

**PAGE ELECTRIC UTILITY  
REGULAR BOARD MEETING  
JANUARY 15, 2008**

**CALL TO ORDER:** The regular meeting of the Page Electric Utility Board was called to order at 5:31 p.m. on January 15, 2008 by Chairman Brynn Johns. The meeting was held in the conference room of Page Electric Utility, 19 Poplar Street, Page, Arizona.

**ROLL CALL:** Board members present: Chairman Johns, Bob Talbot, Rick Yanke, and Tony Ferrando. Scott Sadler attended telephonically. Vice Mayor John Cook was excused.

Staff present: General Manager, Bryan Hill; Finance Director, Catherine Foley; General Construction/ Maintenance Supervisor/Assistant to the General Manager, Todd Savage; Generator Maintenance, Matt Bumguardner; and Executive Secretary, Donna Roberts.

Also present: City Attorney, Rick Olson.

**MOMENT OF SILENCE:** The Board observed a moment of silence.

**APPROVAL OF MINUTES:** Motion by Yanke, seconded by Talbot, to approve the minutes of the December 11, 2007 regular Board meeting as presented.

The motion carried with a unanimous vote.

**AUDIENCE AND COMMUNICATION:** None.

**UNFINISHED BUSINESS:** Discussion/Possible Action – PEU Budget Revision: Lengthy discussion ensued regarding several revisions to the budget. Items included replacing older vehicles, automated meter reading, and necessary substation upgrades.

Motion by Yanke, seconded by Ferrando, to forward the revised budget with additions as discussed for Council approval.

The motion carried unanimously.

Discussion/Possible Action – PEU Pole Attachment Agreement: Bryan explained that there were only four language issues that need to be finalized. He asked for approval to proceed on the Pole Attachment Agreement with CableOne and Unite Private Networks. He added that Rick Olson will review and approve as to form.

Motion by Yanke, seconded by Talbot, to proceed with the pole attachment agreement.

The motion carried with a unanimous vote.

City Attorney:

Rick Olson left the meeting at 6:29 p.m.

Discussion – SPPR: Bryan reported that we are at a point in time where a decision needs to be made as to whether or not we want to move forward and maintain our option and interest in the power plant.

Chairman Johns expressed his thoughts as follows: *He felt the issues were similar to the 1990's when, after years of not building any power plants, all of a sudden there was a building boom. A lot of them were built by non-utility generators because of deregulation and they were all gas-fired and they overbuilt. What that did was take the cost of natural gas from \$1.50 or \$2.00 for a million BTU on up into the teens. Now it's around \$8. But it permanently changed the market for natural gas and created panic and the Enron debacle and all sorts of other problems. Then with all the underutilized natural gas capacity on the system, utilities still didn't build any power plants. Eventually they soaked up that capacity. Now that capacity is being burned through and it is time to build some power plants again. All the "Enviros" are coming out of the woodwork saying "no coal" and the folks from the 70's that killed the nuke plants are coming back out of the woodwork saying "no nukes" and so the least objectionable alternative is gas plants. They're cheap and quick to build and relatively easy to site. But along with all this new gas plant stuff they're not adding any new gas wells. They're not developing significant sources of natural gas nor are they investing in pipelines and such to bring gas from where it is or where it might be to where the power plants are and the "Enviros" are protesting against any LNG import facilities. My opinion is that we're going to have a repeat of the 90's where the gas prices are going to go through the stratosphere. Also, we're going to be competing against everybody under the sun who all of a sudden has to build capacity and the price of these gas units is going to skyrocket and we're going to try to build this thing right in the middle of everybody else trying to build the same thing. I know it's risky to rely on the market. We're relying on the market, true if we don't participate in this plant or something else. But I don't feel good at this point in time in investing PEU money in a natural gas-fired plant. I'd like to keep involved in SPPR. If they decide to build a coal plant some time down the line I'd be interested in that. Who knows what's going to happen? With the rules in California maybe there will be a chance to buy part of a coal plant somewhere. If*

*that was the case then we're keeping our powder dry and we could jump on something like that if it comes along. You know there's not going to be nuclear on the horizon. You know there's not going to be any new hydro power. There probably won't be new coal plants but there may be existing coal plants. I can't guarantee that but I can cross my fingers and hope. Right now it doesn't seem like a good idea to go chasing after a natural gas plant.*

Yanke agreed with Chairman Johns. Talbot asked what the money is for. Bryan responded that the next million is basically to hire the owners, engineer and to secure an option on a site. He added that we have the option to not participate in this and preferred to remain as a member rather than a participant in this project.

