

**SPECIAL SESSION OF THE  
BRIGHAM CITY COUNCIL  
April 24, 2014  
6:00 PM**

PRESENT:	Tyler Vincent	Mayor
	DJ Bott	Councilmember
	Ruth Jensen	Councilmember
	Tom Peterson	Councilmember
	Brian Rex	Councilmember
	Mark Thompson	Councilmember

ALSO PRESENT:	Dave Burnett	Public Power Director
	Mary Kate Christensen	City Recorder
	Jared Johnson	Community Development Director
	Paul Larsen	Economic Development Director
	Jason Roberts	Finance Director
	Paul Tittensor	Police Chief

A special meeting was called by the Mayor to discuss alternative power sources. The meeting was properly noticed and posted per Utah Code.

Mr. Roberts came forward and explained that the City's contract with Rocky Mountain Power (RMP) comes up for renewal in June. They have indicated to the City that there will be a significant increase of at least 12%. This will be close to \$1M. It is because of this that City staff has been looking for more financially responsible means to provide power.

Jackie Coombs from the Utah Associated Municipal Power Systems (UAMPS) and Mr. Burnett came to the table.

Ms. Coombs explained that UAMPS acts as an agent for members and does the cities' load following, which means every single hour UAMPS follows the cities' load to assure the net load is met for users. If a city buys power or participates in a project, that city would get the output for each hour. If there is too much, UAMPS buys it back and sells it to the market. If a city is short, UAMPS covers it through a market product. Every hour, the entitlement to the project goes to the members who own it. If Brigham City had a power source supply, such as Horse Butte, it would strictly go to Brigham City on that hour and UAMPS would sum everything in the City's portfolio. This is called the power pool and it is done the same for all members.

Ms. Coombs gave three scenarios for Brigham City's resource portfolio.

- Scenario #1 - \$54.10/kwh
  - WAPA
  - Horse Butte Wind
  - Internal Member General
    - NEI Electric Power Engineering Analysis
  - Forward Market Product

- 7 MW Flat
  - 24 hours per day 7 days a week
- 5 MW HLH (June and September) and 10 MW HLH (July and August)
  - Hours 8-23 Monday thru Saturday (no Sunday or NERC holidays)
- Unplanned Pool
  - Hourly purchases and sales
  - Actual UAMPS' historical hourly market pricing (April 2013 to March 2014)
  
- Scenario #2 - \$51.50/kwh
  - WAPA
  - Horse Butte Wind Forward Market Product
    - 7 MW Flat
      - 24 hours per day 7 days a week
    - 5 MW HLH (June and September) and 10 MW HLH (July and August)
      - Hours 8-23 Monday thru Saturday (no Sunday or holidays)
  - Unplanned Pool
    - Hourly purchases and sales
    - Actual UAMPS' historical hourly market pricing (April 2013 to March 2014)
  
- Scenario #3 - \$50.90/kwh
  - WAPA
  - Horse Butte Wind Forward Market Product
  - Unplanned Pool
  - No internal generation or market product

Ms. Coombs projected the price comparison of each scenario and PacifiCorp's increases to 2021.

- By 2021 it was projected PacifiCorp would be charging \$63.40/kwh with a projected 12% increase in 2015 and 3% each year after that.
- With a projected 28% increase in 2015 and 3% thereafter it was estimated they would charge \$71.20/kwh.
- By 2021 the discussed options would cost:
  - Option 1: \$56.10
  - Option 2: \$53.40
  - Option 3: \$50.90

Councilmember Bott said Option 3 seems to have the most risk because the market value is so volatile. Mr. Roberts added that this would open the City to a risk of vacancy if the market shifts very quickly. He strongly recommended against it.

Ms. Coombs stated that UAMPS estimates that developing any natural gas project will cost 7.5¢. Any renewables cost 9.5¢; however, UAMPS has it lower at 7.6¢ because they have tax subsidies and received a grant.

The advantage to the City purchasing power through UAMPS is that the City can plan for it and the City is not vulnerable. UAMPS would sell the power to the City and the City would be responsible for all counterparty risk. UAMPS uses a consultant to analyze all counterparty risk and to date they have never required UAMPS to do a credit enhancement, such as a letter of credit, which is very costly. The UAMPS contract would be \$22.4M for 2015-2021. The City is currently paying \$7M per year in power costs.

