

Murray City Municipal Council Chambers Murray City, Utah

The Municipal Council of Murray City, Utah, met on Tuesday, the 19th day of June, 2007 at 6:30 p.m., for a meeting held in the Murray City Council Chambers, 5025 South State Street, Murray, Utah.

Roll Call consisted of the following:

Krista Dunn,	Council Chair
Pat Griffiths,	Council Member - Conducted
Robbie Robertson,	Council Member
Jim Brass,	Council Member - Excused
Jeff Dredge,	Council Member - Teleconferenced

Others who attended:

Daniel Snarr,	Mayor
Jan Wells,	Chief of Staff
Frank Nakamura,	City Attorney
Shannon Huff Jacobs,	Council Director
Carol Heales,	City Recorder
Don Whetzel,	Director of Finance
Anne Von Weller,	Deputy Public Services Director
Craig Burnett,	Assistant Police Chief
Gil Rodriguez,	Fire Chief
Dale Whittle,	Director, Human Resources
David Larsen,	IT Director
Dennis Hamblin,	Community Development Director
Dan Stireman,	Energy Services Manager
Blaine Haacke,	General Manager, Power Department
Ken White,	Operations, Power Department
Scott Baker,	President & CEO, Murray Area Chamber of Commerce
Dwayne Wooley, Citizens	General Mgr., Trans Jordan Cities Landfill

Pat Griffiths conducted the meeting

A. OPENING CEREMONIES

1. Pledge of Allegiance - Anne Von Weller, Deputy Public Services Director
2. Approval of Minutes

Motion to approve minutes of June 05, 2007 made by Ms. Dunn.
Mr. Robertson 2nd the motion.

Voice Vote taken, All ayes.

Motion to approve minutes of June 12, 2007, with corrections, made by Mr.
Robertson.

Ms. Dunn 2nd the motion.

Voice Vote taken, All ayes.

3. Special Recognition(s)
None

B. CITIZEN COMMENTS (Comments are limited to three minutes unless otherwise
approved by the Council.)

None given.

Citizen Comments Closed

C. CONSENT AGENDA

Ms. Griffiths asked if the items could be taken together. No objections noted.

1. Consider confirmation of the Mayor's reappointment of Deborah A. Peters to the
Personnel Advisory Board for a term expiring June 30, 2010.
2. Consider confirmation of the Mayor's reappointment of Jim Hendrickson to the
Shade Tree Commission for a term expiring June 30, 2010.

Mr. Robertson made a motion to adopt the consent agenda.
Ms. Dunn 2nd the motion

Call vote recorded by Ms. Heales

AYE/NAY

<u> A </u>	Ms. Dunn
<u> A </u>	Mr. Dredge
<u> A </u>	Mr. Robertson
<u> A </u>	Ms. Griffiths

Motion passed 4-0

D. Public Hearing(s)

1. a. Staff and sponsor presentations, public comment and discussion prior to Council action on the following matter:

Consider an Ordinance approving the Adjustment of the common boundary of the City's Water Service Area with Taylorsville-Bennion Water Conservancy District ("Taylorsville-Bennion") to exclude from Taylorsville-Bennion and include in the City's Water Service Area properties located at approximately 1300 West Winchester Drive.

Staff Presentation: Frank Nakamura, City Attorney

Mr. Nakamura stated that this is the final step of the boundary adjustment with Taylorsville City. He said this ordinance adjust the service area with Taylorsville-Bennion Water Conservancy District. He noted for the record that no protests were received.

Public Hearing opened for comment.

None given

Public Hearing Closed

- b. Council consideration of the above matter to follow Public Hearing

Mr. Robertson made a motion to adopt the Ordinance.

