

Congratulations Heber Light and Power

With resolution of the old CFO issue and selection of a new General Manager, HL&P is moving forward. Congratulations to the board for finalizing the General Manager selection. The new GM has considerable experience with the company and a wide range of skills to guide HL&P forward.

Based on a 100 year history of safety and reliability, our local utility company is well positioned to adapt and meet future challenges. This will require a clear, consistent vision from the directors and management team. In developing this vision, two important questions for the HL&P board are (1) what should be done now and in the future?, and (2) how will it be implemented and financed?

The board is requested to consider the following:

- Short term: Avoid costly infrastructure investment by targeted actions to reduce usage through energy efficiency. Help develop and implement individualized plans for larger commercial customers. For residential customers, encourage them to take advantage of Smart Energy Rebate programs, including LED lights, high SEER air conditioning, insulation and other usage reduction methods. Even though HL&P has tried to communicate, use of these rebate programs is sadly low. To really reduce usage, we need active participation from customers, communities and local action groups. There is energy conservation opportunity not only in our homes and businesses but also in our schools and churches. These actions would quickly reduce customers' electricity bills while supporting HL&P business goals and the environment.

HL&P's distribution system must be sized for the highest expected system demand, even if it lasts just a few days of the year. Community growth, high temperatures, and increasing use of air conditioning have ramped up peak demand by 25% in the past 6 years. Last July, the peak rose from its normal 24 MW to a hot two week period of 36 MW, and the distribution system had to handle it. There are two ways this growing peak can be met: high dollar investment in substations and distribution or customer energy conservation to lower the peaks.

- Long term: Within 3 – 10 years, coal generation facilities will shut down and new sources will be needed. Since coal is currently the cheapest source of purchased power, finding a budget and environmentally friendly replacement will be a challenge. It makes financial sense to buy small increments of generation capacity as they become needed, spreading out the investment. It also makes sense to focus on production for daylight hours, when most of the energy is used and to couple generation with electrical storage modules to smooth out the daily peaks.

HL&P currently buys almost three quarters of their electricity. Their supply portfolio includes more renewable energy sources than other utilities in this area. They charge a penny less per kilowatt hour than the average mountain state provider. They are not stuck with the costs of old, noncompetitive generating technology. They have done a good job servicing the valley and are in a strong position.

Here's where their power comes from, counting the Jordanelle hydro as produced:

HL&P Energy Sources – 2014 thru Oct.					
	hydro	wind	coal	Nat. gas	Other*
Purchased	18%	2%	24%	0%	55%
Produced	54%	0%	0%	46%	0%

Total	26%	2%	19%	10%	43%
* Other is mostly coal and natural gas					

Because most of its electricity is purchased, HL&P is in a unique position for the future. As purchased electricity costs rise, they can absorb some of the impact by installing their own generation capability. Emerging technologies of solar energy and storage are progressing rapidly and will become financially viable within this period. HL&P will be able to integrate them in steps to spread out investments, supporting HL&P business goals as well as the environment.

Implementation and financing: There are a lot of numbers to crunch but the following should be directionally correct.

- Vigorous energy usage reduction in the short term should help avoid costly infrastructure investment. This will require targeted communications and actions by HL&P as well as support from customers, communities and local action groups. Adoption of a demand-based rate structure for commercial customers would strongly encourage waste elimination and reduce peak usage. Immediate residential action to increase insulation, to install programmable thermostats and to maintain or replace AC units is needed right now, before the high temperatures of summer.
- Over the long term, HL&P should continue their aggressive purchased power management while timing stepped capacity increases to offset pricing pressures. The best emerging technology is solar power generation coupled with energy storage modules, providing energy when it is most needed throughout the day.
- Every organization should make a continuous improvement effort. HL&P is encouraged to adopt Lean Manufacturing practices to streamline processes and eliminate waste.

Bottom line: The residents and businesses of Wasatch valley can help HL&P and themselves by reducing energy usage. HL&P can minimize future rate increases by adopting solar generation and storage technology in small steps as needed. Let's all find ways to help keep our independent utility company, focused on the needs of our valley.

Bill Goodall, Midway