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April 18, 2013

Gary Zabriskie  
Director of Community and Economic Development  
CIB Regional Planning Project Planner  
Five County Association of Governments  
1070 West 1600 South  
St. George, Utah 84770

**RE: Request to open the Garfield County one-year prioritized Capital Improvements List**

Dear Mr. Zabriskie,

Please accept this letter in request of Ticaboo Utility Improvement District ("**District**") being added to the Garfield County One-Year Prioritization Capital Improvements List. Provided herein will be the District's explanation and reasoning behind our project, and the estimated project costs.

The District, created in 2009, was established to provide electric power to Ticaboo, UT. The primary reason for the creation of the District is our remote location and the unavailability for Ticaboo to join a conventional power grid. Ticaboo is challenged by their distance from Garkane or Rocky Mountain Power connections; for instance, Ticaboo is approximately 55 miles from the closest Garkane connection, and 127 miles from the closest Rocky Mountain Power connection. Summarily, the District provides electric service to its customers in Ticaboo through diesel power generation.

When the District began operations in 2010, we were left with an aging distribution system, inefficient diesel fueled engines to provide power, and no capital to make improvements. In the beginning, our energy charges to consumers was 28¢/kilowatt hour. After a challenging first year, we realized that was not going to cover the cost of diesel fuel to keep the engines running; therefore, in 2011 we raised the energy charges to 34¢/kilowatt hour.

Unfortunately, our engine inventories age has now become an issue of concern at the State of Utah level. Due to the District's lack of capital, we have been unable to afford new engines to produce power. At present the District is producing power for loads that range from 40 kilowatts in the off season, to as high as an estimated 250 kilowatts during peak tourist season. As you will see the age of our equipment, in and of itself, speaks volumes about our fuel consumption in an unstable fuel market:

1. Duetz 185kW, stand-by rated, air cooled generator - manufacturer date 1959
2. CAT 500kW, stand-by rated, generator - manufacturer date 1979, rebuilt in 2005
3. Cummins 1000kW, prime rated, generator - manufacturer date 2005

To provide an example of our costs to provide power. In 2012, we spent approximately \$262,000 on diesel fuel on an estimated 400,000 kilowatt hours sold. This represented approximately 85% of our total expense budget, bringing our total cost to provide power to an estimated \$1.36 per kilowatt hour. The cost associated with fuel consumption and providing power, at the basic level, has left the District in the tremulous position of considering raising the energy charges in 2013. Although final approval by the Board of Trustees is still pending, we can estimate the increase will be approximately 27% higher just to cover fuel costs.

Through the technical support provided by the Utah Association of Municipal Power Systems, and the help of organizations like; ICPE, Wheeler Power Systems, VanCott, Chapman & Cutler, and Zions Bank Public Finance, we have put together a plan to reduce the costs associated with fuel consumption. These formidable organizations have assisted the District in finding a way to save money, which will translate to a savings to the consumer for electric services.

The proposed plan is to spend approximately \$600,000 for the following components:

- (2) Caterpillar 455 kW Prime Tier 4i Generators, with 1,200 amp auto transfer switch,
- (2) Atlas Copco 120 kW Prime Tier 4i Generators,
- (1) Closed Transmission Switch,
- (1) 80 kVAR Reactor (Power Factor Correction),
- Monitoring equipment to read real power produced, and
- Permitting

Using the manufacturers data on these engines, and proposed improvements, we can estimate our savings in fuel and O&M costs to be more than \$90,000 annually. This savings proves to be more than enough for the District's Debt Service Coverage, if PCIB were to grant us a loan.

On behalf of the District, Alan Westenskow of Zions Bank Public Finance, met with Gordon Walker on April 8, 2013, to present the District's challenges and proposed solutions. Mr. Westenskow reported back to the group that Mr. Walker, "thought the project was compelling for the following reasons; the isolation of TUID, distance from RMP and Garkane transmission connections, the cost savings of the project, the resolution to the DAQ air issues." Although Mr. Walker states that he cannot speak for the PCIB board, he thought the project was a good idea, and suggested we apply for the June 1 cycle.

Our intent is to make application to PCIB in the June 2013 cycle, for approximately \$600,000 in 100% loan. Although, it has been the policy of PCIB not to fund electric projects, I believe that Mr. Westenskow has effectively shown Mr. Walker that this project is not the typical electric project, due to our unique and exigent circumstances. I further believe that we will be able to exhibit this to the PCIB board.

I realize that this is a long explanation of why we need this project. I further recognize, that the entire story cannot be told in one letter. The District is responsible for providing affordable, reliable power to our consumers, and we are in no way competing for power with any other utilities as I believe I

have exhibited here. I believe that our application is compelling for many reasons; however, fuel consumption is clearly the bane of our challenges at this time, as is our isolation from any conventional power.

Therefore, the District respectfully requests to be added to the Garfield County One-Year Prioritization Capital Improvements List, so that we can effectively make application to PCIB, June 1, 2013 for funding.

If you have any questions, or require any additional information, please do not hesitate in contacting me via: email - chipshortreed@gmail.com, or TicabooUID@gmail.com, or phone - 435.788.2020 (home), 435.788.8343 (office), or 435.459.1776 (mobile).

Thank you for your time and consideration of our request.

Respectfully,



Chip Shortreed,  
*Chairman of the Board of Trustees*

Copy: TUID Board  
UAMPS Technical Support Group