



HURRICANE CITY

UTAH

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 December 3, 2025, at 4:00 p.m. at the Clifton Wilson Substation located at 526 W 600 N.

In attendance were Mac Hall, Dave Imlay, David Hirschi, Colt Stratton, Kerry Prince, Mark Maag, Mike Johns, Brian Anderson, Mike Ramirez, Nanette Billings, Kaden DeMille, Dayton Hall, and Crystal Wright.

Mac Hall welcomed everyone to the meeting and offered the prayer.

Discussion regarding the Cost of Service Study: Mike Johns stated this is just a discussion item today. Mac Hall explained in the previous board meeting Jillian Jurczyk with Utility Financial Solutions (UFS) was seeking direction. Some of those decisions would present a potential shift in the way we have operated so that is why he requested everyone be in attendance for this discussion before any decisions are made. Mike Johns began the need for direction regarding whether we want to maintain the current cash target calculation from our existing Cash Reserve Policy approved by resolution. If we would like to maintain that existing policy, how would we like to achieve that cash target? If we would like to alter that existing policy regarding cash, what does the board feel is appropriate and is there any direction to the type of rate plan including bonding, rate adjustments, or the introduction of a power cost adjustment (PCA)? He reviewed the breakdown of our current cash reserve policy, showing the percentages in the policy reflected in actual numbers. This policy shows a current total cash target of \$28.1M, and we currently have just over \$18M. Crystal Wright showed the UFS method of calculating the minimum cash reserve level. UFS is looking for direction as to where we would like to be so they can move forward with the rate design portion of the study. Kaden DeMille explained we've always taken the stance that we would weather the fluctuating power market and to do that and remain financially healthy we adopted that cash reserve policy as a protection. He explained that UFS is stating that cash amount is higher than is typical. He asked the board if they desire to change the methodology that has long been used to transfer some of the risk of the fluctuating power market onto residents through a PCA and potentially lower that cash reserve amount. Dave Imlay expressed his feeling that a PCA gets us completely away from what it means to be a public power entity. He feels like it is wrong not to protect the residents from the risk as much as we can. Kaden DeMille stated that's why he has been so interested in an Advanced Metering Infrastructure (AMI) system. Having infrastructure available to be able to institute a time-of-day rate allows residents an opportunity to take more control over their individual usage to save themselves money on their power bill. It is an appealing solution and is moving forward but will take a few years before it's possible. Mike Johns reinforced that UFS isn't telling us what to do. They are giving recommendations based on what they've seen from studies with many other entities in the industry. We have the freedom to set our own policies, and they will build a plan to help us achieve our goals. They are showing us the difference in what is commonly seen and where we stand. This opens the conversation about where we want to be, and they will move forward from there. Dave Imlay stated that maybe it's a possibility to lower the months of operating expenses we hold to lower that total cash reserve amount. Colt Stratton was concerned about lowering that below what our financial advisors have stated we need to hold. Dave Imlay asked if the bond rating of the Power Department affects the bond rating for Hurricane City as a whole. Kaden DeMille replied they have historically been treated separately. The last time an enterprise fund bonded, everything considered was tied to their individual finances and rates. He stated part of the issue is the \$18M we have as part of our cash reserve policy is all lumped together into one budget code. Our software hasn't been able to keep up with