Ms. Dunn 2nd the motion.
Call vote recorded by Ms. Heales

AYE/NAY

<u> A </u>	Ms. Dunn
<u> A </u>	Mr. Dredge
<u> A </u>	Mr. Robertson
<u> A </u>	Ms. Griffiths

Motion passed 4-0

2. Approximately 6:45 p.m.

a. Staff and sponsor presentations, public comment and discussion prior to Council action on the following matter:

Consider a Resolution providing monetary assistance jointly to the Friends of Ken Price, Murray Babe Ruth and Murray Little League pursuant to Section 10-8-2 of the Utah Code.

Staff Presentation: Frank Nakamura, City Attorney

Mr. Nakamura explained that under Utah Law, if the City gives money to a non-profit organization, without value, it is required to hold a public hearing to show that it benefits the community. The City did make a decision last year to commit to assist Ken Price, the Murray Babe Ruth, and the Murray Little League, to pursue the National Babe Ruth World Series Tournament.

He said this would be the second installment of \$10,000 of that commitment, coming out of this fiscal year. He said this money assists with the pursuit of the tournament. He added that the City deems the tournament to be of value to the community and will bring recognition.

Public Hearing opened for comment.

None Given

Public Hearing Closed

b. Council consideration of the above matter to follow Public Hearing

Ms. Dunn made a motion to adopt the Resolution.
Mr. Robertson 2nd the motion.

Call vote recorded by Ms. Heales

AYE/NAY

<u> A </u>	Ms. Dunn
<u> A </u>	Mr. Dredge
<u> A </u>	Mr. Robertson
<u> A </u>	Ms. Griffiths

Motion passed 4-0

E Unfinished Business

None Scheduled

F. New Business

1. Consider an Ordinance adopting the Rate of Tax Levies for the Fiscal Year commencing July 1, 2007 and ending June 30, 2008.

Staff Presentation: Don Whetzel, Finance Director

Mr. Whetzel stated that the certified tax rates received from the Salt Lake County Auditor's Office is for this coming fiscal year. He said the rate for the General fund is .001518, and for the Library fund it is .000368. He explained that the rates are slightly lower than the prior year, which was .001773 for the General fund, and .000430 for the Library fund. Mr. Whetzel pointed out that even though the actual rate decreased, the City will still see an increase in revenue of \$72,000 for the General fund due to new growth, and approximately \$17,000 in the Library Fund also due to new growth.

Ms. Dunn made a motion to adopt the Ordinance.
Mr. Robertson 2nd the motion. T

Call vote recorded by Ms. Heales

AYE/NAY

<u> A </u>	Ms. Dunn
<u> A </u>	Mr. Dredge

A Mr. Robertson

 A Ms. Griffiths

Motion passed 4-0

2. Consider a Resolution approving the Mayor's appointment of Blaine Haacke as General Manager of the City's Power Department.

Staff Presentation: Mayor Daniel Snarr

Mayor Snarr stated that after careful consideration of the outstanding work that Mr. Haacke has performed with the Power department as the Assistant General Manager, he would request the support of the Council in his appointment of Mr. Haacke as General Manager of the Power department.

The Mayor also stated that Mr. Haacke has had an extensive history of work in the power industry, having worked with Bountiful City, prior to coming aboard Murray City. He said Mr. Haacke has done an excellent job in providing help in decision making to employees in Central Control, regarding when to turn on gas turbines, when to purchase power on the open market, and looking at the City's needs in call-back of IPP resources.

The Mayor expressed his appreciation of Mr. Haacke's honesty, forthrightness, and humility; and asked the Council for their support in this decision.

Ms. Griffiths congratulated Mr. Haacke and added that he had recently completed his Master of Public Administration degree.

Ms. Dunn expressed her congratulations to Mr. Haacke and acknowledged the Mayor's excellent choice.

Mr. Robertson made a motion to approve the appointment.

Ms. Dunn 2nd the motion.

Call vote recorded by Ms. Heales

AYE/NAY

 A Ms. Dunn

 A Mr. Dredge

 A Mr. Robertson

 A Ms. Griffiths

Motion passed 4-0

Mr. Haacke introduced his family and thanked the Mayor and Council for the appointment.

