



**Special Parowan City Council Meeting**  
**October 29, 2020**  
**City Council Chambers – 35 E. 100 N., Parowan, UT 84761**  
**11:00 a.m.**

**Present:** Mayor Preston Griffiths  
Councilmember David Burton  
Councilmember Matt Gale  
Councilmember Jim Harris  
Councilmember Jim Shurtleff  
Councilmember Patti Vesely (via cell phone)

**Staff Present:** Cleve Matheson (City Manager), Callie Bassett (City Recorder), Jeremy Franklin (Power Superintendent), City Attorney Justin Wayment (via Zoom)

**Public Present:** Jared Burton (Power Board)  
Jackie Coombs, Manager of Member and Corporate Relations for UAMPS; Doug Hunter, General Manager for UAMPS; and Mason Baker, UAMPS General Counsel and Chief Legal Officer for UAMPS (via Zoom)  
Jason Brown (Beaver City Manager via Zoom)

**Called to Order:** Mayor Griffiths called the meeting to order at 11:08 a.m.

**Declaration of Conflicts by Councilmembers:** No conflicts were declared.

## **ACTION MEETING**

### **1. Carbon Free Power Project – Mr. Jeremy Franklin, Parowan Power Superintendent:**

Mr. Franklin addressed the Council. He said some other member cities have withdrawn from the Carbon Free Power Project. He felt that the council should meet and discuss the next steps for Parowan City. The deadline to withdraw from the project is 10/30/2020.

Mr. Franklin introduced the administrative staff from UAMPS who joined the meeting via Zoom. Mr. Franklin is grateful for the support these people have given him and for the knowledge they have to help answer any questions he has.

Mr. Franklin said he has been on a lot of zoom meetings and conference calls. Councilman Harris, Councilman Gale, and the power board have been on several of these calls. He said he feels they have had great support for this project up to this point. He said he thinks they realize a need for a carbon free resource in the City's portfolio. He has been excited and optimistic moving forward on the nuclear project, but with the recent withdrawals of other cities, he's become a little more nervous. He felt they should meet and discuss the best route to go.

Mr. Franklin said with any new project there is always risk, which he is sure fueled a lot of the withdrawals of other members. He feels UAMPS has tried to minimize the risks to the participants with the reimbursement agreements, and the D.O.E. award is a huge part of the de-risking of this plant. But the low subscription numbers after the recent withdrawals are definitely a concern. He said he has

talked with a lot of members the last week or two who have told Mr. Franklin that they intend to stay in the projects. Most of them are really excited and want to move forward in the best way, and just hope that the increase in subscriptions will show up soon.

Mr. Franklin said when Parowan first looked at this project, they were looking to replace their coal fired resource, the Hunter Power Plant, from which they receive about 2 megawatts of energy. Parowan elected to join this project at 3 megawatts subscription, knowing they had the option to reduce or increase if needed. They were thinking that by 2029 when this plant comes on line, they would most likely need an extra energy source.

Mr. Franklin read an excerpt from an email he received from Mr. Doug Hunter:

“The only scenario that puts you at risk of paying for a failed project is a termination of the DCRA [Development Cost Reimbursement Agreement] for convenience. If there are cost overruns or schedule delays, if DOE appropriations do not materialize or interest rates rise the Economic Competitiveness Test will be impacted. If the ECT [Economic Competitive Test] is greater than \$55/MWh in 2020 dollars then you have no obligation for costs incurred. The current UAMPS out of pocket cost through the next off ramp, 16 months from now, is \$13.2 million...Of course, the \$13.2 million is not entirely consumed until January 2022. Every month, UAMPS will be reporting financials, thus monitoring the out of pocket amount. The PMC [Project Management Committee] may cancel the CFPP [Carbon Free Power Project] at any time for basically any reason. The out of pocket cost level can be monitored against Participant’s concerns. UAMPS controls a termination for convenience which is the only outcome that would expose the Participants to cost recovery. “

Mr. Franklin said his thoughts are as they move forward, if they would like to continue, they would be best served by adopting a resolution to set a 2% cap on our spin on the next budget. That 2% of the proposed \$13.2 million dollars would be approximately \$265,000. That would safeguard Parowan if there are other withdrawals from the project. He said the city could reduce its entitlement shares to stay in that cap, so if there were more withdrawals, our entitlement would just go down and our cap would stay at the 2%. The \$265,000 would be what Parowan would owe in the next phase if we were to withdraw from the project at the next off ramp in January. Mr. Franklin said if they decided to withdraw today, the cost they would be required to pay back would be \$92,000.