the growth of the city, which requires more codes to track financial items. Depreciation, cash, and impact fee money are all lumped together and it would be helpful to break that out for more clarity, but it will take time to get those split into multiple codes. Mac Hall described when power rates increased substantially in 2001, the city actively raised rates to meet what we could. The inclusion of a PCA would have potentially quadrupled some residents' power bills during that time. His concern is that it feels a little like an open checkbook, and we may see some pushback from it. Our existing practice allows us to keep power rates at a steady cost for our residents. There was a discussion about how PCA works. Crystal Wright gave an example to explain using fictitious numbers. In the example, the power rate was \$.08/kWh. A rolling 12-month average calculation was used, and it was determined that the actual cost of power over that period was \$.09/kWh. Everyone was already paying \$.08/kWh so there would be an addition of \$.01/kWh PCA to meet the actual cost of power that the utility paid. That also works in the reverse. If it was determined that the actual cost of power over that period was \$.07/kWh the PCA would be $-.01/kWh$. UFS has stated the best time to implement a PCA is when power costs are stable, which is now. Mac Hall reminded the board this is only for the actual cost of power, as base rates handle the money needed for maintenance and the utility would still have to bond or use impact fees for new infrastructure projects. Councilman David Hirschi said the average citizen will not understand this. He continued that it's a good problem to have that we are most of the way to the existing cash reserve target already. Crystal Wright stated that Jillian Jurczyk with UFS commended our board and City Council from the very beginning of the study for making difficult choices to approve rate increases as was necessary for the financial health of the utility. Councilman David Hirschi replied there is trust in the staff at the power company for being diligent in making good recommendations and he appreciates their good work. Mike Johns stated that's why he had the PCA option left in the slides. He feels like his responsibility as the Power Director from a business standpoint is to protect the financial health of the utility and that option leaves the least amount of risk on the utility. Dave Imlay stated that during the 2007-08 period we had a negative cash reserve because power prices were so high and our loads had decreased significantly because of the recession. We had a lot of debt. That experience reinforced the need for and importance of a cash reserve. Mac Hall reasoned that if the Power Department was seriously looking at going into the All-In Requirements Pool with UAMPS, he thinks the PCA option would make more sense. If we're not, then he likes our current system the best. Mike Johns stated that the All-In Requirements option as well as the Extended Day Ahead Market (EDAM) which is coming both bring potential power pricing increases. He explained we've been working closely with UAMPS, and they're doing their best to predict and provide information for guidance, but there's a lot being implemented at the same time and there's uncertainty about unknowns. This is another reason that implementing a PCA makes a lot of sense in his mind. Councilman David Hirschi asked if that's what his recommendation is. Mike Johns stated yes, based strictly on business perspective, it puts the city at the least amount of risk and liability with the big shifts in the power industry coming. He would also like to maintain our existing cash reserve policy. Mayor Nanette Billings stated she feels like we need to decide between the two. If we keep the larger cash reserve amount, then we need to weather the power market costs and not implement a PCA. Dave Imlay asked how many MVA has been built into the Capital Facilities Plan and if there's a way to cut back on something to lower that capital amount. Mike Johns stated that it's not just trying to acquire capacity at an MVA level, but the location of where the MVA is needed that's causing the problem. Mayor Nanette Billings suggested using cash reserve funds in lieu of bonding to avoid debt or having developers fund infrastructure in trade for impact fee vouchers. Crystal Wright stated it's a risk to use cash reserves to purchase materials for infrastructure and then not have the reserves available in case of large power pricing fluctuations. Mark Maag wanted to clarify that as the new substations are built it would also be increasing the total amount we needed to hold in reserve. Mike Johns confirmed that to be true because one component of our policy is to hold 38% of depreciable assets. There was a discussion about how the 12-month rolling average of a PCA would work. The department would still have to weather the storm to an extent with a PCA because we would have to pay each bill and then it would take 12 months of billing to get that back through utility bills. Mac Hall stated there is no decision needed on this agenda and asked if there was anything the board would like to see before needing to decide. Colt Stratton asked Kaden DeMille to investigate how our bond rating would be affected if we lowered our cash reserve amount. Kerry Prince asked what

needs to be decided first. Mike Johns answered that the cash policy needs to be decided first, which will provide direction for the rate modeling to come next. There was a short discussion about different options including lengthening the time to hit the cash reserve target, potential bonding, as well as the political pressure and development agreements with installation timelines that must be met. Mac Hall reinforced that UFS is looking for direction on our cash policy and target and then they'll put together a plan to get to that goal. Dave Imlay made a motion to provide UFS the direction to move forward with the 5-year plan and keep our existing cash reserve policy with no PCA. Kerry seconded that direction. Motion carried unanimously.

Meeting adjourned at 5:25 p.m. The next Power Board meeting is scheduled for December 10, 2025, at 3:00 p.m.
