

PAROWAN POWER BOARD MINUTES
JANUARY 19, 2023
CITY OFFICES – 35 EAST 100 NORTH – 5:30 P.M.

MEMBERS PRESENT: Jeremy Franklin (Power Superintendent), Jared Burton (Chairman), Matt Gale (Council Representative), Sharon Downey (Council Representative), Dan Jessen (City Manager), Greg Evans, Heather Shurtleff (Substitute Secretary).

MEMBERS ABSENT: Kyle Hansen, Stacy Gale (Secretary).

PUBLIC PRESENT: None.

CALL TO ORDER: Jared Burton called the meeting to order at 5:30 P.M.

DECLARATION OF CONFLICTS WITH OR PERSONAL INTEREST ON ANY AGENDA ITEMS: None.

APPROVAL OF MINUTES: Matt Gale moved to approve the minutes of November 17, 2022. Sharon Downey seconded the motion. All members present voted in favor of approval. The motion carried. The minutes were approved.

CFPP UPDATE/DISCUSSION – Jeremy Franklin passed out a handout to the board. He said Jared and Matt have been through a CFPP offramp before, and it is time for another one. Jeremy explained that the CFPP nuclear plant in Idaho has certain offramp times where we could exit the project.

The first page talks about the plant as a whole; Jeremy went over the section titled “Class 3 Project Cost Estimate”.

Jeremy then talked about the section titled “Economic Competitiveness Test and Levelized Cost of Energy”. He said the cost-sharing payment is expected to be \$89/MWh (in July 2022 dollars) which exceeds the current target price of \$58/MWh (in July 2020 dollars) and constitutes an “ECT Failure” which gives UAMPS, as a group in this project, the right to terminate this project. Most of the project participants do not want to see the project fail, and the general consensus of the UAMPS board is to continue. There are a few potential exiters who have until February 17th to exit the project. Jared asked how many people are on the board; Jeremy said there are 12 on the board and 23 members in this project. Everyone is on the Project Management Committee, and then there is a Board of Directors over that which is usually 12 members; Jeremy is newly elected to this board. Jeremy said everyone on the board are still on board with the project.

Jeremy said there is still the possibility the board can terminate and receive 100% reimbursement of the development cost; if we withdraw personally and not at the correct times, it will cost us. Right now, the board wants to move forward for a year. Next year’s budget that will be approved is an additional \$700,000 to the project. Our entitlement, which 2.5%, would be another \$15,000 to stay in.

Jeremy moved onto page 2 and the “DCRA, LLM Agreement and Tolling Agreement”. This was put in place with NuScale so that we would have the right to reimbursement if the project fails, which moved the project cost to \$89/KWh. If the price surpasses that in February 2024 we can get out and request reimbursement. There is also a subscription clause that states if there isn’t 80% of the project subscribed in a year then we have right to reimbursement also; right now, it is at 25%. Dan said how is the UAMPS bill going to motivate people to jump in. Jeremy said the consensus around the board is without this agreement we would all be out. With this agreement it gives us a year to see who jumps in. Jeremy said this agreement is what has kept the project going.

Matt asked if we decide to drop out, does it take the Power Board and City Council approval; Jeremy said it has to go through this board then to City Council. The City Council would need to choose one of three resolutions; to withdraw, to reduce, or to continue. Jeremy’s plan was to do a work meeting at City Council next Thursday, January 26th and give people two weeks to ask questions, then the following meeting on February 9th, do it as an action.

Sharon Downey asked if this will help stabilize the power; Jeremy said yes. Sharon said power wise, this the smarter way to go. Jeremy said UAMPS is looking at another gas project to bridge the gap between now and when this project goes online. There was a discussion on the life cycle of other plants, and Lake Powell.

Jeremy talked about what happens if we withdraw or reduce. He said if we withdraw, we pay what cost we’ve incurred up until now which is \$748,000. With reduction, we don’t have to pay right away, but the costs would be less for the next phase. Jeremy said the concern he has with our entitlement in this project right now, and as it has become more open to him as we start to lose Hunter these last few months, is as we sit, most of our eggs are in one basket with Hunter, which is probably 70% of our resource. The purpose of this project was to replace Hunter; we went in a little higher hoping growth would come. He said even if we had full Hunter and full Colorado River, we would still have surplus energy so we are over allocated most of the time as it is. Jeremy’s recommendation is to not have all of our eggs in one basket, be more diversified. His thinking is to reduce this project down to 2 MWh of what we have from Hunter right now, and then as other things come along, pick up a little here and there, so when projects like Hunter have a problem, we wouldn’t be hurting as much as we are now. There was a discussion on the cost to us if we withdrew now, next year, or if the group took the failure.

