



MURRAY CITY MUNICIPAL COUNCIL COMMITTEE OF THE WHOLE

The Murray City Municipal Council met as a Committee of the Whole on Tuesday, March 3rd, 2015, in the Murray City Center, Conference Room #107, 5025 South State Street, Murray Utah.

Council Members in Attendance:

Blair Camp, Chair	Council Member, District #2
Diane Turner, Vice-Chair	Council Member, District #4
Dave Nicponski	Council Member, District #1
Brett Hales	Council Member, District #5
Jim Brass	Council Member, District #3- Excused

Others in Attendance:

Ted Eyre	Mayor	Janet Towers	Exec. Asst. to the Mayor
Janet M. Lopez	Council Administrator	Craig Burnett	Police Chief
Blaine Haacke	Power General Manager	Frank Nakamura	Attorney
Jan Wells	Chief Administrative Officer	Kellie Challburg	Council Office
Jennifer Kennedy	Recorder	Charles Turner	Resident/ Power
Steve Roberson	Murray Fire/ Resident		

Chairman Camp called the Committee of the Whole meeting to order and welcomed those in attendance. He excused Mr. Brass who was not present.

Approval of Minutes

Chairman Camp asked for approval on the minutes from the Committee of the Whole on February 3, 2015. Mr. Hales moved approval. Ms. Turner seconded the motion. All were in favor.

Business Item #1

Power Department Report- Blaine Haacke

Chairman Camp welcomed Mr. Haacke and inquired about the power outage earlier in the day. Mr. Haacke replied that there was an outage between 6:00 a.m. and 7:30 a.m. this morning. It was located near the golf course. He said they believe that an insulator on one of the poles had tracked, possibly due to moisture. That tracking caused nine

different events leading back to the Riding substation. Typically, those events are erased when they come in because they are not large enough. When an insulator tracks, it sends an event back to the substation, and is read by the relay. There were nine events that were not large enough for the breaker to open. On the tenth event, it reached 1000 amps and opened up the breaker to the S circuit. The S circuit was tied to another breaker bank, causing another circuit to go out. The second circuit should not have gone out, it was possibly due to the relay setting being a little too tight, and it sensed the issue to the neighboring breaker. The outage should have affected 400 people, rather than 800. It took a while to get the guys in early and get to the substation and close the breaker. He had a substation technician from West Valley come in and verify that the substation was okay and closed it back in. The line had to be physically driven from the substation out, similar to a poke. They found the one insulator that had tracked, but commented the outage was larger than it should have been. He added that sometimes finding the outage is similar to finding a needle in a haystack.

Mr. Haacke said he wanted to make the Council aware of a few things happening in the Power Department. They are currently lining up their summer resources. Murray purchases power from: the Hunter Power Plant in Price, the San Juan Power Plant in the Four Corners Area, the CRSP (Colorado River Storage Project) on the Colorado River, our own hydro, our own gas turbine plant, landfill facilities and the UAMPS (Utah Associated Municipal Power Systems) group. If all of those sources are added up, it isn't usually enough to meet the customer load, which is a good thing. He said that Murray doesn't want the loads to match customer resources, because resources go up and down. If power is bought at a straight pathway, when customers turn the power off, the City is still paying for some of that valley. He said he prefers to be at a little less than expected, and make up the difference on spot market purchases.

Murray bought a chunk of power with the UAMPS group just today. His staff looked at April – September, and determined that those mentioned resources would be enough. They determined that they would be short for four of the six summer months: June, July, August and September, the air conditioning months. He added that you don't want to buy a resource that fits like a glove, but rather have a buffer on top. When the City peaks, it is only for about 15 minutes a day. The City spikes up to 100 megawatts, and then goes down to 85 megawatts.

Murray bought 11 megawatts for June, 20 megawatts for July, 13 megawatts for August, and 8 megawatts for September. The reason to purchase in advance is because the pricing was coming in at \$41 per megawatt hour, which is about .04 cents per kilowatt hour. That is the lowest price for base energy he has seen in years, he commented. The decrease is due to the drop in natural gas prices.

Mr. Nicponski asked how many megawatts the City uses. Mr. Haacke said that in June, it would be 80, July would be 100, August would be 100, and September would be 80. The winter months are about 65 megawatts, he added. The purchase today was for a couple million dollars, he noted.

Mr. Haacke said he felt good about the price. There is still the option to buy in August, and pay monthly. This purchase gives a good base, and the turbines can be started up to make up the difference, if needed. He said natural gas prices are very low right now, about \$2.80 a dekatherm. The price has been as high as \$12 per dekatherm, and was about \$5 a dekatherm about five months ago. Natural gas has a direct relationship to

pricing on the energy market, because a lot of generation in the area is natural gas priced. Murray could generate for about \$42, and he just bought a chunk for \$41.

