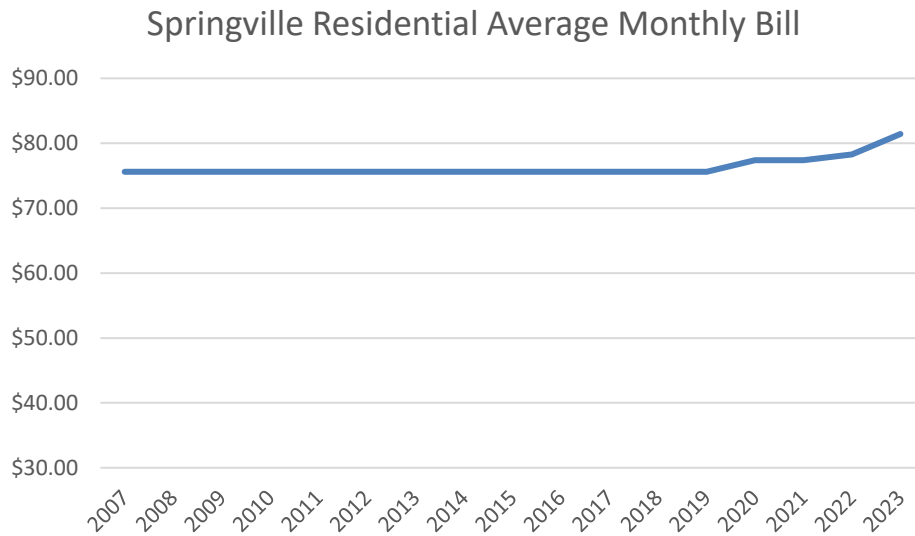
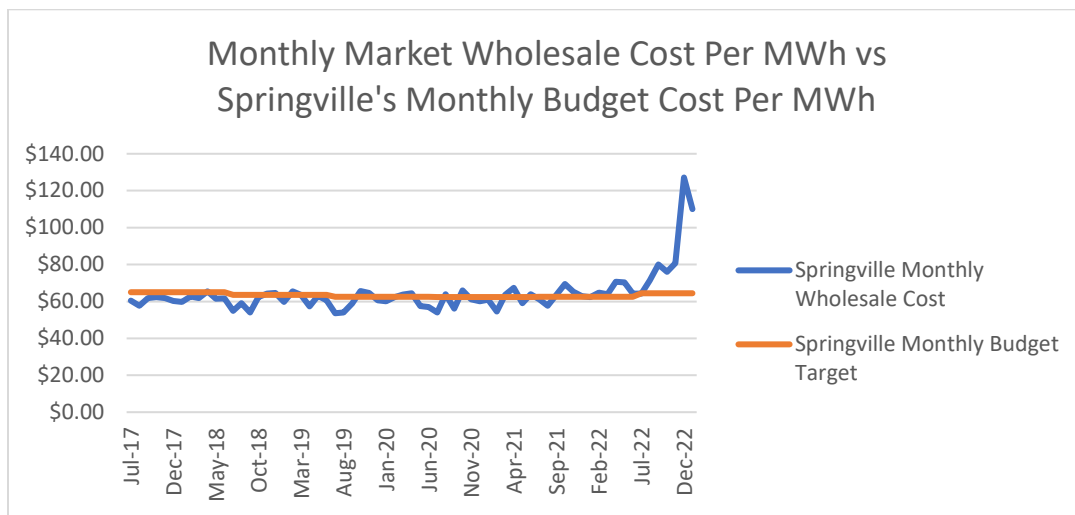


Springville City like much the rest of the country is experiencing rising energy costs. In 2014 Springville’s City Council implemented a plan to cushion market fluctuations and volatility for residents. This plan, called the Fuel Factor Adjustment, permits the City to absorb about a 3.1% rise above budget for fuel and electricity. After the Springville absorbs the initial buffer of the 3.1% rise in costs, the Fuel Factor Adjustment is triggered to cover the remaining deficit in funds needed to pay for the increased energy costs. Adhering to this policy has helped Springville keep rates very stable for a number of years.

