



**MINUTES FOR THE REGULAR MEETING
OF THE POWER BOARD
OF THE CITY OF SPRINGVILLE, UTAH
WHITEHEAD POWER PLANT
FEBRUARY 11, 2015 – 6:30 A.M.**

MEMBERS PRESENT: Councilman Craig Conover, Chairman Clair Anderson, Elizabeth Crandall,
Jason Miller, Rod Andrews, Travis Ball, Patrick Monney

MEMBERS ABSENT: Darren Wolz, Tom Hawks

DEPARTMENT STAFF: Leon Fredrickson, Matt Hancock, Brandon Graham

Minutes were transcribed from recording by Kami Craudell, Power Board Secretary.

CALL TO ORDER

The meeting was called to order at 6:30 a.m. by Chairman Anderson. The members were in attendance as noted.

APPROVAL OF THE MINUTES

Travis Ball motioned to approve the January 14, 2015 meeting minutes as written. The motion was seconded by Rod Andrew, the motion was passed with a unanimous vote.

BUSINESS

1. RESOURCE AND RATE FINANCIAL REPORTS

- a. **FY15 kWh SALES AND RATE REVENUE REPORT – JANUARY 31, 2015:** A handout was provided for each Board member. Residential usage is at 85 million kWh year to date for a received total in rate revenue of \$5.4 million. This is 61.32% of budgeted amounts. Small commercial is holding steady at 58.72% of budget, and large commercial is doing well at 63.58% of budget. The total for all rate classes is at 60.75% of budget with 58% of the fiscal year elapsed.

The fiscal year of 2014 to current fiscal year comparison shows a revenue decrease of 3.4%

- b. **RESOURCE COST REPORT – FY COST OF RESOURCE – DECEMBER 2014:** Mr. Hancock reported on the cost of resource for December 2014. The production and costs were as follows: CRSP, 2.4 million kWh at \$29.17 per MWh; San Juan, 2 million kWh at \$77.77 per MWh; Pool, 2.4 million kWh at \$40.00 per MWh; PX, 5.4 million kWh at \$54.87 per MWh; PV Wind, 207,000 kWh at \$57.71 per MWh; Nebo Power Station, 7.8 million kWh at \$75.65 per MWh; Horse Butte Wind, 736,000 kWh at \$78.25 MWh. The UAMPS blended total for the month was \$59.60 per MWh. The biogas resource was received at a cost of \$61.21 per MWh for a total monthly all resource blended cost of \$60.46 per MWh.

2. RESOURCE DISCUSSION

- a. **RESOURCE REVIEW AND PLAN:** Mr. Hancock was asked to present on what market fuel was available for purchase. Mr. Hancock contacted the current Springville City gas broker and the UAMPS gas broker for information on a long term gas purchase, looking forward to 2024. The same broker was also asked to project fuel costs for the period, the range received was from \$2.68 per Decatherm (Dth) to \$4.25 per Dth. The current fuel hedge at Nebo is \$4.25 per Dth, with a 75% fuel hedge thru August of 2018 with a decrease to 40% to 2022. Current market is favorable to fuel hedges. A handout was provided for each member detailing the current fuel hedges and the length of hedge. The overall cost of a project depends on its usage, base load versus intermediate or peaking. If an intermediate product is operated and scheduled as a base load product, the cost would be cheaper.

It was suggested that the proposed recreation center / pool be built near the WHPP utilizing the waste heat from the proposed three (3) new engines to heat the center. This would decrease the operating costs for the facility and would in. Current low market pricing is not favorable to installing new equipment. The discussion pointed out that the best time to install new equipment is when the equipment is not needed. It is harder to install needed equipment when market price is high and the equipment is needed to decrease cost.

Craig Conover was excused from the meeting.

Staff provided their opinions to the Board regarding possible options. Mr. Hancock noted that there are no assets gained if Springville continues to purchase market product. All current hedges are right up to the budget limit, not leaving much extra at the end of the year to be placed in the department reserves. The following recommendations to the City Council were motioned and seconded as noted.

It is the recommendation of the Power Board to the Springville City Council that in the interest of maintaining long-term rate stability the Board propose that the City purchase new generation equipment in the form of two (2) generators, with an option to purchase a third, to be housed at the Whitehead Generation Facility using existing infrastructure. The Board recommends the generators be purchased using budgeted funds over the next three (3) years with contracts obtained to buy market power products to offset baseline power shortfalls until all of the units are in place. This will allow Springville to maintain base load electricity resources which will be lost when the San Juan Project ceases operation in 2017; increase Springville's self-sufficiency, while ensuring rates are maintained over the longer term.

The motion was made by Jason Miller and was seconded by Patrick Monney. The motion was passed by a unanimous vote of the members listed as present.

It is the recommendation of the Power Board that the City Council allow Staff to hedge fuel gas for the Nebo Project and new Springville generation to the 80% level over a period of five (5) to ten (10) years, with a preference for the longer time frame.

The motion was made by Jason Miller and was seconded by Clair Anderson. The motion was passed by a unanimous vote of the members listed as present.

It is the recommendation of the Power Board to the Springville City Council that an investigation be completed into the benefit of locating the proposed aquatic recreational facility near the new generation assets to utilize waste heat instead of electricity to provide water and environmental heating as this co-location has the potential to significantly decrease operational costs at the new recreational facility.

The motion was made by Jason Miller and was seconded by Patrick Monney. The motion was passed by a unanimous vote of the members listed as present.

b. UAMPS PROJECT UPDATES

- i. **SAN JUAN PROJECT:** Mr. Fredrickson provided a copy of the protest and demand letter sent to the Public Service Company of New Mexico and the San Juan Project owners regarding a billing for the started SNCR project. Mr. Fredrickson highlighted the seven (7) major points for the Board. One major point is the possible shut down of the entire project, the prudent utility practice being it is not fiscally sound to install the SNCR. Another major point was the issuing of a RFP for coal mining without mentioning the current suit by an environmental group to revoke the current San Juan Coal Company mining permit. The project cannot operate if the permit is terminated. The letter requests a delay in any work until after May 1st, 2015.
- ii. **CFPP – CARBON FREE POWER PROJECT:** Mr. Fredrickson provided a handout detailing the area of focus for the project during the upcoming UAMPS fiscal year. The areas include site reliability, water rights, and developing a significant proforma to determine hard costs for the project. The project budget is \$2 million, with an expected grant for \$1 million to decrease the total. Springville is currently participating at a 20 MW level, or approximately \$3,000.00 a month.

REPORTS

1. **DISTRIBUTION:** Mr. Graham had a slide show running during the meeting showcasing work that crews have completed or are working on. There was a single outage in January caused by a Mylar balloon.
2. **GENERATION:** Mr. Hancock did not provide a report for the month but would make it available if requested.

OTHER

Springville City recently applied for the APPA's RP3 designation. Springville will receive the Platinum designation; this is higher than the last received designation of Gold. An additional seven (7) points was received from the review and acceptance of the application by the APPA RP3 Committee.

ADJOURN

A motion to adjourn was made by Travis Ball and was seconded by Patrick Monney. The motion was unanimously approved and the meeting was adjourned at 8:04 a.m.