3. Consider a Resolution authorizing the execution of a Power Purchase Agreement between the City and Granger Electric of South Jordan, LLC, providing for the City's purchase of a Renewable Electrical Power Supply Resource generated by the decomposition process at the Trans-Jordan Landfill.

Staff Presentation: Blaine Haacke, General Manager, Power Department

Mr. Haacke thanked the Attorney's Office, as well as his staff for their help in getting to this point on the methane gas discussion. He said they have been to the Council three times in the Committee of the Whole meeting to keep them abreast of the situation. He stated that the interesting thing with methane gas is, that it is renewable energy. Green power is in the news a lot right now, and it is the thing to do.

Mr. Haacke reviewed the diverse power resources that the City already has:

- Colorado River Storage Project (CRSP) hydro plant is 35-40% of the City's resource
- ownership or contracts with the Hunter and San Juan coal fire plants;
- Intermountain Power Project (IPP)
- contract with Idaho Power, which is basically hydro with a mix of coal fire
- the Cottonwood small hydro
- the landfill gas plant #1, which is methane fueled
- Utah Associated Municipal Power Systems (UAMPS) spot market which can be of various energy sources
- gas turbines

Mr. Haacke noted that Murray City is the envy of many of the UAMPS members. He said one UAMPS member has only one contract with Idaho Resource. He added that several members wish they had the diversified portfolio that Murray City has.

Mr. Haacke continued with his discussion by saying that Murray began its discussions with Granger near the end of 2006. He said Granger had a contract with Trans-Jordan Cities landfill to use methane gas from the landfill to fuel an electrical resource or to use in some other type of manufacturing. They had three

years to find a user for that; about two and one half years into the contract, they were unable to find a user, so they approached Murray City, and began negotiations. He said the City's intent was to add another environmentally friendly resource at a reasonable price. They looked at a 4 ½ megawatts plant, which would represent approximately 4% of the City's portfolio. Granger's intent, as a private entity, was to find a user for the gas and a profit. Both parties agreed that the environmental mandates are good.

Mr. Haacke said, in a UAMPS meeting, they found out the latest on the federal energy bill, a key bill. He said the renewable energy bill proposed by New Mexico's Senator Jeff Bingaman, requires 15% of a renewable standard by utilities by the year 2020. This standard would only apply to utilities that had four million megawatt hours or more in sales. He said that would be four billion in kilowatt hours, something that no municipal area in Utah comes close in using. He said we are 400,000 megawatt hours, so we do not fall under this proposed federal standard. He noted that state levels can be different such as Massachusetts. It has a standard of 4% by 2019, which we would fall under at this time. California, has a standard in place of 20% renewable energy resources by 2010, and 33% by 2020. He said due to these changing standards, renewables are being picked up here in Utah at this time. He said the Milford wind farm was snapped up by California in the past few months as a large resource of renewables.

Mr. Haacke said a draft agreement was presented to the Council yesterday, along with a memo from him which explained the City's counter proposal to Granger. He said there are concerns with the differences in the contracts which needs to be reviewed by the City. Mr. Haacke stated that he is not sure if these differences can be ironed out, though with time we may come to an agreement.

Mr. Haacke pointed out that the resource is fairly priced when compared to other energy markets. He said if the City were to enter into this agreement, then the energy would be priced at approximately \$59 delivered the first year, and would escalate up to mid - high \$80 by the end of the term. The average would be around \$72.00 for the 15 year average. He said landfill gas projects around the country average from \$50 to \$85. In comparison, solar power's average price is between \$130 and \$230 per megawatt hour, wind generation is in the high \$60 delivered, and geothermal power is in the \$50 to \$85 range. He added that the City is currently receiving approximately \$57 delivered for landfill gas plant #1 which will be priced at the same escalation as the landfill gas #2.

