



**Springville City Council Work/Study Meeting – December 08, 2015**

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Minutes of the Work/Study Meeting of the Springville City Council held on Tuesday, December 08, 2015, at 5:15 p.m. at the Civic Center, 110 South Main Street, Springville, Utah.

Mayor Wilford W. Clyde presided. In addition to Mayor Clyde, the following were present: Councilmember Richard Child, Councilmember Craig Conover, Councilmember Christopher Creer, Councilmember Dean Olsen, Councilmember Chris Sorensen, City Administrator Troy Fitzgerald, Assistant City Administrator/Finance Director Bruce Riddle, Assistant City Administrator/City Attorney John Penrod, City Recorder Kim Rayburn and Deputy City Recorder Jennifer Grigg.

Also present were: Administrative Services Manager Rod Oldroyd, Power Generation Superintendent Matt Hancock, Whitehead Plant Operations Manager/Resource Specialist Coordinator Shawn Black, , Recreation Director Corey Meredith, Community Development Director Fred Aegerter, Library Director Pamela Vaughn, Public Safety Director Scott Finlayson, Golf Pro Craig Norman, Councilmember-elect Jason Miller, Officer Miguel Lee and Officer Kyle Curtis.

Chief Finlayson introduced new police officers Miguel Lee and Kyle Curtis.

COUNCILMEMBER OLSEN MOTIONED FOR COUNCILMEMBER CONOVER TO SERVE AS MAYOR PRO TEM FOR TONIGHT’S MEETING. MAYOR WILFORD W. CLYDE WILL SOON ARRIVE. COUNCILMEMBER SORENSEN SECONDED THE MOTION AND ALL PRESENT VOTED AYE. THE MOTION PASSED UNANIMOUSLY.

**CALL TO ORDER**

Mayor Pro Tem Conover called the work meeting to order at 5:16 p.m.

**COUNCIL BUSINESS**

**1) Calendar**

- December 15 – Work/Study Meeting 5:15 p.m., City Council Meeting 7:00 p.m.
- December 17 – City Employee Christmas Luncheon 12:00 p.m.
- December 24 – Christmas Eve (City Offices Closing at Noon)
- December 25 – Christmas Holiday (City Offices Closed)
- January 1 – New Year’s Day 2016 (City Offices Closed)
- January 5 – New Council Members Oath of Office 5:30 p.m.
- January 5 – Work/Study Meeting 6:00 p.m., City Council Meeting 7:00 p.m.

Administrative Services Manager Oldroyd requested Council and Mayor arrive early to the City Employee Christmas Luncheon.

Mayor Pro Tem Conover relinquished the meeting to Mayor Clyde at 5:20 pm

## **2) DISCUSSION/PRESENTATIONS**

### **a) Current policy on Power Department Net Metering – Josh Bishop, Legal Intern and Shawn Black, Whitehead Plant Operations Manager/Resource Specialist Coordinator**

Shawn Black prepared a paper on Net Metering while completing his Master's degree from BYU. He turned the time over to Josh Bishop, who completed his dual degrees, JD/MBA, presented education on net metering.

Mr. Bishop started his presentation by explaining a revenue deficit occurs when solar customers connect to Springville City Power. When the sun shines, solar customers overproduce and send power back to the City. For each kilowatt of energy produced, they are credited the retail price of one kilowatt hour. Problems arise when the sun goes down and solar customers return to using City Power. In addition, during peak usage, the wholesale price Springville is charged skyrockets, while the solar customers are using their power credit at the retail rate. Solar customers are not paying their share of the fixed costs and the variable costs of power infrastructure.

Infrastructure is a fixed cost of maintaining the grid, which the City recoups by buying power at wholesale and selling power at retail. Solar customers are buying and selling at wholesale. 37% of the City rate structure covers the cost of the infrastructure, which solar customers don't pay, which means other power customers are subsidizing solar users use of the infrastructure.

Administrator Fitzgerald asked if a solar customer can have a zero power bill each month. Mr. Black answered solar customers are charged a meter fee, but if they generate enough, their meter will run backwards, creating a credit on their bill. The credit goes to the next month, if they over-generated. Once a year the account is settled and the solar customer relinquishes the excess to the City.

