



**MINUTES FOR THE REGULAR MEETING
OF THE POWER BOARD
OF THE CITY OF SPRINGVILLE, UTAH
WHITEHEAD POWER PLANT
JUNE 13, 2012 – 6:30 A.M.**

MEMBERS PRESENT: Chairman David Neilsen, Clair Anderson, Leon Lee, Travis Ball, Darrin Wolz,
Jason Miller

MEMBERS ABSENT: Councilman Ben Jolley, Tom Hawks, Lynn Panter

DEPARTMENT STAFF: Leon Fredrickson, Matt Hancock, Brandon Graham, Shawn Black

Minutes were transcribed by Kami Craudell, Power Board Secretary.

CALL TO ORDER

The meeting was called to order at 6:29 a.m by Chairman Neilsen. The members were in attendance as listed.

APPROVAL OF THE MINUTES

A motion to approve the May 9, 2012 meeting minutes as written was made by Clair Anderson. The motion was seconded by Leon Lee and was passed with a unanimous vote of the members present.

BUSINESS

1. FINANCIAL REPORTS

- a. **CURRENT SALES AND REVENUE SUMMARY – MAY 31, 2012:** Mr. Fredrickson reported on numbers thru May 31, 2012, there is one month remaining in the fiscal year. Kwhrs sales have slightly increased during the month of May as compared to last year. Residential sales are at 92.63 of budget predictions. Commercial sales have also increased for the monthly comparison in all but the small demand category. Sales have increase around 450,000 kWh for the month as compared to May 2011. The total Kwhrs for all rate classes is at 90% of budgeted amounts. Revenues are at 92% of billed Kwhrs. The Year-To-Date comparisons show approximately 1% in residential growth and only some commercial growth in the Interruptible Rate Class of 24% and a small increase of 0.27% in the Small Commercial Rate Class. The Nestle/Stouffers line item shows a decrease of 9% or roughly 6 million kWh from last year. The annual comparison for YTD is 2.5% less than expected and revenues are 1% less than expected.
- b. **RESOURCE COST SUMMARY – APRIL 2012:** Mr. Hancock reported that this is the first report on resources without the IPP resource. Most of the resource and costs have been transferred to the Nebo Power Station (NPS) and UAMPS pool. The month of April shows 4 million Kwhrs from the UAMPS pools and 3.6 million Kwhrs from NPS. The total blended UAMPS cost is \$39.00 MWh. The resource cost with DG&T and line losses included is \$58 per MWhr, this is approximately \$10 MWhr less than anticipated. As the Kwhrs are increased in NPS the total cost of the project will continue to decrease. The DG&T contract is active thru December 31, 2012.
- c. **SUVPS DRY CREEK BOND CALL AND PAYOFF:** In 2002 SUVPS coordinated with Rocky Mountain Power and completed the steps necessary to complete an interconnection agreement for the Dry Creek Substation (DCS). A Transmission Revenue Bond was issue to build DCS through SUVPS with Springville, Payson, and SUVESD participating. Spanish Fork and Salem also participated but received separate bonding. The bond is callable on September 15, 2012. The participating bond members have decided to call the bond instead of refinancing. The interest savings are expected to be \$355,000.00. The bond participants have been working on receiving the necessary approval from their respective City Councils and Boards. Other options include maintaining the current payment schedule over the next ten (10) years, or refinance the bond and saving some interest costs.

2. RESOURCE REPORTS

- a. **RESOURCE PORTFOLIO PLANNING DISCUSSION –** This is a continued item from the May Power Board. Mr. Black compiled a Power Point presentation with the requested information. Staff has looked into available coal resource through a Power Purchase Agreement (PPA) or ownership. The resource is

needed to meet Springville's anticipated 20 MW Base Load requirement. Staff is looking at acquiring five (5) to six (6) MW to meet the requirement. Available options include purchase from DG&T, San Juan, IPP, or a PPA through Morgan Stanley or another third party broker. An additional option would be to hedge fuel for WHPP and/or NPS and bring Kwhrs to the system load through those projects.

- i. Market Hedge at Mona: An option to purchase energy from a third party at Mona Market is currently available at a cost of \$52.00 MW, or roughly \$2.7 million a year. The contract would be for ten (10) years. There is some counter-party risk with this option.
- ii. San Juan: Staff took the last two (2) years of actual from San Juan and added \$5.00 MW for the required Selective Catalytic Reduction (SCR) upgrades. The total expected upgrade costs for the entire four (4) units are around the \$1 billion with debt service ranging over the next twenty (20) years, owners are still considering a possible natural gas conversion on one or more units at the plant. The anticipated cost is \$75.00 MWh, or \$3.9 million a year.
- iii. IPP: Staff considered numbers from 2007 to recent. \$5.00 MW was again added for anticipated emission control costs. The total anticipated cost for the resource is \$74.50 MWh, or roughly \$3.9 million a year. Owners are also looking at a natural gas conversion for the plant. A good option with this resource is the availability to opt in and out of the resource. The resource can also be laid off to California if not being used.
- iv. DG&T: An option to renew the contract for a year was offered. A contract renegotiation was offered at the end of the year extension. DG&T is trying to bring their costs more in line with what is on the market currently. The contract on the table has a full liability clause for environmental issues and escalating pricing. The first year would be around \$2.6 million and would end at roughly \$3.5 million a year. The total contract price would be approximately \$35 million.
- v. CAT ENGINES: Staff has looked at installing two (2) 4 MW units on existing WHPP infrastructure and air permits. The units have a very competitive heat rate and are very efficient with a forward thinking design. The cost would be roughly \$3.5 million each on a ten (10) year loan at 5%. The fuel hedge at this time would be approximately \$4.50 / MM btu. Total cost for fuel and maintenance is \$3.178 million per year. The benefit of this option is ownership of the units after payoff. A lease option is also available for the units.

The Blue Mountain Biogas project will be included in Springville's portfolio when the DG&T contract expires in December. Springville will still be five (5) MW short for base load, but it is possible to cover with pool purchases. A concern with purchasing additional gas resource is the growing adverse response to fracking and that all movement is towards gas. This will or could cause gas pricing to increase. The largest concern for staff is the environmental risks that the future might bring.

REPORTS

1. DISTRIBUTION – Board members were asked to review the report at their convenience.
 - a. APPA AND IPSA SAFETY AWARD RECOGNITION – Mr. Graham reported that Springville City Crews have received two (2) safety awards. Crews have received the Intermountain Power Superintendents Association (IPSA) Safety Award for 30,000 to 70,000 worked with zero loss time accidents. Crews also received the American Public Power Association (APPA) Safety Award for less than 60,000 worked hours with no loss time accidents. Both awards were for the calendar year 2011. The awards will be presented to the City Council on July 17, 2012
2. GENERATION – Board members were asked to review the report at their convenience.

OTHER

No additional items were brought to the table.

ADJOURN

A motion to adjourn the meeting was made by Clair Anderson. The motion was seconded by Darrin Wolz and was passed with a unanimous vote of the members present. The meeting was adjourned at 8:02 a.m.