



PAROWAN CITY POWER BOARD MEETING MINUTES

Thursday, November 21, 2025 – 5:30 P.M.

Parowan City Council Chambers

35 E 100 N, Parowan, UT 84761

Office: (435) 477-3331

Commission Members Present: Jared Burton, Greg Evans, Jeff Robison, David Harris, Sharon Downey

Excused: None

City Staff Present: Mollie Halterman, Mayor; Dan Jessen, City Manager; Jeremy Franklin, Power Director; Callie Bassett, City Recorder

Public Present: See attached sign in sheet.

Call to Order

Jared Burton called the meeting to order at 5:30 p.m.

Declaration of Conflicts with or Personal Interest in Any Agenda Item

Dan Jessen noted that technically, everyone who is a power customer might have a slight conflict, but he didn't think it was a significant conflict as it applies to almost every meeting they have. The board agreed this was not a material conflict.

Approval of Power Board Meeting Minutes for July 18, 2024 and October 23, 2024

The board discussed approving the minutes from the previous two meetings.

Greg Evans moved to approve the meeting minutes for July 18, 2024. Sharon Downey seconded the motion. All were in favor.

Jeff Robison moved to approve the meeting minutes for October 23, 2024. Sharon Downey seconded the motion. All were in favor.

Rate Discussion

Chris Lund presented proposed rates for fiscal years 2025 through 2028. He explained that it would be up to the power board and the power ordinance to decide whether to adopt the rate plan for all four years or just one year at a time, with the option to adjust if material changes occur. Chris shared his screen to display the proposed rates document and confirmed that everyone had a copy to follow along. The overall plan targeted a 2.2% base rate increase each year, aimed at helping keep pace with inflationary costs, reinvesting in infrastructure, and ensuring the utility's financial health over the next four years.

Chris particularly noted how the agricultural rates would increase at a more significant percentage than others. Historically, agricultural rates had been held artificially low, almost as a subsidized rate, and the proposal aimed at aligning them more with commercial single-phase rates by the end of the plan. Jeremy Franklin added context by explaining that the 2% increase wasn't just a random number but was based on an in-depth cost of service study conducted by UFS. This study provided essential insights into the utility's cash flow needs and operational expenses, confirming the necessity for a systematic rate increase.

Chris also delved into details about effecting the rate changes gradually and incrementally, suggesting that this approach would help avoid any sudden shocks to the customers. He pointed out that the adjustments were not merely about raising rates but involved fine-tuning them to better align costs and recovery. The board members discussed potential implications and queries related to the time-of-use rates, the considerations around seasonal usage, and the timeline for implementation. The adoption of the entire plan through 2028 was seen as an opportunity to provide a roadmap for rate adjustments while still allowing for flexibility based on evolving circumstances.

Lighting Rates

Chris Lund outlined the proposed changes to lighting rates, specifying an increase of \$0.25 per month each year, which would amount to about a 4% overall rate increase. Jeremy Franklin elaborated on the plan to phase out the remaining yard lights, noting that these lights—around a dozen or so—are being removed as they fail. He mentioned that historically, these lights are located in people's backyards and are largely considered obsolete, as most are High-Pressure Sodium (HPS) or even older mercury vapor types. These are becoming increasingly challenging to maintain due to their location and the difficulty of accessing the poles they are mounted on.

The discussion included Jared Burton, who shared an anecdote about his own experience with a similar yard light at his house, which had been discontinued by their service provider, prompting him to opt out of paying for it. This narrative illustrated a broader trend among utilities moving away from offering such lighting services.

Chris Lund also suggested that if there was a desire to phase these lights out more quickly, the rate could be increased more dramatically, perhaps even doubling each year, to expedite the process. Jeremy added that the city's strategy aligns with that of other utilities, which are also reevaluating their lighting offerings to phase them out or materially change how they are handled, moving towards a future where such services might be obsolete.

Residential Rates

Chris Lund presented the proposed changes to residential rates, emphasizing an incremental approach to aligning costs and improving cash flow. The plan consisted of small yearly increases in the fixed monthly customer charge and the demand charge, intended to better recoup fixed operational expenses. For the monthly customer charge, the increase was minimal, starting at \$18.50 and gradually rising to \$20.50 by 2028. The demand charge would increase from \$3.50 to \$4.50 per kilowatt, aimed at aligning with usage peaks and operational demands.

In parallel, the energy charge per kilowatt-hour would see a slight reduction, with the goal of making the kilowatt-hour and the Power Cost Adjustment (PCA) more reflective of UAMPS power bills. The PCA portion, originally a little over two cents per kilowatt-hour, was considered to be adjusted so that the base energy charge absorbed more of the cost, thereby reducing reliance on the PCA.

Chris highlighted that the net effect of these adjustments would equate to roughly a \$2 per month increase each year for residential customers. This methodical approach sought to stabilize cash flows without causing substantial financial impact on customers. Jeremy Franklin endorsed the plan, reinforcing that these changes were based on a comprehensive cost of service study conducted by UFS, ensuring the increases were justified and necessary for maintaining the utility's financial health. The aim was to carefully balance cost recovery with customer fairness, creating a sustainable financial strategy for the utility.