Mr. Haacke felt fairly comfortable that the contract price was within the market price. He said the question is whether this is the time for additional resources. Time is a critical factor in this matter because Granger has a tight time frame. Mr. Haacke said because of the delays so far, Granger may lose their Que in the

production line for three Caterpillar engines if this contract is not approved tonight, and may not meet their time frame of 18 months construction. Granger would lose their federal tax credits, and then it may not be economically feasible for them. They are also under tight time constraints with transmission agreements with Rocky Mountain Power.

In conclusion, Mr Haacke said the City wants green power because there is a need for it due to the potential legislative mandates which may require it in the next 10 to 15 years. Yet , he emphasized that the staff felt a little uncomfortable with the terms and conditions of the current proposed contract from Granger, and wanted to have an open discussion with the Council.

Ms. Dunn stated that anyone that has been with the City in dealings with green power knows that the Council is very supportive and in favor of moving towards a portfolio that has a good mix of green power. She said the Council started out asking a lot of hard questions during the last landfill deal that was negotiated and put into place because not only is it good to have the green power, but it is necessary to get credit for having it. She added that if we talk about mandates coming down, and purchase the green power and give away the certificates that go with it, it would be the same as not having green power at all. Ms. Dunn said she did not want to be seen as being negative toward the project, but felt that since the Council had received the agreement only 24 hours ago, and knowing it is a big agreement with a lot of information, and is concerned that the agreement not at all like the previous one, does not feel comfortable making a decision tonight. She said this means the City is still in the middle of a negotiation with Granger.

Ms. Dunn said, in reading Granger's agreement, it is very unclear what the City would have in certificates for green power. She said the Council made it very clear in their last deal, that the City would get those certificates, and indeed the City received them. She said it appears that Granger is looking to keep a good deal, if not all, of the environmental benefits.

Mr. Haacke stated that in both agreements, the City would get the tags, but there are other environmental benefits where it is not clear who would receive them.

Ms. Dunn stated that it is very important that we do know what we are getting before a decision is made. She said if the City does not have the certificates, then it does not have green power, and ends up being very costly to the City to participate. She said when compared to IPP power there is a \$22 per megawatt hour difference in price. (\$15. to \$20 price difference per Mr. Haacke), and this is a significant amount of money. Ms. Dunn said it was important to remember that existing renewables will not count towards future mandated renewables. She said those entities that go out and get a good mix now may not get credit for it.

This means, she said, there is a good chance that this would not be counted later on when the mandates come through.

Mr. Haacke agreed with Ms. Dunn and stated that in all proposed state and federal mandates, the big federal hydro resources such as the CRSP, would not be counted as renewable, which is disheartening. He added that in the past six months, he and his staff have also found out that in some states, as proposed in Senator Bingaman's bill, even small existing hydro's would not be counted. He said we don't know what will happen with the landfill gas we already have in our portfolio, no one knows at this time.

Ms. Dunn said that basing our decision here tonight on what future mandates may be is not useful and she refused to use such information as a reason to make a quick decision.

Ms. Dunn stated that she is concerned that Granger has removed all of the City's rights of refusal from the contract. She said it appears that down the road, any benefits of this contract would go to Granger, and almost nothing to the City. She said, as a Council, they have looked this contract over carefully because they want a diversified portfolio, but they need to make sure that the City gets a good deal for the citizens. She felt that at this time, the City's best interest would be to not make a decision at this time; iron out the issues and bring it back to the table. She clarified that she is not saying that this shouldn't be done at all, only that the wrinkles need to be ironed out prior to making this decision.

Mr. Dredge stated that he is in agreement with Ms. Dunn on this issue. He felt it was premature to make a decision when we keep getting different contracts with differing issues, knowing they have not had the chance to analyze it because it came through at the last minute.

Mr. Robertson agreed that negotiations are currently on the table and the terms and conditions need to be finalized before making a decision. He asked if the power department had calculated the cost of the power by including the transmission build out.