Councilman Child stated if a solar customer generates power beyond what they use some entities are required by law to buy power from them, but not municipalities. When a solar customer uses City power, they are not paying for the infrastructure. Mr. Bishop agreed that when the sun goes down. Solar power customers use power from the grid. This is often the critique of net energy metering reported in the news. Councilman Sorensen questioned the idea of a solar credit.

Councilman Conover stated the solar customers create power that flows back to the City, which runs the power meter backwards. When their meter hits zero, they pay no bill, but are using the infrastructure to store their power. As a power producer, solar customers receive credit for power at the retail rate while Springville Power pays the power producers on the grid a wholesale price.

Mr. Bishop compared this to using the City as a battery without paying to use the City's system.

Councilman Sorensen noted when a solar customer over produces, they benefit the City.

Mayor Clyde asked why a base rate is not charged. Mr. Black answered a solar customer who uses 250 kilowatts per month plus meter fee, is charged \$30 per month. Another solar customer, who installed a 6000-watt system, is doubly benefiting the City. She is giving us 300-kilowatt hours per month. In the past, some customers installed solar for emotional reasons. Now, there are more consumers deciding to install solar for financial reasons.

Mr. Bishop stated the problem is scale and this is a growth industry. Mr. Black reported there are 10,200 meters on the Springville City Power grid. In the future, if 33% install solar systems, it would create a hole in our income. He defined baseload as energy that can always be counted on to be provided. The City should plan to stay ahead of the trend. Mayor Clyde doubted solar will reach 33% saturation any time soon.

After pointing out some of the statistics, Mr. Black stated to prevent a revenue deficit; the City should change the net metering policy. He stated power schedulers in California struggle forecasting power usage at peak load times. Administrator Fitzgerald noted 18 cents per kilowatt-hour in California, compared to Springville's 11 cents per kilowatt an hour causes the discrepancy.

Mr. Bishop stated even though it is not a problem right now, Mr. Black's report shows how to be proactive. Enact rate changes early, before it becomes a problem. He would put solar panels on his home in a heartbeat if his situation merited. Many people agree. The City needs to prevent a free-rider problem. His presentation showed an illustration called a Duck Graph. It shows solar customers will receive less credit and the power company will struggle to keep up with peak power costs.

Administrator Fitzgerald asked when more solar customers produce more power, and solar supply increases, will our peak prices change as well as those in California, who experience peak one hour later. Local producers should see a decrease in demand, decreasing peak prices.

Mayor Clyde added during peak time the rate should drop with more solar customers using solar.

Mr. Black stated the City must still own gas plants even though solar customers produce at peak times as well. The hours between 5:00 p.m. and 8 p.m. are the most expensive power for the City. Solar customers get credit for \$35, and then use expensive power between 5:00 p.m. and 8 p.m., which costs the City \$70 per hour. Billing is based on kilowatt-hours, not time of use.

Mayor Clyde stated Payson Power Plant generates power for intermediate peaking.

Mr. Black stated if there is a 50% drop in power use between 10:00 a.m. and 2:00 p.m. fixed costs increase. Battery technology is expensive, but would be used between the hours of 5:00 p.m. and 8:00 p.m. Solar City supplies batteries to municipalities and has been contacted.

Mayor Clyde noted two of the biggest solar companies are here in Utah, Solar City and Vivint. Mr. Black stated other solar companies are Hawaii Electric and RGS Energy. The amount of investment money going into solar is staggering. Companies are using a Power Purchase Agreement (PPA) to sign up customers. The charge to pay back the loan is 9 cents per kilowatt-hour, so they pay the solar installation loan like a power bill. Solar City is gathering

investment money by selling its own bonds. Vivint went public in March 2014 for \$300 million and sold for \$2.2 billion this fall. Solar companies are getting in between us and the customer because of Current Net Metering. As an example, with 500 residents, Spring City has 5 solar customers, which is 1% penetration. In California Solar City produces 4 gigawatts. The Intermountain Power Plant (IPP) plant produces 2 gigawatts.

Councilman Sorensen asked instead of natural gas engines, why the City did not spend \$5 million on a solar farm. Power Generation Superintendent Hancock answered the City needs capacity no matter what time of day.

Mayor Clyde noted Solar Federal Tax Credit makes it financially feasible. Mr. Bishop noted solar producers are also benefiting because of existing net metering policy. The City needs a policy in place to benefit us.

Superintendent Hancock noted when a cloud floats by; we are responsible for full capacity.

