customers. Retail funded capital refers to replacement of infrastructure serving the current customer base. The capital plan that has been identified through the impact fee study is hefty to accommodate the growth that has been occurring and projected to continue. Historically, Hurricane has spent about $3.8 million annually on capital, however the capital plan shows an increase to $6.5 million per year averaged over the next five years. Spending on infrastructure does affect cash balances because there is a recovery lag between when you must spend the money on infrastructure and when that revenue comes in from impact fees. With all things considered, the financial projection was analyzed to see what it would look like if everything was funded through existing rates, if rates stayed the same, and if debt was leveraged as a tool to help fund some of the capital. She then explained that as a municipal, non-profit utility, a profit still must be made just to break even. This is due the fact that operating income must fund interest expense on debt, as well as the inflationary increase in replacement cost of assets. She explained that a million-dollar asset with a 10-year useful life is handled financially through depreciation expense. This means $100,000 would be booked each year as depreciation and recovered through rates. In 10 years, there will be $1 million collected in depreciation to replace that asset. However, that asset no longer costs $1 million and is now $1.3 million because of inflation. Operating income tries to capture that inflationary increase in replacement cost to make sure current rate payers are paying for infrastructure currently being consumed. Then she explained how they utilize all that information to see what happens to the cash balance as various components change throughout the five-year projection. She explained how there is a minimum level of cash an entity needs to stay above, but that minimum has been defined by Hurricane's existing Cash Reserve Policy. It seems to be more of a target versus a minimum. She would like to discuss what Hurricane is comfortable with as a cash minimum. They don't typically provide a target cash amount, because the nature of cash is that it will ebb and flow depending on where you're at in your capital plan, if you're fully funding depreciation expense, and what your replacement of infrastructure looks like. All they will say is that it needs to be above a defined minimum. Using their methodology in

calculating their cash minimum, they identify five risks: timing difference between when bills are paid and money is received from customers, emergency fund to replace infrastructure needs, changes in power supply, capital plan net of any bond proceeds, and any annual debt payments. For the timing difference they generally use a 45-day working capital lag which is applied with all operating expenses that are non-power supply. For the emergency fund portion, they take our historical average annual investment in assets and apply a 3% risk factor to that amount. For power supply, they want to hold the highest monthly power supply bill in reserve. For capital plan, they take an average of the five-year plan and hold one year's average in reserve. This method calculates between $10-$12 million as a recommended minimum cash balance. Hurricane's policy takes 38% of the depreciation fund, which is the netbook value of the plant assets, adds 1% of the budgeted annual revenue as a contingency, and finally adds 10 months of operating expenses which include operational and power supply costs. This method calculates the $28.1 million minimum cash balance according to the existing resolution. Mayor Nanette Billings asked where our existing policy came from. Crystal Wright explained she discussed that question with Dave Imlay, former Power Director, who was involved with the approval of that policy. He stated he couldn't remember the details but remembered it had come about in part from advice sought from UAMPS. Mayor Billings then asked if depreciation is funding the replacement of infrastructure or if it's coming out of current budgeted operation expense. Kaden DeMille replied that depreciation is a function of accounting. The 10 months of reserve funds directly affect our bonding capacity and rating and is one component. Another component has been a long-held philosophy of the Power Board, staff, and Councils over the years that it is the responsibility of the Power Department to weather the storms of the economy. In discussions during this study, we need to decide as a board how we want to move forward. Do we continue to weather those storms, or do we try to transfer more of that risk to the residents? Jillian Jurcyzk then explained another way to look at cash using the metric of how many days cash on hand a utility maintains. Meaning, if all revenue ceased coming in, how many days could the utility cover their expenses using existing cash? The formula takes 365 days and is divided by the total of operating expenses divided by total cash available. Typically, in other utility policies, they see this total range anywhere from 90 to 150 days cash on hand. That's not what UFS calculates for cash minimums, but that's what they commonly see written into other policies with utilities they've worked with. Hurricane's existing policy using the days cash on hand metric equals 485 days, although it currently sits at 317 days with the existing cash reserve amount. Using the UFS minimum cash calculation it comes out to 185 days. Mayor Billings stated the reason this conversation is taking place is because of her request to the Power Department to see if rates could be lowered after being raised in 2022 and 2023. That question led to this study and looking into the policy. Dayton Hall asked if he understood correctly that the UFS recommendation is to have $10.7 minimum cash reserve and yet Hurricane's policy states we should have $28.1 million. Jillian Jurcyzk replied that they would like Hurricane to have over $10.7 million and that is being met right now. However, as far as it being too much cash, it is a hard recommendation to make because it goes back to Hurricane's philosophy and risk tolerance. They may want to hold that much cash because they don't have a power cost adjustment (PCA), they do have large capital coming up, and they want the flexibility on the cash side to weather power supply storms, and those are perfectly acceptable reasons. If they're thinking that it's too much cash, they could implement a PCA or try to fund some of the capital using debt. There are options, but it is all up to Hurricane and what they're comfortable with. She then presented slides showing various plan options to meet the current policy's $28.1 million target. There are many options available to meet that goal, but to narrow it down she presented examples of a 1-yr, 3-yr, 5-yr, and a PCA option. Dayton Hall asked if our policy for cash reserve calculation is within the range of other utilities taking into consideration those who have opted against PCAs. Jillian Jurcyzk replied it's the highest policy calculation she has seen. 200 days cash on hand is becoming more common for utilities who want to have an A+ bond rating, while 150 days has long been standard. However, Hurricane has unique factors due to the lack of a PCA in addition to the rapid growth occurring that requires accommodation. She commended the city for being fiscally responsible in pushing the rate increases through which she acknowledged must have been difficult. What ended up happening is power supply cost stabilized even though it leveled out higher than it historically was on average. On the flip side, capital infrastructure costs skyrocketed due to the growth. That offset the leveled off power supply costs and that's why a rate decrease no longer looks like a viable