Commercial Rates

Chris explained that all commercial rates are interconnected, with variations mainly in the fixed monthly customer charge that changes based on service type and transformer size and/or whether the service is provided overhead or underground. He detailed the proposed adjustments for each category within the commercial rate structure, highlighting that while the kilowatt-hour rates and demand charges remain constant across all categories, the fixed customer charge is modified according to the customer's service setup. These fixed charges aim to account for the increased costs associated with servicing larger transformers or underground installations, reflecting the true cost of utility support.

He indicated that although the basic rate components, like the cost per kilowatt-hour and the demand charge, were consistent, the transformation into specific customer charges introduced variability. As an illustrative example of this, the commercial single-phase rate category may have an increase of about \$8 a month over the four-year period, whereas the commercial three-phase segment targets an increase closer to \$9. For those categorized under three-phase but serviced underground, this might translate into a slightly higher monthly increase of around \$14.

Moving into the larger transformer categories that require underground service, the proposal estimated a more significant monthly increment. This was attributed to the larger requirement and consumption by these customers compared to others. For instance, customers in the larger three-phase category could anticipate an approximate increase of \$55 per month, reflecting their higher energy demands and infrastructure costs. Finally, in the highest category reviewed, those with the largest transformers serviced underground, the structured increase could be about \$60 to \$70 per month. This approach underlines the principle where more substantial infrastructure usage correlates with proportionately higher fixed charge increases, all aimed at fair cost distribution across the customer base.

Agricultural Rates

Chris Lund explained the proposed changes to agricultural rates, noting that they were historically kept at a relatively low level, almost as if they were subsidized. This proposal intends to shift these rates to be more in alignment with commercial single-phase rates over a five-year period. Initially, agricultural customers have been paying about 5.5 cents per kilowatt-hour, significantly less than the typical 9 to 10 cents for other customers. The plan involves linking their demand charge with the commercial single-phase rate and incrementally increasing their kilowatt-hour charge each year. By the end of the five-year period, agricultural rates are expected to closely mirror those of the commercial single-phase customers, although their monthly customer charge will remain slightly lower. This phased approach provides agricultural customers with some relief over the upcoming years, allowing them to adjust gradually to the new rates. Jeremy Franklin added context by noting that there are only a few agricultural customers who would be affected, including some pivots and farms transitioning from Rocky Mountain Power services.

Time of Use Rates

Chris presented detailed data highlighting a significant shift in power costs, where off-peak power has unexpectedly become more expensive than on-peak power in recent months. This data was illustrated with a comprehensive analysis done over the past year, which showed that in several months, the trend had reversed due to various factors such as the impact of solar power and changing resource mixes. He proposed two strategic approaches to manage this change: either gradually phasing out the time-of-use rate differential over several years or adopting a uniform rate immediately. Chris explained that past on-peak hours were traditionally more expensive due to higher demand, but current dynamics, including increased overnight costs related to less affordable base load resources like coal and natural gas, have altered this landscape.

The board engaged in an in-depth discussion on the broader implications of these changes for existing time-of-use customers and the potential interest from future customers. They recognized that the present time-of-use setup doesn't necessarily benefit customers under the new cost structure and weighed different scenarios for implementation. In the end, the board agreed to adopt a proactive approach by recommending the adoption of the rate plan through 2028 on a calendar year basis, considering both customer impact and financial viability for the utility.

Sharon Downey moved to make a positive recommendation for the rate increase through 2028 on a calendar year basis. The motion. was seconded. All voted in favor.

UAMPS Update

Jeremy Franklin provided an update on UAMPS activities:

1. The natural gas contracts for the US gas project were approved, but approval from other cities is still pending.
2. Parowan City committed to acquiring 100 kW of output from the Cove 42 geothermal plant, anticipated to be operational in 2027. While the cost per megawatt hour is noted to be somewhat on the high side, around \$100, the project is appealing because it offers round-the-clock baseload power from a geographically proximate location. This strategic decision is part of Parowan City's broader aim to fortify its power portfolio with diverse energy sources.
3. Jeremy elaborated on the city's deliberate plans to diversify its energy portfolio by including geothermal, wind, and battery storage projects. He noted that while they have a solid base supply from other established sources like Hunter and new gas projects, these additional resources would not only enhance power reliability but also ensure a more balanced and diversified energy supply. The city secured investments in geothermal and small wind projects, with an eye towards more sustainable and potentially cost-effective resources. The objective is to maintain alignment with current energy needs while preparing for future demand shifts.

These initiatives underscore Parowan City's commitment to advancing their energy diversification strategy while reinforcing their position to manage cost implications effectively amid evolving power market dynamics.

Other Business

No other business was discussed.

Adjournment

Sharon Downey moved to adjourn the meeting. The motion was seconded. All voted in favor.

The meeting was adjourned at 6:23 p.m.


Callie Bassett, City Recorder

Date Approved: May 15, 2025