

**MURRAY CITY MUNICIPAL COUNCIL
COMMITTEE OF THE WHOLE**

Work Session Minutes of Tuesday, January 16, 2024

Murray City Hall, 10 East 4800 South, Poplar Meeting Room, Murray, Utah 84107

Attendance:

Council Members:

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| Paul Pickett | District #1 |
| Pam Cotter | District #2 – Council Chair |
| Rosalba Dominguez | District #3 - |
| Diane Turner | District #4 |
| Adam Hock | District #5 – Council Vice-Chair |

Others:

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| Brett Hales | Mayor | Jennifer Kennedy | City Council Executive Director |
| Doug Hill | CAO (Chief Administrative Officer) | Pattie Johnson | Council Administration |
| G.L. Critchfield | City Attorney | Brenda Moore | Finance Director |
| Phil Markham | CED Director | Brooke Smith | City Recorder |
| Rob White | IT Director | Elvon Farrell | CED |
| Greg Bellon | Power Director | Aaron Frish | Public Works |
| Jeff Puls | Fire Department | Rob Hughes | Intermountain Power Agency |
| Zac Smallwood | City Planner CED | Anthony Semone | NeighborWorks |
| Camron Kollman | IT | Citizens | |

Conducting: Council Chair Cotter called the meeting to order at 3:30 pm.

Approval of Minutes: None scheduled.

Discussion Items:

- **Intermountain Power Agency Legislative Update**

Power Director Greg Bellon invited Rob Hughes and Eric Bawden to speak about IPA (Intermountain Power Agency) and IPP (Intermountain Power Project). Mr. Hughes said he works for Parsons Behle & Latimar and Eric Bawden works for Holland and Hart and together they represent IPA.

Mr. Hughes shared basic information about IPA. IPA is an interlocal entity that Murray has been part of for 40 years. There are 23 municipal members of IPA, including Murray and 35 power purchasers which include the 23 municipal members, six California cities and six rural cooperatives. IPA owns IPP and IPA and IPP are different. IPP is the project that includes an 1,800 MW (Megawatt) coal-fired plant, a Northern Transmission System, and a Southern Transmission System. The project is funded by bonds issued by IPA and backed by the power sales contracts. IPA has never received State or taxpayer funding, so it is the municipal rate payer that backs the bonds.

IPA has power sales contracts with each of their 35 power purchasers. He explained how take-or-pay power sales contracts work noting that every six months Utah municipalities are allowed to lay off unused energy without cost. Murray being the largest Utah purchaser of IPP energy currently gets 4%,

or 72 MW, of the coal-fired generation and only pays for energy when power is needed. He noted most of the time it has been more economical for Murray to lay off its power.

Mr. Hughes said IPA is in the middle of IPP Renewed, which is a project to build new natural gas units, the decommissioning and retiring of two coal units, a transmission project for the California members, and a hydrogen project. In 2015 all power sales contracts were amended and in 2017 they entered into new power sales contracts. The new plant once completed would produce 840 MW of natural gas. Over the next 30 years, construction contracts will cost over \$4 billion and long-term contracts with gas and hydrogen providers will cost an additional \$3.5 billion.

Ms. Turner asked why the project was now under scrutiny if it began in 2012. Mr. Hughes explained IPA approached Utah Legislators when California legislation prevented California cities from bringing coal energy into their state in 2012. With Los Angeles being the largest purchaser of IPP capacity at 48%, IPA believed shutting down coal was the best way to accommodate the largest purchasers of IPP energy. He said the request to Utah legislators was not specific about coal or gas, it was a request to create replacement project capacity.

Mr. Bawden clarified the request in 2012 was very clear about switching the plant from coal to natural gas and significant information was distributed in 2017 to all Utah leadership, legislative leaders and the governor, including a press release.

Mr. Hughes said the scrutiny was coming from State representatives who were not in office in 2012 that are concerned about the large coal plant going away. He explained the coal units could never be moved due to their massive size and that due to federal regulations within the Clean Air Act, implemented by Utah through the Environmental Protection Agency and approved SIPs (State Implementation Plans), coal operations must end. He said if the State did not comply to federal laws or their own SIPs about air quality, permitting regulations, regional haze and CCR (coal combustion and residual) waste issues, the State would be in violation. This means that IPA cannot operate the new gas units under the current permit if coal units remain in service. In addition, language in 35 power sales contracts state that once natural gas re-powering is complete, the coal units must be shut down.

Mr. Hughes discussed how HB (House Bill) 425 – Energy Security Amendments that passed in 2023 was the biggest threat to finishing the project because it has currently stopped the decommissioning of the coal units. Many State legislators who come from coal communities with concern over job loss in rural Utah supported the bill as an effort to preserve the coal plant. With the gas re-powering project reducing the demand for coal in Utah, and supply problems already existing due to other coal plants permanently closing in Utah, many were left scrambling to get coal. HB425 was a way for many legislators to express their desire to preserve the coal units and support the coal industry.