Mr. Haacke answered that they had added in the \$550,000 interconnection fee. He said Mr. Stireman had completed that calculation. He explained that if you average the resource cost over 15 years, it would \$70 to \$71, then if you amortize the \$550,000 into it over the 15 years, it would add approximately \$1 to \$1.50 per kilowatt hour you received over the entire 15 year span.

Mr. Robertson asked for clarification regarding *receiving the transmission lines* at the end of the contract period, and if the City would be able to do anything with them at that time.

Mr. Haacke stated that the line could be scrapped, although there may be some useful life still there. He did say that the City would be burdened with the engines.

Mr. Robertson asked what the planned life of the Trans Jordan Cities landfill is.

Mr. Stireman, Energy Services Manager, stated that the estimated life is 18 years left of garbage space, and 30 years of methane reception.

Ms. Griffiths stated that she agreed with everything that had been expressed by the council members, and felt that each of them had done their due diligence to study the issues thoroughly, and thought the Council understood the contract, but then they received something totally different. She said there are so many uncertainties that she did not feel comfortable acting on this issue.

Ms. Griffiths also stated that \$550,000 is a lot of money to take from the reserves. She asked what the current status of the reserves is.

Mr. Whetzel stated that it is approximately \$5.5 to \$6 million. He said they are in a renew and replacement fund for the gas turbine rebuilds, etc.

Ms. Griffiths continued by stating that this is a large amount of money to place in a 15 year investment. She is concerned about the fact that this resource is an expensive one, especially if the federal and state mandates don't come down. She felt that all of us are environmentally conscious of what we are trying to do to help with the global warming, but all of the uncertainties are a grave concern.

Mr. Haacke stated that this power resource is expensive compared to our IPP resource, but not expensive when compared to solar power. He felt it was right in the ballpark, maybe a little on the high end.

Ms. Dunn stated that she had done some research last night, and pulled up many articles on landfill gas, and one of the things that came across in almost all of them was that landfill gas is one of the least expensive powers to generate. She stated that they have said all along that they don't mind paying a little bit more for green energy, but she wondered, when it is said that the average cost across the country is from \$60 to \$85, is this a fair comparison to include the east, where they are paying double the cost we are for energy. She wondered if the costs would be lower if we made comparisons closer to home. She did not feel that this was a smart business deal at this time for the City.

Mr. Haacke stated that there is not much to compare it to in the western United States, besides landfill #1. He did agree that once the landfill plant is in place, the methane would keep coming, and the generation cost is low. He said Granger

would have two full-time employees to keep the engines running. He said Landfill gas plant #1 has two employees that keep in touch with dispatch all the time, so that if one of the units goes down, the City can buy power from somewhere else. He said that 95% of the time they are up and running.

Ms. Griffiths stated that the wind power in Milford is reliable because it never stops blowing there, but they also have a geothermal plant there, and she wondered who uses that one.

Mr. Haacke stated that the Cove Fort plant was owned, at one time, by Provo City, and then UMPA purchased it, but it has since been sold to California. He stated that the production has been stopped at the plant for upgrades, but is not familiar with the Milford plant. He stated that there is another geothermal plant by Honeyville, that UAMPS is looking at, and that Logan City is interested in purchasing that one too. He added that if it were a UAMPS project, the City would have an opportunity to participate, but he didn't know the cost.

Ms. Dunn stated it would be better to build one ourselves if the City is going to invest \$500,000 into the project to get it up and running.

Mr. Haacke said that if we had access to the gas, we probably would.

Ms. Dunn stated that the point is, we are putting an a lot of money into this with little benefit in the end.

Mr. Haacke answered that the benefit is access to renewable energy.

Ms. Griffiths noted that we did not have an infrastructure cost in the first gas project.

Ms. Dunn stated that the cost would be quite low once it is up and running and felt that further discussion was needed on this issue.