If the City moves forward, UAMPS would be the agent for the City's WAPA contract. They will notify PacifiCorp that Brigham City will be a network customer on UAMPS' transmission agreement. This takes about 60 days to file through the Federal Energy Regulatory Commission. UAMPS would need to meter and communicate with the City's point of receipt.

Mr. Roberts said this is a new direction for Brigham City. He explained a "forward contract." With a forward contract two things need to be taken care of: 1) make sure the person the City is entering a contract with knows that they are selling the City megawatts of power and that the City is buying megawatts of power; 2) make sure that the company the City has the contract with does not go bankrupt. This is why the City would use UAMPS to do any type of underwriting. In addition, UAMPS has ratings and their market is very big. Another advantage is the current soft market.

Mr. Roberts recommended that the City not get into only one source of energy, but diversify. In 2021, if the City does not do anything, the City will be in the same position as we are now. If the City does something, the cost per megawatt will go up and this should be planned for. Some cities that have some market exposure have a rate stabilization fund and when the market is soft they are able to build up the fund, and when it is bad they use the fund to stabilize the rates for their citizens.

Mr. Roberts continued that Brigham City's rates are significantly less than RMP's rates. Staff compared utility bills from a RMP customer with Brigham City's rates. If this customer had Brigham City power, their bill would be 19% lower in the summer and 13% lower in the winter.

A big concern is that the City has not received a firm offer from RMP. All indications are that it will not be the 12%. Ms. Coombs added that it shifts the costs. The City would not pay RMP but would pay \$6M of infrastructure and purchase gas to operate it. Mr. Burnett felt that the 12% is a conservative number because of some conversations he had with them. If they put the City on a Schedule 9 like they talked about, the increase will be 21.7% higher during peak and 7% during winter months. He did not feel they are willing to negotiate.

Councilmember Jensen suggested approaching RMP again and telling them the City is talking to UAMPS. Mr. Burnett said he did tell them that the City will be looking at all options. Councilmember Jensen said the Council could set a percentage of what they will accept from RMP and if they do not accept that percentage, move forward with UAMPS. Mr. Burnett said the City would still be subject to their 3-6% increases plus any rate increase. Councilmember Rex added that the 12-18% increase is for the contract renewal in 2015,

but there will be annual increases after that. Ms. Coombs said another concern is the City would still be vulnerable to the power market shifts. Mr. Leonard stated that when they negotiated the current contract, they met with Mayor Christensen and told her that within 3-6 months they would not service Brigham City any longer because they were losing money. There is only Brigham City and one other community that has wholesale power purchase contracts with RMP.

Councilmember Rex suggested giving RMP a firm answer, and if not, the City will go with UAMPS. Mayor Vincent did not think this would do any good. They know the City is looking at other options. Councilmember Jensen said the City could continue to move forward with the project, even if we sign another contract with RMP. Mr. Roberts said staff discussed with RMP about gradually moving away from their project and they said this was not the route they wanted to go. Mr. Burnett added that they were very adverse to a hybrid project. Councilmember Rex said if we already know that their increase can only be 7% to match UAMPS, the City ought to tell them we are going with UAMPS unless they can match or beat that.

**MOTION:** Councilmember Rex made a motion to make an offer to RMP to beat UAMPS' rates and give them two weeks to respond, or come back with a timeframe. Seconded by Councilmember Jensen; unanimously carried.

Mr. Roberts reviewed the history of electric rates and the financial effect of not passing on the rate increases from RMP.

Power costs have increased from \$5.3M in 2009-10 to \$8.1M in 2014-15. From 2009 to current year there has been \$2.3M in revenue increases vs. \$3.2M of expense increases. This is \$900,000-\$1,000,000 that has not been passed onto the customers. This affects the amount available for capital projects in the utility funds. In addition, Brigham City Power rates are significantly lower than RMP. In order to keep capital projects and to keep the rate stabilization fund going, staff is analyzing whether an additional electric rate increase is needed in the upcoming budget.

The meeting adjourned at 7:50 PM.