Mayor Griffiths asked how many cities have dropped out of the project. Mr. Franklin said that six cities have withdrawn: Beaver, Murray, Lehi, Logan, Kaysville, and Bountiful. Mr. Franklin said he thinks mostly these cities are worried about the subscriptions not being as high as they wanted, so the project costs are higher until they get more subscriptions.

Mr. Franklin turned the time over to Mr. Hunter to dive deeper into the costs and future subscriptions. The following points were presented to the council:

- Mr. Hunter said they have put the foundation together – agreements, DOE award, sales contracts, everything in place - and are able to understand and describe the project fully. They fully understand what it is.
- There are two cut-off dates. The PMC has approved October 31st, 2020 as the deadline to withdraw. People that withdraw would have their costs associated with cost incurred up through the 31<sup>st</sup>. The PMC has set a board meeting for November 10<sup>th</sup> to meet with those cities who have not withdrawn to give everyone a shot at withdrawing or reducing again. For people

who withdraw at that time, there would be costs associated with those 10 days in November. Mr. Hunter said there will be a meeting at 2:30 on the 29<sup>th</sup> (today) to go into depth on a proposed shift.

- Mr. Hunter described this shift. First, they have put out an order to all vendors to stop spending as of Friday the 30<sup>th</sup>, so that the costs between October 30<sup>th</sup> and November 10<sup>th</sup> will be staff costs only. Then, the proposal they will be looking at after that is to basically see about delaying any significant expenditures except for subscription pursuit and COLA [Combined Construction and Operating License Application] work through next year, so that the budget they will adopt on November 10<sup>th</sup> will be something significantly less than the \$13.2 million. The reason is they realize they have to have more subscription. He said there are a lot of members that are sizable that want this project to move forward. They want to make sure there is a vehicle for them to move forward. There are 26 cities that want to stay in this project and want it to move forward. There are four cities that want currently want to come in to the project. So there is a project to be made.
- Mr. Hunter said the second thing they need to discuss is one of the things that people (not just UAMPS, other agencies as well) feel is that the 12-pack configuration that NuScale is licensing is too big. This is one of the reasons they have run into trouble with subscriptions. NuScale is proposing a downsized project that they will pitch to UAMPS this afternoon so there would only be 6 modules in a configuration. This seems like a very feasible move. They say the cost will be the same or lower. This would be further de-risking of the project by considering this and suspending any sort of task order work, except for COLA work. They are going to try to get the DOE to help them deminimize the cost of the participants, up to 100% of the payments for this next year. Costs incurred would just be subscription costs.
- This will only be unveiled to cities who have not withdrawn. They will not invite cities that have withdrawn to the meeting on the 10<sup>th</sup>. The 20 something utilities who are still involved will make the decision to move forward. They still have the capability of adopting an incentive rate, a discount rate if you will, for those entities that stay in. They can do this by attributing the production tax credits that they would get to the participants that stay in as another de-risking process.
- Mr. Hunter encouraged the city to remain in the project. UAMPS sent out a resolution that will allow the rep to have some authority to sit in on the November 10<sup>th</sup> meeting to make the call, including withdrawing from the project, if necessary.

Councilmember Shurtleff asked what other options the city has, say, 20 years down the road. Mr. Franklin said we are a member of the Intermountain Power Project, and we could call that power back if needed, but the cost is higher than this. Councilmember Shurtleff said it is always scary to be on the ground floor of something, but it is also advantageous to be working towards something that is basically proven technology. He said we need to hedge our bet and stay in the project. He doesn't think we need to bail out. Mayor Griffiths agreed.

Mr. Franklin said as he has spoken to other utilities over the past weeks, he has felt like it would so much easier to just withdraw from the project. However, that is not what is best for the city.

Councilmember Harris said the reality now is that we don't have any other options that are clean and available 24/7. He said we have to stick with something. He feels this is the city's best option.

