

PAROWAN POWER BOARD MINUTES
MARCH 16, 2023
CITY OFFICES – 35 EAST 100 NORTH – 5:30 P.M.

MEMBERS PRESENT: Jeremy Franklin (Power Superintendent), Greg Evans (Chair Pro Tempore), Matt Gale (Council Representative), Sharon Downey (Council Representative), Dan Jessen (City Manager), Stacy Gale (Secretary).

MEMBERS ABSENT: Jared Burton, Kyle Hansen.

PUBLIC PRESENT: Chris Lund with Utility Financial Solutions (UFS) on Zoom.

Jared Burton was not able to be at the meeting. Greg Evans was appointed Chair Pro Tempore.

CALL TO ORDER: Greg Evans called the meeting to order at 5:32 P.M.

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

APPROVAL OF MINUTES: Greg Evans moved to approve the minutes of January 19, 2023. Matt Gale seconded the motion. All members present voted in favor of approval. The motion carried. The minutes were approved.

POWER COST ADJUSTMENT DISCUSSION WITH CHRIS LUND OF UFS – Jeremy Franklin introduced Chris Lund with UFS who has been working on the city's Power Cost Adjustment (PCA) and asked him to go over the Rider and the inputs into the PCA.

Chris Lund thanked the committee for continuing to work with Utility Financial Solutions on some of our cost-of-service studies, and future rate design that will be coming back to us in the next month or so. With the interim UFS felt it was appropriate, due to the volatility in the power market relating to pricing, we should discuss this PCA mechanism and they strongly encourage us to implement it.

Chris talked about how the power prices have dramatically increased more than anyone could ever imagine in the last 6 to 12 months. He said there have been some difficulties sourcing coal, and some instances where one or more of the hydro dams have been laid up for service. There are a variety of reasons that we may be forced to look at more market pricing, in terms of power supply, to fill our energy needs outside of our existing coal plant and hydro facilities. Chris said what has been happening is that we have been absorbing the increase in the power supply costs causing a significant drain on our cash position. He explained that the PCA mechanism would track the power supply cost on a monthly basis and pass the incremental increase on to the customer through the calculation.

Chris said first of all he would ask us to consider implementing the PCA. The UFS would consider it as a rate writer. If adopted by the Power Board and City Council it would become

one of our electric rate writers that would apply to all rate schedules. This incremental charge would be implied to every customer at a kilowatt hour basis.

Chris put the PCA Rider Schedule (attached) on the screen. He said the Rider tries to describe what a PCA is in words and tries to give a basic PCA formula calculation, as well as a brief definition of terms. Essentially, they are trying to monitor and calculate the changing power supply cost and be able to pass those increases onto the customers fairly in a reasonable, smoothing method.

Dan Jessen questioned the PCA Calculation formula; Chris said they will check the math. Dan said the City Council will adopt this as the legal rate that will essentially be changing every month by that formula so he wants to make sure the formula is right.

Chris explained that this is not a perfect science because they are using historical rolling averages of power supply to predict future unknown sales. That is why in the modeling we will see they track a running over and under collection of the performance of the PCA and at times there may be a need to put a manual adjustment to try to bring it back into balance.

Chris explained that the PCA can increase or decrease over time which can result in an additional charge or credit to the customer. He said the nature of this model is it is looking at 6 month rolling history, but 2 months back from that. He said this model is customized for Parowan City. Chris said he didn't think there is a huge risk in us unfairly overcharging our customers.

Chris put the model on the screen. He said he has worked with Jeremy and Judy Schiers to put in our specific data. Chris explained how the model works and what we need to manually input each month to calculate the PCA. Chris said we can track the dollars we spent on kilowatt hours we bought and what the kilowatt hours we sold. The base rate already has a certain amount of recovery for power supply; based on their analysis we are recouping \$36/mWh for power in our base rate right now. The model compares what we are already recovering in our base rate and it can track the over or under from the \$36/mWh and does it as a differential for that PCA contribution.

Chris talked about the "Monthly Power Costs vs. Running over OR" graph. He said over the last 24 months he calculated that we have under collected the power supply by around \$410,000. This will directly show the drain in our cash balances, and how we are floating this until if and when we either raise our base rate or implement the PCA. Dan asked if we implement a PCA right now, is that PCA only trying to charge for the last six months? Chris said it is looking at the rolling six months. Dan asked when we institute this, what manual adjustment will we do; do we start out balanced, by definition, or do we look back six months and balance it at that point, legally, if we are adopting it now? Chris said he didn't think we are under any legal concern because there are no laws that say you can or cannot do this; we can pass this onto our customers any way we see fit.

Jeremy said he and Chris talked about the timing of the rate study implementation being July 1st, but he would like to do it in the spring when customer usage is lower so when we do a base rate increase, the customer won't notice it as much. If we implement the PCA in July, which a high

usage month, and increase the base rate cost, the customer's bill be a larger bill than it would be in May. Dan said by putting in a PCA right now we have effectively done that; we will be bumping the rate up right now, and by the time we adjust the base rate in July it will also go up but the PCA will work its way back down.

Jeremy said he would like to implement the PCA in the next billing, and the base rate adjustment July 1st. Dan said he thinks we are ready to implement the PCA now. It has been talked about in this board and City Council for some time; the question is do we also want to do the base rate increase now. Chris said he feels the PCA needs to be done as soon as we can, then as soon as appropriately possible do the base rate increase too. Chris said the prediction for the base rate changes could be between 2-6%.

Chris explained different ways to do manual intervention to increase or decrease the PCA to keep it smooth and stable to the extent that the utility can absorb funding that time period of waiting.

Chris said he would like to be involved in keying in the numbers for the next few months with Jeremy and Judy to make sure it is working properly and monitoring its performance and make decisions of any manual adjustments or tweaking. Jeremy said he had January numbers. Chris keyed them in at the meeting, which brought the total under collected to over \$500,000.

After a discussion, the committee agreed to take this to the City Council.

Matt Gale moved to approve the Power Cost Adjustment (PCA), as discussed with Chris Lund, to be presented to the city council at the next City Council meeting during the Action Meeting. Greg Evans seconded the motion. All members present voted in favor of approval. The motion carried.

UAMPS UPDATE – Jeremy Franklin said they are still trying to get coal for Hunter and trying to get people to join the nuclear project. They are working on the nuclear project to find a mechanism to give early movers a discount.

Dan asked if there are any projections for Lake Powell; Jeremy said all the talk is about the past and we won't know until the inflow starts to come in. Matt asked if it is low enough that they can't produce power; Jeremy said no. They projected early last year that early 2024 would probably be below the production level. Jeremy said they are hoping to not have to release as much from the other reservoirs into Lake Powell.

Jeremy said they didn't have a Crisp or Colorado River meeting this month.

OTHER BUSINESS: None.

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 7:23 p.m.

Minutes Approved at April 20, 2023 Meeting



Greg Evans, Chair Pro Tempore



Stacy Gale, Secretary