

PAYSON CITY
SPECIAL CITY COUNCIL MEETING
Payson City Center, 439 W Utah Avenue, Payson UT 84651
Wednesday, October 28, 2020

CONDUCTING William R. Wright, Mayor

ELECTED OFFICIALS Brett Christensen, Linda Carter, Taresa Hiatt, Brian Hulet, Doug Welton
(5:43 p.m.), William R. Wright

STAFF PRESENT David Tuckett, City Manager
Cathy Jensen, Finance Director
Kim E. Holindrake, City Recorder
Brad Bishop, Police Chief
Travis Jockumsen, Public Works Director/City Engineer
Brian Stevenson, Interim Power Superintendent
Scott Spender, Fire Chief
Jill Spencer, City Planner
Brad Kearl, Power Department

William R. Wright, Mayor, called this meeting of the City Council of Payson City, Utah, to order at 5:35 p.m. The meeting was properly noticed.

A. PRAYER & PLEDGE OF ALLEGIANCE

Prayer offered by Bill Wright.

Pledge of Allegiance led by Linda Carter.

B. ACTION ITEMS

1. Resolution - Review of UAMPS Power Project

Staff Presentation:

Dave Tuckett stated the council discussed this last week and tabled the item. A decision needs to be made by October 31 on whether to withdraw from the project, stay in and reduce the kilowatt hours, or just stay in.

Brian Stevenson stated there have been multiple entities drop out of the project. Bountiful and Beaver dropped out last night, which raises the cost for the first phase of licensing. The project budget is 13.6 billion dollars. The second phase is 652 million dollars. This will be over one million dollars of debt to the City. Currently, the City owes \$97,000 to get out. Previously, it was asked why the City couldn't use coal. Deseret, a coal plant in Vernal called Bonanza, has a 15-year product under 50 mills for coal until 2035, and the City could sign a contract. He would be nervous to do this if the City continues with this project. Hunter is not scheduled to shut off until 2040.

Council Discussion:

Mayor Wright stated the best thing the City can do is to have the most secure source of electricity as possible.

Councilmember Christensen stated if the City pulled out now, the cost would be \$100,000 give or take. If the City stays in until the next off-ramp, it's closer to half a million.

Brian Stevenson clarified before anyone dropped out, the City would have had to pay \$647,000 at the end of the next phase. At the end of the first phase of licensing, as entities drop out, the price goes up. If the City got into Deseret until 2030, the City could save a lot of money, and then look at nuclear. Deseret currently has 80 megawatts available. The City will lose two megawatts in March 2022, and seven megawatts in July 2022. This past summer, he got four megawatts of solar, which saved the City immensely.

Mayor Wright noted there are two programs the City could go to if the City opts out of this project, which are the Deseret and with UAMPS and full-market power. The country isn't ready to go green yet, but it needs to get ready for the economy.

Councilmember Christensen stated this nuclear power is actually private; those asking for the funding are private entities. If they can't make it work in the private sector, then maybe there is something wrong. He doesn't want to put the taxpayer's money on the line and gamble on a private entity. The private entity needs to create the product and then sell it; not the other way around. He's not opposed to buying power at \$5 more per kilowatt rather than being on the hook for a million dollars for something that might go belly up. If they have investors willing to take the risk, why are they talking to us.

Councilmember Welton noted there is no client except for taxpayers.

Councilmember Hiatt stated this was supposed to be done by 2027 and now they say 2029; we are still in the paper process. It could be 2031 or 2035.

Councilmember Hulet spoke with UAMPS today; they are going to stop working on the engineering and work on subscriptions and licensing over the next year so the cost will come down. The City can limit the dollar amount the City wants risk. Then the risk isn't unlimited as far as who subscribes. He was told \$100,000 would work because of how it will be restructured. UAMPS has a board meeting on November 10. The resolution can be passed, and the City can still opt out at that board meeting. UAMPS sent information out to all the cities, and some cities have given a risk limit. He suggested another \$100,000 for a total risk of \$200,000.

Dave Tuckett hasn't seen anything come through from UAMPS so he will contact UAMPS. It needs to be in writing from UAMPS. The council could pass a resolution to withdraw with the stipulation that if the risk limit is confirmed to a dollar amount at the UAMPS board meeting on November 10, then the City would stay in the project.

Brian Stevenson stated the problem with this project is the subscription level. The City is paying seven times what it should for the licensing. They claim people want to get in, but they spent three years and \$3,000,000 trying to find entities to join. They did get one city in California to join for one megawatt.