Administrator Fitzgerald suggested some solutions could be billing changes for commercial energy or changing to charging for demand. He asked Mr. Black what we need to do now and why. Mr. Black recommended changing the net metering policy.

Administrator Fitzgerald stated there are many technologies that will cut our revenue. Chances are 3000 houses will not sign up for solar in the next year and a half. We must continue to invest as wisely as we can. Our 10-year growth plans are accurate with building permits, but we are not seeing the growth in power load. Any improvement in power efficiency affects our revenue. Council will set the standards.

Mayor Clyde noted the City installed LED lights improving efficiency, which reduced our own revenue. The new natural gas engines can turn on quickly and cover the peak.

Councilman Conover stated the City must stay ahead of the curve because solar is an increasing market now. We need a plan and we need to make it work.

Mr. Black stated the tax cuts are reduced in 2016 from 30% down to 10%. He suggested studying a rate that works for new technologies that covers fixed costs, and is not affected by peak usage; like a graduated rate for using more power. Improved battery technology will be a game changer.

### **3) MAYOR, COUNCIL, AND ADMINISTRATIVE REPORTS**

#### **Discussion with Department Directors**

Administrator Fitzgerald is presenting the 2015 Survey in January and it is very positive.

Assistant Administrator Riddle reported the audit is ongoing.

Chief Finlayson reported the Public Safety Department practiced ice and cold water rescues at Bartholomew Family Park. A rescue boat was donated, painted and named the SS Blair. It is equipped with a rope and will tow a person back to shore. Councilman Olsen asked what the boat weighs. Chief Finlayson stated it is aluminum and weighs about 100 pounds. Chief Finlayson reported the supply of uniform patches is depleted and staff voted on a new design. Bids will go out if Council approves.

Golf Pro Norman noted the new online gift certificate for the Pro Shop and Golf goes live this afternoon. Some older trees were cut down to protect the new clubhouse roof.

Director Roylance reported Springville was awarded the 2015 Utah Construction & Design Association “Most Outstanding Projects” in the Landscape/Public Space (Small) category for Wayne Bartholomew Family Park.

Mayor Clyde received many compliments for the Main Street Christmas lights. A citizen reported she was having a down day and driving down Main Street brightened her day.

Councilman Chris Sorensen asked for an update from Director Roylance on the Community Park Project. Director Roylance answered Utah County Commissioner Graves invited him back for a meeting in February. The project can be postponed until 2018. Mayor Clyde requested that Director Roylance convey to the County that Springville is still very interested in the grant.

Director Meredith reported Youth Basketball and Men’s Basketball are set up. Mayor Clyde asked if basketball can continue at the old junior high. Director Meredith is working with Steve Maughan. Meanwhile the City is using the new junior high gym

Councilman Olsen stated this is his last director’s meeting and declared Council has been fun.

Director Vaughn reported the Salt Lake City Librarian received a job in Baltimore. Santa Claus saw more than 400 patrons and does a great job. Shaun Orton is very good with the kids

Recorder Rayburn reported newly elected official training is tonight.

Mayor Clyde welcomed newly elected Councilmember Jason Miller

Superintendent Hancock expressed appreciation for supporting his department on the generation project and the department will do their best to keep rates down.

Director Aegerter announced there is a new building official. Mayor Clyde asked about the Lake Master Plan. Director Aegerter is working with property owners Anderson Development.

#### **4) COMMISSION, BOARD, AND COMMITTEE MINUTES**

- i. Emergency Preparedness Committee minutes for October 15, 2015
- ii. Spanish Fork/Springville Airport Board minutes for November 05, 2015
- iii. Water Board minutes for November 10, 2015

#### **5) MAYOR AND COUNCIL REPORTS**

#### **6) CLOSED SESSION, IF NEEDED – TO BE ANNOUNCED IN MOTION**

*The Springville City Council may temporarily recess this meeting and convene in a closed session to discuss pending or reasonably imminent litigation, and the purchase, exchange, or lease of real property, as provided by Utah State Code Annotated §52-4-205*

There was no Closed Session.

#### **ADJOURNMENT**

COUNCILMEMBER CHILD MOVED TO ADJOURN THE CITY COUNCIL MEETING AT 6:23 P.M. COUNCILMEMBER OLSEN SECONDED THE MOTION, AND ALL PRESENT VOTED AYE.