Mr. Matheson asked if the cities that have withdrawn would be able to rescind their withdrawals and get back in the project before the 31<sup>st</sup>. Mr. Hunter said they would have to get governing body approval in order to do so. Mr. Hunter said they might work on this. There is some animosity between the remainers and the exiters. He feels this is more emotion than rationale. He feels they do have a good chance to bring some of these cities back in for the reasons mentioned - there are very few alternatives, especially at this price for this type of capacity. There are others that are interested, so it could be a race to get back in. It would be a PMC decision to let someone back in.

Councilmember Gale asked if UAMPS doesn't get the subscription rate, will UAMPS pull out of the project. Mr. Hunter said in general there would probably be a fail point where there aren't enough subscriptions. He said he wanted to counter that concept by saying there are cities that don't have any other alternative. But they aren't there yet.

Mr. Hunter said they are going to manage this to how everyone feels comfortable. They work for the members. The staff is going to keep the members informed. They have been trying to de-risk this down for those core participants who really want this project to move forward.

Mr. Matheson asked if they reduce the size of the project, does that affect the federal commitment of funds. Will they still have the full amount committed, or will that be reduced by the same size they are reducing the project. Mr. Hunter said they cannot exceed \$2 billion dollars. There is not a de minimis amount for the project, only a not to exceed amount. Mr. Mason Baker added that he doesn't see a problem adjusting down to reflect a lower total project cost. He said the premier objective of the DOE is to make sure as a commercial successful deployment of the NuScale technology. If there is a cheaper way for a total government support standpoint to do that, he said he thinks they would welcome the change.

Mayor Griffiths said he thinks it goes back to what Councilmember Shurtleff said, we really don't have any other options. He thinks we should stay the course. Councilmember Harris added that he thinks this is a good option. He feels we should stick with it. It's clean power, and it's safe otherwise the navy wouldn't be diving with it on their boats. He thinks we are on the right track and we stick with it.

Mr. Matheson asked what action this governing body needs to take to put in place a cap. Mr. Franklin said he thinks the best would be to go through resolution and set a percentage cap. Mr. Matheson asked if this needed to be completed before the 31<sup>st</sup>. Mr. Franklin said it did.

Councilmember Gale asked what the cap they are talking about is. Mr. Franklin said it is a cap on the next phase of the budget up to the next off-ramp. The budget is currently \$13.2 million. This may change. But it is a percentage cap of that budget that the city would be willing to spend. Councilmember Gale asked if we put a cap on it, does that reduce the amount of how much power we get. Mr. Franklin said it could. Depending on subscription, we could be at a lower entitlement. Councilmember Gale asked if this is a good thing to do. Mr. Franklin said that it is. It is possible to increase that cap by giving notice to UAMPS as long as they are not fully subscribed.

There was some discussion about the Hunter Power Plant and other coal fired plants.

Councilmember Vesely added that Parowan’s objective has been to always be pro-active and not get caught short in the future because we will have eliminated some of the concerns about the availability and the cost of the power. There really isn’t anyone else beating down our door with a better offer. She feels that this is a good idea and we should move forward with it.

**MOTION:** Councilmember Harris moved to accept Resolution 2020-10-02 to authorize staying with the Carbon Free Power Project, authorizing Mr. Jeremy Franklin to represent the City at the November 10<sup>th</sup> meeting in deciding whether to proceed with the project or withdraw if not financially feasible, and limiting the City’s exposure to a 2% development cost cap.

**SECOND:** Councilmember Jim Shurtleff seconded the motion.

**VOTE:** A roll call vote was taken as follows:

	AYE	NAY
Councilmember Harris	X	
Councilmember Shurtleff	X	
Councilmember Gale	X	
Councilmember Burton	X	
Councilmember Vesely	X	

All Councilmembers voted in favor of the motion. The motion carried and Resolution 2020-10-02 was adopted.

**2. ADJOURN:**

**MOTION:** Councilmember Gale moved to adjourn the meeting.

**SECOND:** Councilmember Harris second the meeting.

**VOTE:** All councilmember voted in favor of the motion. The motion carried. The meeting was adjourned at 12:05 p.m.



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Preston B. Griffiths, Mayor



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Callie Bassett, CMC, City Recorder

Date Approved: 12/10/2020