He said that Murray will still fill in the peaks and valleys with the gas turbines in July and August. He noted that Murray isn't a growing community and numbers have decreased 2.5% since 2010 on energy sales. The trend is similar to the rest of the region. UAMPS showed a graph recently that indicated three cities with energy growth from customers in the last five years. It was Lehi, Eagle Mountain and a small town in southern Utah. The decrease in energy growth is due partly to energy efficiency, and people are using less energy. Another reason is that the businesses have closed. For example, Nielson's Fish Food Factory has since moved out of Murray. He said he expects a stagnant load with stable revenue.

Chairman Camp asked about the rate that UTA (Utah Transit Authority) is charged for power. Mr. Haacke replied that they are charged at a regular large commercial rate. He added that the only entity that has a special negotiated rate is the IMC hospital. He said it is called the ultra large commercial rate, and added that any other entity with a three megawatt load would qualify for that rate also.

Mayor Eyre asked about the power purchased from UAMPS to cover the four summer months and if that power came from the IPP (Intermountain Power Project) plant in Delta. Mr. Haacke replied that was one possible option, but if it is a month to month purchase, it is bought through the UAMPS organization. He said that an IPA purchase is a six month commitment. He added that when five megawatts is called back, it needs to be used 24 hours a day, every day for six months. He stated that Murray doesn't need it from midnight to 6:00 am. IPP is usually a last resort purchase, he noted. He said that UAMPS gets power from the energy clearing house, Price Waterhouse, and other options. UAMPS is a bigger negotiator and gets groups to bid on the purchase requests.

Mr. Haacke stated that an employee, Matt Erkelens, was awarded Arborist of the Year. Mr. Erkelens was hired a couple of months ago from Trees, Inc. He won the Utah Community Forest Council Arborist of the Year. Mr. Haacke said he would like Mr. Erkelens to attend an upcoming Council meeting for some further recognition. He stated that Murray has ten arborists and they all do an amazing job. He noted that there were only 11 tree-caused outages in the last twelve months. That is less than one tree-caused outage per month. He added that these employees are trimming trees in the parkway, in the parks, and in the power lines.

Mr. Haacke showed a rate comparison for residential and large commercial rates for Murray and other entities. Rate comparison attached. Dan Stireman calculated the average residential customer, spends \$756 per year, or 9.2 cents per kilowatt hour for Murray Power. The comparison was between other cities such as: Provo, Lehi, St. George, Logan, Bountiful, Springville, Heber, and also Rocky Mountain Power. He stated that Murray's rates are 17% lower than Rocky Mountain Power, which is the main competitor. He added that the least expensive city was Lehi, which was 5% less than Murray, the only city less expensive than Murray. Logan appears to be the most expensive municipal power system, at 12% more than Murray. He added that Rocky Mountain Power currently has a rate increase request in front of the Service Commission to try and increase fees.

He also compared the large commercial rate with the other entities. He said that 400 customers in the City use 50% of the energy and they fall into this large commercial rate. Some examples of the large commercial customers would be Best Buy, department stores, possibly the hotels. It is any facility that uses over a 35 kilowatt load, he stated. Murray is 10 % less expensive than Rocky Mountain Power, 36% less than Springville, and is pretty much even with the rest of the equally sized cities in the State.

IPA (Intermountain Power Agency) is under fire from the EPA (Environmental Protection Agency) in Denver and has been given a notice of violation of plant operation. The EPA states that IPA violates the Clean Air Act. In 2001, IPA filed with the Utah Air Quality Board that they were going to increase the production in the plant with some operational procedures that would lessen emissions. In 2005-2006, the plant increased by 100 megawatts, or a 5% increase in production and emissions decreased. The reports were submitted and IPA has operated under that license for the last seven or eight years. The EPA didn't like the numbers and questioned the fewer emissions but increased production. EPA asked IPA to come to the table and prove the numbers, or be penalized. The long-term result could be a large monetary penalty, or worst case, they could try and shut the plant down. IPA feels confident with the numbers and believes they would win in a court battle. There is negotiation going on and IPA hopes that the EPA will see the direction that IPA is headed with the natural gas modification and decide to back off. The worst case is that it goes to litigation. The EPA wants IPA to put \$600 million back into the plant, and put SCR's (Selective Catalytic Reducers) on the plant. The EPA believes these would make the coal plant clean enough to run. IPA doesn't want to put \$600 million into a plant that is going to change to natural gas in 2021. There are other environmental groups that have jumped in and more lawsuits may be filed. IPA is confident, but hopes not to go to court.

Mr. Haacke commented that he is out of time but mentioned that there are issues with the change of natural gas modifications.

He complimented his department on the efforts on the outages. The reliability percentage for a twelve month average is 99.97%, which equates to about a 10 minute outage every year. He said there are things that they cannot control, such as people driving into poles, lightning strikes, and animal damage, so it would never reach 100%.

The Council thanked Mr. Haacke for his presentation.

Announcements

Ms. Lopez said that Mr. Hales, Mr. Brass, and Ms. Turner were all travelling on City business to Washington D.C. She mentioned that she would be out of town for three days, and Kellie Challburg would be working longer hours. Ms. Challburg would send out the preliminary documents on Friday.

Chairman Camp adjourned the meeting.

Kellie Challburg
Council Office Administrator II