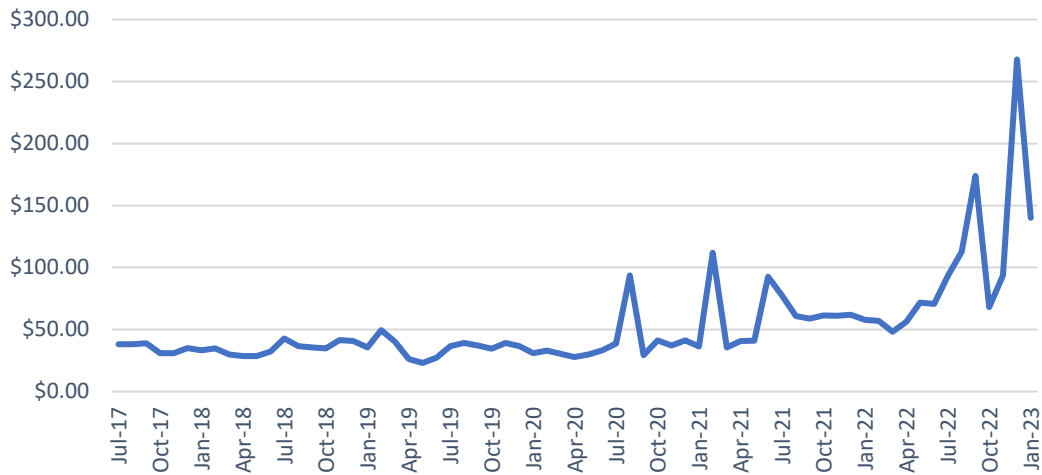


Springville has been successful in moderating the wholesale cost of power for residents during the last few Fuel Factor Adjustment tabulation periods. This was accomplished through purchasing energy resources and powerplants and limiting exposure to market purchases.

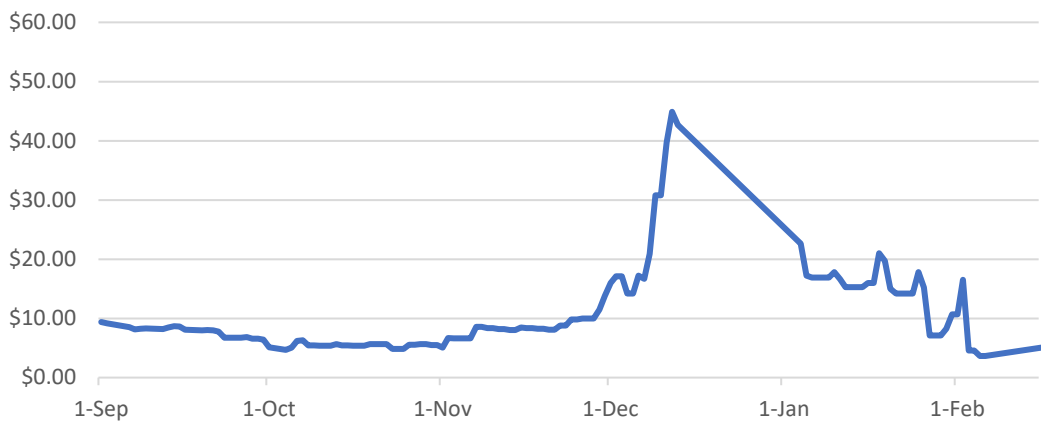


However, during the last 12 months the western part of the United States has been subjected to extraordinary price levels. The increased pricing is due to the structural problems of western coal plants being closed or curtailed, lack of transmission lines, increased exporting natural gas and coal, and regulating new renewable generating equipment. Simultaneously we are adding electric vehicles and more devices than ever before. Even with limited market exposure the City has been forced to pay very high prices for power imported for use in the City. September 2022 through March 2023 have been especially unusual.

Monthly Average Price For Market Purchases Per MWh



Natural Gas Spot Price Sept 2022-Feb 2023



The Fuel Factor Adjustment formulation has been triggered for the period of July 2022-Dec 2022. This formula is designed to recoup losses that are financed by the City for the last 6 months, by attaching an additional charge on each kWh during the next 6 months.

The City Council and Mayor have taken additional steps to help cushion the citizens from receiving large power bills during the next six-month period. Reserves were injected from money set aside from good years to pay for a large portion of the excess balance. As a result, citizens will see a small increase to

their bills during the next six months of .009549 per kWh. This will result in the average user, consuming about 750 kWh a month paying an additional \$7.16 monthly.

Springville's City Council and Mayor are procuring additional fuel to use at Springville's current powerplants, while also investing in new generation. These efforts are being made to remove more market risk in the future for Springville's rate payers.

Energy rates are being determined by securing long term gas deals and utilizing the City's current plants. Energy bills that Springville's customers will see for July 2023- June 2024 were estimated from prices Springville is expected to pay for these energy sources over the next year. The wholesale rate is expected to climb about 10% for this upcoming year.

The Customer Service fee is reflective of the costs to get power to the customer. It pays for the wire, transformers, and workers. It is the connection to get grid reliability. This fee does not pay for power supply. The current price is actually lower than the actual costs to recoup these expenditures. The City will need to continue to adjust this fee as time goes forward to adapt to the need of integrating Customer owned solar, electric vehicle charging, and in battery storage.