

15% Increase for Power Usage

The City's policy is to hedge future power to provide Rate Stability, meet power requirements, resource resiliency, reliability, and provide for the financial health of the Power Department.

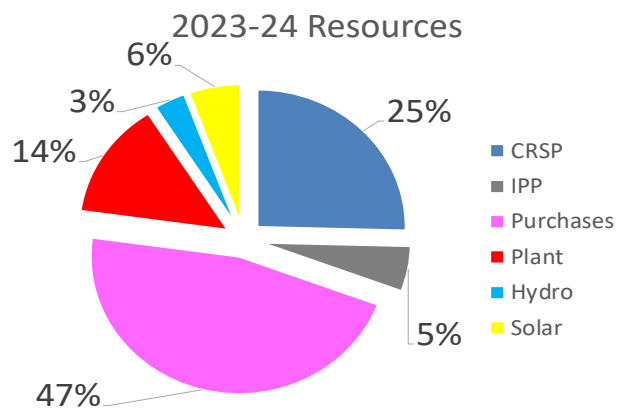
The 15% rate increase is required to cover the increased cost of resources, materials, and overall maintenance costs. It will insure the current and future financial health of the department. We have dipped into our cash reserves to make sure that this increase was needed or if the higher power market prices would drop or if they would maintain into the future.

Several of Bountiful's Power Sources Have Been Disrupted

The City has a diverse resource portfolio which is intended to prevent any one event from totally disrupting the required power for the City. We are currently experiencing several multiple events on power resources and materials.

The City has the following resources.

- Colorado River Storage Project (CRSP)
- Intermountain Power Project (IPP)
- Natural gas fired project
- Echo and PineView hydro projects
- Red Mesa Solar project
- Market purchases



Although there is an abundance of snow in the mountains this year, the drought has had a major impact on our CRSP project. The city historically has received over 40% of its power from the Colorado River or the Glen Canyon Dam at Lake Powell. (CRSP). We are only receiving 25% of the power for nearly the same price as we have paid for 40% of our power in the past. The Bureau of Reclamation which operates the Glen Canyon dam estimates that it will take 20 years like this year to fill Lake Powell.

The IPP coal fired project output has been reduced due to a coal mine fire and environmental problems at other mines. Coal deliveries from the railroad to the plant have been reduced or limited due to their manpower shortages. The IPP plant is currently only able to run one of the two generation units at a minimum level to save coal for the summer months.

The price of natural gas has increased due to demand. We have purchased gas into the future for our normal anticipated operations. We are planning on operating our

natural gas peaking plant more as a base load resource due to the power market conditions. This additional purchased gas is at a higher price. Using the plant to cover more of the base load also increases our dependence on market power.

The Red Mesa solar project began operation in mid-March. This project is comparable to installing 580 roof top solar systems. This project has solar panels which have a tracking device to follow the sun which maximizes the power during the daylight hours. The Steel solar project has been delayed due to supply problems.

The San Juan coal power project was shut down in September 2022 due to environmental constants. Although the plant has been shut down, we are still required to fund the decommissioning process.

We have had to purchase additional power from other suppliers at higher prices to meet the anticipated needs of the city.

Material and Supply Costs are More Expensive and Currently Difficult to Procure

The budget includes funds to continue with the power system maintenance program. It includes rebuilding overhead and underground electrical systems along with maintaining our tree trimming program. Materials like wire, transformers, and poles have nearly doubled in cost in the past several years. We not only pay more for transformers, poles, and wire, but it is taking us almost a year after ordering them to get delivery on these items.

The budget includes money to begin rebuilding the power substation located near Viewmont High school and upgrading the controls at our hydroelectric projects.

The maintenance and capital programs are necessary to maintain and increase our system reliability.