The Hurricane City Power Board met on September 14, 2022, at 3:00 p.m. at the Clifton Wilson Substation on 526 W 600 N for a Power Board Special Meeting.

In attendance were Chairman Mac Hall, Pam Humphries, Jerry Brisk, Joseph Prete, Charles Reeve, Scott Hughes, Brian Anderson, Mike Ramirez, Jared Ross, Kaden DeMille, Paige Chapman, and Crystal Wright.

Mac Hall welcomed everyone to the meeting and offered the prayer.

Discussion and possible recommendation of approval for power rate increase: Scott Hughes reported that he has spent a lot of time with Kaden DeMille and Paige Chapman working on the rate study. The investigation into the bonding process really brought to light the financial difficulties facing the Power Department. Reported the current financial outlook. Kaden DeMille reported on the history of how the bonding process started and is going. He reported that this past year we were unable to balance the budget, due in large part to the lack of revenue coming in to offset the increase in many costs to the Power Department. We currently do not have the bonding capacity to bond for the critical infrastructure that is needed with our current rate structure. Joseph Prete asked for a brief explanation of what is required for bonding and where we are short. Kaden DeMille provided an explanation. Charles Reeve explained that the situation we've always modeled is to cover 100% of our expenses and break even. We're in the business to cover the costs to supply power and come out at zero. The shift to have to come in at more than 100% to qualify for a bond when we're already behind the curve in revenue probably means a larger rate increase than we had anticipated originally. Historically, we have built infrastructure as we have had money to do so. New growth is requiring infrastructure to be built faster than impact fees can provide funding for and that's why we investigated bonding. Scott Hughes explained how yearly costs for 10 years stayed close to the same averages and the past 2 years have increased dramatically. Showed differences in power costs compared to rates charged. We have been able to operate with a 30% gross margin and stay consistent with covering our costs until the last 2 years. So far this year we are at approximately 13% and looking to finish the year potentially less than that. Scott Hughes presented possible solutions. He presented information showing rate structures across different power providers in our local area. Joseph Prete asked if we have knowledge of rate increases happening with these power providers. The presentation information is based on current rates, not on projected or future rate increases by other providers. We are proposing a 15%-17% increase in rates. Also proposing using reserve funds to cover some of the projects so that we can decrease the amount that we are looking to bond for. The original bond amount was for $17 million. We may be able to lower that amount to $11 million. Some of that amount may be dependent on development plans that have been slated for the future proceeding. If those developments do not proceed as predicted, then our infrastructure projects may be pushed back. Mac Hall asked what a 15% increase would look like on an actual bill. Scott Hughes showed calculations for low, middle, high consumption users. Showed the difference in consumption costs between existing rates and proposed rates. Also showed worksheet showing how an increase in base rates would look with the proposed rates in the projections in the worksheet being used for the bonding. Scott Hughes reminded the Power Board that it

was discussed at a previous meeting to also raise impact fees from the 75% recovery rate to a 100% recovery rate using the existing impact facilities plan study that is in effect. Joseph Prete discussed increases going up in many other areas as well and how it affects consumers. We're discussing power, but there are increases in many other rates as well. Scott Hughes and Paige Chapman explained that these discussions were not easy ones because of their knowledge about other fee increases. The responsibility is also to keep the Power Department financially stable. Pam Humphries stated that City Council may have to take a hard look at future development projects if we don't make some changes. Mac Hall commented that cheap power is gone because we are outgrowing our power resources. Paige Chapman informed them that it sounds like an aggressive proposal, however, by taking into consideration the amount of time that has passed in between rate increases, combined with the increased overall costs of power and the rate of inflation it ended up being a conservative increase to bring us back into a sustainable operating margin. Group discussion about differing bond amounts and the related bond payments there would be depending on the amounts. Mac Hall asked if a board recommendation is needed to send the proposal to City Council. Scott Hughes confirmed that is why a special meeting was called. If the board doesn't agree with the proposal, we would not send it to City Council. Mac Hall asked if there has been enough discussion to make a recommendation.
Charles Reeve motion to recommend a 15% increase of the consumption rate (cost per kWh) for power rates across the board, $1 increase for all base rates, except for large commercial which will go to $320, impact fees to increase from 75% to 100% of the impact fee study to go into effect as soon as possible. Jerry Brisk seconds the motion. All aye, except Joseph Prete, who abstained from vote.

The Power Board adjourned at 4:45 p.m. The next Power Board Meeting is scheduled for October 5, 2022, at 3:00 p.m.