Chairman Johns asked about the Two Elks Project. Bryan said he had heard that if this project is pulled together they have all the subscription they want and he does not know whether or not they would want to include Page. He added that we had a purchase power agreement that was full of "hair" and we told them if they wanted us to participate there was several things we wanted to see cleaned up. Bryan said he would pursue it further if the Board would like him to. He added that may be a better option if they actually do this balancing authority consolidation at Western.

Talbot feels we're not entirely safe buying into coal any more than we are to exposure of gas prices at these new gas plants because if legislation goes through they go after CO<sub>2</sub>. He added that you have to sequester it and they make them all dispatch it after renewables and everything else. Whatever you have you're going to have to downgrade it 30% and spend the rest of your energy putting it in the ground.

Bryan agreed with Chairman Johns in that he had a bad feeling about it. He was unsure that the transmission contracts are in place to bring it up here. He added that we're betting about \$12,000 which is less than 10% of what we were spending with UAMPS on studies. All we're doing with this \$12,000 to \$20,000 is keeping our name in the hat if in the event down the road we want to continue to stay involved. If at this point in time we say we're out then we're out. They're going to resize the plant for whatever subscription and move forward that way. Bryan indicated that since we are out of UAMPS he felt we should stay in the game as it would buy us some time. We would be buying an option down the road. It does not say that we're going to purchase into a natural gas plant and if the Board agreed to continue he would talk to members of Council. The more time we have it will give us more information to make a smarter decision down the road. If we just give it up at this point,

we may regret that a year from now and it's a relatively small nut to stay on the wagon so to speak.

Yanke indicated he was skeptical and asked if Bryan had seen any financial reports or anything out of SPPR at this point in time. Chairman Johns said they're not providing any service but only spending money studying things at this point. Bryan said they only have a budget worksheet but it's not audited. Bryan suggested to SPPR that they are at the point where they should have an independent auditor come in and review things. He added that several members agreed but it has not yet happened. He also said that this is the only venue for public power in Arizona.

Chairman Johns said his only concern is with the gas plant rather than with the organization at this point. Bryan asked if it is worth this type of money to keep the option for later.

Talbot and Ferrando agreed with Chairman Johns to stay in the organization but not for a gas plant.

**NEW BUSINESS:**

Discussion – Substation Project Updates: Bryan explained that RFPs have gone out for Bids #135 and #136 and are scheduled to open January 30th. He added that we have the specs for the breakers and regulators that will be going out for bid and anticipated to be constructed next year.

**REPORTS:**

General Manager's Reports: Bryan reviewed the December General Manager's Report.

Financial Report: The November financial report was briefly discussed.

Committee Reports: None.

Chairman's Report: Chairman Johns stated as follows: We have \$11 million dollars in the bank and at some point I would like to have a brainstorming session as to what everybody thinks we ought to do going forward with that money.

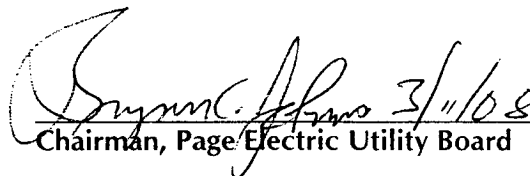
**ANNOUNCEMENTS:**

None.

**ADJOURNMENT:**

Chairman Johns adjourned the meeting at 7:09 p.m.

**APPROVED:**

  
Chairman, Page Electric Utility Board