Jeremy said he told Jackie Coombs with UAMPS the problem he saw last year at the last off-ramp was when people exited it looked bad for the project; Jackie told him Parowan needs to worry about Parowan, don’t worry about the optics of the plant. She said if we feel we are oversubscribed, we should reduce now; it will save us whether we get out as a failure or whether we get out on our own, it saves us money down the road. Matt asked if we reduced now, will we be penalized if we want add more later; Jeremy said no, the only time we have to pay more is if we withdraw or take the energy at the end of the project. He said right now UAMPS is not collecting cost from us; we pay when we take energy at \$89/KWh (in 2022 dollars).

Jeremy said at this point he does not want to withdraw for \$748,000, he said to wait until at least next year when it won't cost much more. Jeremy's recommendation is either reduce to 2, or stay at 3 so if load grows it will cover us. There was a discussion about potential projects that could increase our load.

Jeremy said his plan was to email this information to the mayor and council members so they have time to review it. Jeremy is on the work meeting part of the agenda for the next City Council meeting, and on February 9th we can make the decision if we want to reduce. Matt said what the Power Board recommends weighs heavy on the council. After a discussion, the committee decided to go with Jeremy's recommendation to reduce to 2 MWh and recommend that to the City Council.

POWER COST ADJUSTMENT DISCUSSION – Dan Jessen put a graph on the screen showing the UAMPS bill and how it has changed in the last 6 months. It has gone from \$125,000 in September to around \$220,000 this month. This is not the cost of the power usage; it is the cost of our power bill. Jeremy said usage is up some, but the rise in price is mostly the raised cost of the power. Dan said the prices are volatile.

Dan said they had a call with UFS, who is doing our rate study, and they made a strong recommendation that we consider doing a PCA (power cost adjustment). What this would do is put 2 different lines on our customer's monthly statement; the base rate and the PCA. The PCA will take into account the city's UAMPS power bill fluctuations then apply an additional per kilowatt charge on the customer's bill that was the average PCA over the last 6 months. So, basically it will pass along the cost when we see spikes.

Matt asked if they are going to recommend raising the price anyway; Jeremy said he thinks they will recommend going to a tiered rate like most utility companies. Jeremy said we haven't done anything with rates for 15 years. Matt asked when the rate study will be done; Jeremy said we are waiting for the audit to be finalized so we can give them the audit information from the previous year and then it will be done. We haven't paid them to do a PCA but we asked them to give us some details and they did a presentation on that. Dan said we usually look at implementing a rate increase when we adopt our new budget in July, but the question is do we consider implementing a power cost adjustment now. We are operating in the red right now, and the more we operate in the red is cash that we are burning. Jeremy said UFS' recommendation is to implement the PCA now to cover ourself. Dan said we could burn another couple hundred thousand dollars if we waited, maybe up to \$400,000.

Jeremy said after we get City Council approval, we would ask UFS to implement the numbers into their spreadsheet and get started. Dan said the question is what do we have to do to implement a PCA; do we do it by ordinance or resolution. He said we should put it on the work meeting at City Council for discussion and have Justin Wayment, the City Attorney, start looking into it.

There was a discussion about the power incentive we currently give to some businesses for high nightly usage and if we need to change that.

OTHER BUSINESS: Dan said at a County Emergency Manager meeting they talked about another substation attack that has happened and that is one of his big concerns. People have been shooting substations with rifles; they are acts of terrorism. He has been asked by a couple of different people what we can do and if the city wants to start looking at security for the substations. Jeremy said this is a concern of his too. Dan asked is there something we could consider doing that wouldn't cost a lot of money. Jeremy suggested removing the chain link fencing and replace it with a block wall. Putting a barrier around the transformer was also suggested. Dan said we need to look at our options then at budget time we at least have some estimation on cost.

STAFF & MEMBER COMMENTS: None.


PUBLIC COMMENTS: None.

ADJOURN: Matt Gale moved to adjourn the meeting. Sharon Downey seconded the motion. All members present voted in favor of adjournment. The meeting adjourned at 6:56 p.m.

Minutes Approved at March 16, 2023 Meeting



Greg Evans, Chair Pro Tempore



Stacy Gale, Secretary