option even though that's what Hurricane was hoping for going into this study. She explained what a PCA does since it's a different philosophy. What happens is it flows any variation in power supply cost from what you planned for and budgeted through to the customer bills. It essentially takes the risk from the utility and shares it with the customer. In times of volatility, this charge gets a lot of notice because it goes up. She wants to emphasize it is risk sharing more than a risk shift from the utility to the customer. This is because there's typically a 6-12 month rolling average when a policy like this is created. That means if power costs are going up, the customer only sees a slow increase over that 12-month period instead of all at once. This means the utility still must float the power cost changes until that cost recovery has been realized. With a 12-month rolling average, this means it would take 18 months to fully recover those costs from the customer. Even with a PCA, cash balances still need to be adequately maintained to be able to float that cost during recovery. If Hurricane chose to do a PCA, there wouldn't need to be any rate adjustments. The PCA impact on bills would be around 2% a year based on current forecasted power supply costs. The good thing about all these choices is that Hurricane is financially healthy so there is time to think through and make a choice on the financial side. Mike Johns explained the reason he wanted the PCA option to remain in the available choices is because he feels like his job and responsibility is to recommend all of the best options to the board. He wanted them to see and understand what it is even though it is different than the philosophy of the past. It leaves the least amount of risk on our utility. The risk becomes shared with the residents. Mayor Billings stated there are neighboring cities using the PCA and even though they didn't have the rate increase like we did in 2022 and 2023, they have passed their costs through their PCAs to their customers anyway. She stated it's difficult after two large rate increases, adding a power cost adjustment option feels like raising rates on residents again. She feels like new development should pay for itself. Crystal Wright explained that new development is paying for itself through impact fees for infrastructure, but the costs to supply power needed due to the increased power requirement is done through rates which are universal among all residents, both new and old alike. More power requirement means increased power supply costs to all. Mike Johns wanted to emphasize it's not always an addition when discussing a PCA, there are also decreases when power supply costs come in lower than budgeted or planned for. In that case, a negative PCA is applied which decreases the overall power rate. There was a discussion between the mayor, board, and staff regarding using bonding and impact fee credits to pay for infrastructure needs or if the cash reserve amount will be used. Mac Hall stated that there was a lot of information presented and he would like all the board members to be present before any decisions are made. Kaden DeMille stated the board needs to consider their philosophy going forward regarding bonding, rate structure and whether to include or not include a PCA, and how much cash reserve they feel is important. Mac Hall suggested setting up an interim meeting with the attendance of all Power Board members to discuss this item prior to Thanksgiving.

UAMPS Updates: Mike Johns updated the board on the Fremont Solar project subscription request. We requested an up-to-10MW increase to our existing 5MW subscription. We were approved from 5MW to 5.66MW so it was only a slight increase. Some of the cities ended up approving their subscription in the project that weren't expected to and that's why it wasn't a larger increase.

Meeting adjourned at 4:53 p.m. The next Power Board meeting is scheduled for December 10, 2025, at 3:00 p.m.