HB425 also called for a continued operation study to establish that IPP coal units should remain in operation. Jackson Walker, LLP completed the study that was presented to IPA on November 15, 2023 and indicated the cost for keeping IPP coal units running would be about \$1 billion. Mr. Hughes described how this includes re-tubing boilers, installing selected catalytic reduction technology and a new CCR handling system. He agreed the coal units are in great shape because the plant has been maintained but it is 35 years old.

Challenges noted in the study are not having a purchaser for 1800 MW of coal power, and not having new transmission lines, data centers, or water rights. Alternative uses for the coal units suggest implementing coal to graphite, or carbon capture for a cost of \$1 billion each, or Syngas which is synthesis gas. Mr. Hughes did not think any of these suggestions were doable.

Recommendations include making IPA subject to the Utah Public Service Commission, which puts municipal bonds at risk. Taking coal units from IPA and transferring them to a new entity. Enacting Utah legislation that would automatically transfer IPA's coal-fired power plant to the State, following the decommissioning, without cost; and if the State cannot take the coal unit property, the State should dissolve the existing IPA board and replace it with a new board. Mr. Hughes said dissolving the IPA board would impair IPA's Organization Agreement. It was noted that a committee bill was proposed to implement this recommendation, however it has not been moved forward for a vote. A final recommendation is that the State direct the Utah Division of Air Quality to change IPA's current air permit to allow coal production.

Ms. Dominguez asked if the State could be successful in their efforts and would the City still be responsible for existing IPP bonds. Mr. Hughes said yes, IPA was two-thirds of the way through the bonding process that currently totals \$1.6 billion and next year \$800 million more is required. He said the last phase of bonding is now at risk to finish the project and he was not certain what would happen if IPA cannot get the money to finish the project.

Mr. Hock asked if the State was trying to separate the coal plant into a new State entity and let the hydrogen plant fall under IPA. Mr. Hughes clarified the hydrogen plant was not threatened because hydrogen caverns would be located on land belonging to SITLA (State Institutional Trust Lands Administration), and SITLA would lease property to Aces, a private company who would develop the hydrogen storage project.

Mr. Hughes said moving into the 2024 Legislative Session several legislators are now understanding the problem at IPP, but others are proposing a second study to see if anything can be done to find use for 1800 MW of coal-fired energy. For now the project is delayed but the recommendations could impact Murray's cost of power and municipal control if brought forward. He asked that Murray City stand with IPA, be vigilant in following the issue closely and voice concerns to Murray representatives.

Mr. Hill asked how the City should use its voice in contacting Murray legislators. Mr. Hughes felt it is important to help all parties realize the situation is not simple, it could be very costly, and they needed to be armed with current information. Mr. Critchfield noted both of the City's lobbyist are well informed and aware of the situation.

- **CED (Community and Economic Development) Department Report.**

CED Director Phil Markham discussed overall operations of CED and reviewed the functions of each division including Building Services, Business Licensing, Code Enforcement, Planning and Zoning and the RDA (Redevelopment Agency). He introduced each staff member and outlined the scope of all their job responsibilities. Mr. Markham said his entire team was remarkable and he greatly appreciated each staff member.

Economic Development Specialist Elvon Farrell was invited to share about a new project that would

be launched soon. Mr. Farrell explained he and City Planner Mustafa Al Janabi created an on-line tool to help Murray citizens learn about current city, residential, industrial, mixed-use and commercial projects. A demonstration was given about how to use the interactive map that helps answer questions regarding development. All information is public and has gone through the planning commission process which would also be helpful for real-estate professionals, business owners and developers. The online tool would also provide information about remodel projects and renovations.

- **Discussion on an ordinance amending the City's FY (Fiscal Year) 2023-2024 Budget.**

Finance Director Brenda Moore presented proposed budget changes for FY 2023-2024. She provided the proposed ordinance and reviewed language allowing her to transfer Transportation Sales Tax revenue to the CIP (Capital Improvement Projects) Fund for this year and next fiscal year; and language that allows her to make proper transfers from the GF (General Fund) to ensure that reserves are kept between 25% and 26% of revenue. Ms. Moore reviewed all budget adjustments needed for receiving and allocating several grants. She discussed reimbursements and all financial requirements for funding new projects and various needs related to increased costs for FY 2024. Items affecting the GF, Library Fund, CIP Fund, Water Fund and Solid Waste Fund were outlined.

- **An ordinance amending Sections 17.152.020 and 17.152.030 (M-G Zoning District) to allow Land Use No. 6600 (Contract Construction Services) as a permitted use instead of a conditional use.** Planning Manager Mr. Smallwood said the text amendment was needed years ago. He shared a map to pinpoint the City's M-G (manufacturing/industrial) zone. Currently Contract Construction Services is listed as a conditional use in the M-G zone and the request would change that to a permitted use. Mr. Smallwood explained the proposed change did not affect any other code regulations, other than skipping the planning commission process. He shared the findings which confirmed that the text amendments are in harmony with the General Plan and are consistent with the M-G zone requirements. He said based on background analysis and the findings, the Planning Commission and City staff recommended that the City Council approve the proposed text amendment.

Adjournment: 5:00 p.m.

**Pattie Johnson
Council Administrator III**