Dave Tuckett spoke with the Bountiful city manager last week who stated he liked the technology and product, but the risk is too high. Bountiful pulled out.

Councilmember Hulet noted the Federal Government put in 1.2 billion dollars that should open some eyes for those looking for power. This should help with subscriptions.

Dave Tuckett stated in the early 60's, the Federal Government built the hydropower facilities such as Hoover Dam. The Federal Government should step up with this project. Three-fourths of the cost is being put on local governments. Larger cities have pulled out because of the risk.

Brian Stevenson stated the City won't see any electricity until 2030 but all the debt is front loaded. Then it has to be financed at 6% interest at the end. He trusts UAMPS, but they are trying to sell something without the full subscription. Fluor Corporation is a private company. It's moving so quickly without being fully subscribed. It wouldn't be an issue if fully subscribed. They spent three years and three million dollars to recruit entities and had no success. Jackie Flowers with Washington City sent an IRP out on future power, and the northwest has tons of hydropower. She said they have no interest in nuclear power because it's not advantageous politically there. UAMPS is saying most of the interest is in the northwest. The City will have seven years of deficit before it sees one kilowatt hour from this project. The City will lose nine megawatts in 2022. He questioned if there are enough entities still involved to bond for the 4.6 billion needed to build the project.

Councilmember Christensen stated he feels the City is being backed into a corner. We don't know what is going to happen; solar may be more efficient in the future. He questioned where to draw the line and say this green power is more beneficial than another.

Councilmember Welton stated this is what the city council is charged to do. Either way, there are fixed costs that someone has to pay. The question is whether it's smart for the City to be the first one on. Nuclear is clean energy.

Dave Tuckett noted the City has trusted UAMPS for years and years. He is concerned with the bigger cities pulling out because of the risk.

Mayor Wright stated if the City limits its exposure, then the City can get out at next off ramp with only owe \$200,000.

Dave Tuckett stated he drafted into the resolution a statement that the Payson City Council hereby withdraws from the Carbon Free Power Project effective October 31, 2020. However, if UAMPS can limit the financial liability of Payson City to an amount less than \$200,000 on or before November 10, 2020, the City can stay in.

Councilmember Hiatt stated the City still has to look into the future. People are paying for this; it's coming from their taxes. These are private entities trying to get cities to join, and it shouldn't be that way. Private entities should do the investment and then we buy from them. If we pay more, we pay more; but other pay more too. Why are we paying for them to take the chance that it may not work? Nuclear plants throughout the United States have closed down. She's not willing to go more than \$200,000. She would like to go with Deseret.

Dave Tuckett noted when the City partnered in the Nebo Project, the City spent money all along. If it had failed, the City would have lost that money. Any resource will cost money; it's the cost of doing business. The City can find another source. It will cost money and could fail. If the City can

limit the risk with this project and it's successful, it will be a great resource and investment. It all needs to be put in writing. He will try to get something in writing from UAMPS before October 31.

MOTION: Councilmember Brett – To enter into a resolution approving the withdrawal from the UAMPS Carbon Free Power Project effective October 31, 2020. However, if UAMPS can limit the financial liability to Payson City to an amount less than \$200,000 on or before November 10 with option of leaving at the next offramp with no more than \$200,000 liability for the City. Motion seconded by Councilmember Hiatt. A roll call vote was taken as follows and the motion carried.

Yes - Linda Carter
Yes - Brett Christensen
Yes - Taresa Hiatt
Yes - Brian Hulet
Yes - Doug Welton

C. ADJOURN TO CLOSED SESSION

MOTION: Councilmember Hiatt – To adjourn to closed session. Motion seconded by Councilmember Brett. A roll call vote was taken as follows and the motion carried.

Yes - Linda Carter
Yes - Brett Christensen
Yes - Taresa Hiatt
Yes - Brian Hulet
Yes - Doug Welton

1. Purchase, exchange, sale, or lease of real property

D. ADJOURNMENT OF CLOSED SESSION

MOTION: Councilmember Hiatt – To adjourn from Closed Session. Motion seconded by Councilmember Carter. Those voting yes: Linda Carter, Brett Christensen, Taresa Hiatt, Brian Hulet, Doug Welton. The motion carried.

E. ADJOURNMENT

MOTION: Councilmember Hiatt – To adjourn. Motion seconded by Councilmember Christensen. Those voting yes: Linda Carter, Brett Christensen, Taresa Hiatt, Brian Hulet, Doug Welton. The motion carried.

The meeting adjourned at 6:46 p.m.

/s/ Kim E. Holindrake
Kim E. Holindrake, City Recorder