BUDGET PLANNING AGENDA AMENDED
SPRINGVILLE CITY COUNCIL MEETING
JANUARY 31, 2023 AT 5:00 P.M.
Multi-Purpose Room
110 South Main Street
Springville, Utah 84663

With the exception of the one regular agenda item below, this meeting is for City Council discussion only. No action will be taken at this meeting, with the exception of the regular agenda item.

Notice is hereby given the Springville City Mayor, City Council and City Administration will be participating in their annual budget and goal planning meeting on:

Tuesday, January 31, 2023, at 5:00 p.m. Springville City Multi-Purpose Room

CALL TO ORDER- 5:00 P.M.

REGULAR AGENDA

1. Consideration of the purchase of 1,478,000 MMBtu of natural gas for the period of March 2023-March 2028 at a price not to exceed a total average price of $5.00 per MMBtu, which amount will not exceed $7,390,000 as approved by Shawn Black.

CLOSED SESSION, IF NEEDED – TO BE ANNOUNCED IN MOTION

The Springville City Council may temporarily recess the regular meeting and convene in a closed session to discuss the character, professional competence, or physical or mental health of an individual, pending or reasonably imminent litigation, and the purchase, exchange, or lease of real property, as provided by UCA 52-4-205.

ADJOURNMENT

CERTIFICATE OF POSTING - THIS AGENDA IS SUBJECT TO CHANGE WITH A MINIMUM OF 24-HOURS NOTICE – POSTED 01/30/2023

In compliance with the Americans with Disabilities Act, the City will make reasonable accommodations to ensure accessibility to this meeting. If you need special assistance to participate in this meeting, please contact the City Recorder at (801) 489-2700 at least three business days prior to the meeting.

Meetings of the Springville City Council may be conducted by electronic means pursuant to Utah Code Annotated Section 52-4-207. In such circumstances, contact will be established and maintained by telephone or other electronic means and the meeting will be conducted pursuant to Springville City Municipal Code 2-4-102(4) regarding electronic meetings.

s/s - Kim Crane, CMC, City Recorder

STAFF REPORT

DATE: January 30, 2023

TO: Honorable Mayor and City Council

FROM: Shawn Black, Power Director

SUBJECT: 5 YEAR WHITEHEAD NATURAL GAS PURCHASE MARCH 2023-MARCH 2028

Recommended Motion: Springville's Power Department and Utility Board recommend purchasing 1,478,000 MMBtu of natural gas for the period of March 2023-March 2028 at a price not to exceed a total average price of $5.00 per MMBtu, which amount will not exceed $7,390,000 as approved by Shawn Black.

Executive Summary: This natural gas will be used at the Whitehead Power Plant for the time Period of March 2023-March 2028.The city had previously purchase gas for $3.60 per MMBtu to cover a portion of plant's needs during this same time. This proposed purchase, along with additional gas purchases for the Nebo power plant will create tools to help the city control power costs for fall, spring, and winter months, during the next 5 years.

Focus of Action: Creating optionality of burning the gas in the Whitehead Plant or selling the gas and buying market power.

Background: Last February staff tried to acquire additional gas, in hope of augmenting the 10-year term gas already bought for the Whitehead. After gaining February approval the players in the natural gas industry started to have problems committing to long-term deals. This has been due to the start of the war in Ukraine and the export of LNG. Since that time, failures have also occurred with projects previously planned on.

Because of the lack of other resources staff has decided to try and insulate the city from market exposure by running the Nebo Power Plant in a baseload operation regime. Even by running Nebo baseload the city still has additional exposure during many hours of the business days. With this approval we plan on having fuel pre-purchased for the Whitehead plant to fill that void. This will change the operations at the plant during the down months, (mid-September to the first of June). We will be able to make daily decisions, much like the summer on running or selling fuel and buying power. Pursuing this strategy should remove almost all market exposure during the off months. This purchase also adds fuel to our summer months at the Whitehead Plant. Adding this will be more in line with the volumes we have been burning for the last few years.

Staff received bids this time period from Shell, we are also soliciting bids from other companies such as BP, CIMA, and Twin Eagle.

Discussion: This product has higher pricing than the last purchases made for the plant, which averaged $3.60 per MMBtu for 10 years. (2021-2031) The quotes for the recommended purchase at this time have been in the $4.68 range on average. This coverts to a very low-cost electricity products anywhere from $42.102/MW on the Cats to $47.90 on the Enterprises.

Alternatives: Purchase energy from the market as the time arrives.

Fiscal Impact: This purchase helps the department control power costs for the residents. The total cost of this purchase will be under $7,390,000 or $1,478,000 annually.

Shawn Black

springville
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Letter of Recommendation to City Council

Springville Board Name:
UTILITY BOARD

Applicant:	Request:	Date of Meeting: January 30, 2023
Springville City Power	Springville City's Utility Board recommends approving a resolution to purchase natural gas for Springville's Whitehead Powerplant for an average price below $5 per MMBtu for the time period of March 2023-March 2028.	

Motion by: Kellen Hyer						Second by: Calvin Crandall
RECOMMENDATION		APPROVE		DISAPPROVE		OTHER:
CONDITIONS OF APPROVAL:						

Voting Record:

Member Name	APPROVE	DENY	ABSTAIN
Clair Anderson by phone	✓		
Travis Ball			
Bryan Boshell			
Carl Burrows			
Ken Condie by phone	✓		
Calvin Crandall	✓		
Nile Hatch by phone	✓		
Rollin Hotchkiss	✓		
Kellen Hyer	✓		
Mark Lamoreaux mth 2ee	✓		

Rollin Hotchkiss — 30 Jan 2023

Chair — Date

CC -