Mr. Haacke noted that he also feels somewhat uncomfortable with this, but asked the Council to note that if they opt not to do anything tonight, Granger may walk away. He said it is not a threat but a reality because they will lose their federal tax credits if they don't meet their 18 month deadline. He said Granger may opt to negotiate and present a new contract at the July 10, 2007 city council meeting. Based on the 11th hour they have made, Mr. Haacke did not know where Granger stood at this point.

Ms. Dunn remarked that we do not operate by making a decision on a 24 hour deal, when they have two documents that look nothing alike. She felt there was way too much to iron out for them to make a good decision tonight.

Frank Nakamura, City Attorney, stated that there is nothing legally to prohibit the Council from signing this agreement. He said the contract has not only been reviewed by the City Attorney's office, but they have been relying upon John Pearce and Sid Bachman, outside legal council for the City, who have a great deal of experience in utility law. He said the City went out to get an expert who could help us with negotiations and drafting.

Mr. Nakamura said there was mention of the appropriations clause, this was a specific request as we do not like to bind future city councils and mayors, but, for the record, it is not required for an enterprise fund. He said the City could sign an agreement without a *subject to appropriations clause* because it is an enterprise fund. The clause was used to make sure there were no misunderstandings of the City's position.

Ms. Griffiths stated that she appreciated that all of the legal ramifications have been covered, but her concern as a council member is being sure that this is a sound business deal, and with all of the unanswered questions, she did not feel comfortable with a document that was totally different from the previous document. She found it very confusing.

Mr. Haacke agreed and said it was all very frustrating.

Ms. Dunn made a motion to postpone any decision on the issue until they have had time to iron it out, and moved to remove it off the agenda for tonight.

Mr. Robertson 2nd the motion with the hope that a document could be received that outlines the green tags with more clarification.

Call vote recorded by Ms. Heales

AYE/NAY

<u> A </u>	Ms. Dunn
<u> A </u>	Mr. Dredge
<u> A </u>	Mr. Robertson
<u> A </u>	Ms. Griffiths

Motion passed 4-0

Ms. Dunn wanted to say for the record, that Mr. Brass is on-board with our discussions here tonight. She said he has spent a lot of time studying the issue, and he has a great deal of experience in the electric field which most of them rely on.

G. Mayor

1. Report

Mayor Snarr commented that he had feelings of disappointment with Granger Electric regarding this issue because he felt the City came to the table in good faith to come up with a win-win situation for everyone. He said the City did not ask for anything more than to be treated fairly. He was disappointed to see all of the changes come in at the Eleventh hour and then to be expected to make an immediate decision. He said this didn't mean he does not want to see us continue to move forward, but felt that all agree that we want to come to an understanding that we all are comfortable with, so that we know, in the future, exactly what we are getting.

The Mayor pointed out that there are opportunities to earn money credits with methane and other resources. He said he did not understand who would get the credits, but would like to see the issue thoroughly researched and laid out in writing so that the layman can understand what is going down in the contract.

The Mayor added that Dwayne Wooley, General Manager of Trans-Jordan Cities landfill, is present, and noted that they worked hard to make this right, which right now it is not. The Mayor asked for indulgence, and to let the Board know that the City is willing to sit down, if they are willing, to work this out. He said the City hired some of the best people in the industry to help us through this, and the City bent over backwards to make this a good deal.

With that being said, the Mayor wanted a win-win situation for all of the constituents, not only of Murray, but for Salt Lake County and the State of Utah, from an environmental perspective. He didn't want to see the methane continue to be flared because it may be causing environmental damage with the pollutants in the air that we all breathe. He said he would like to see us capture those and turn them into a renewable green resource, but at the same time this project has to be the fiscally responsible thing to do. He felt many different things need to be weighed when dealing with a resource like this, to make it palatable for everyone involved.

The Mayor thanked the Attorney's office, stating that they have bent over backwards to insure that this was something we could be proud of as a document and that Granger, Trans-Jordan Cities landfill, Murray and all of the residents of the County and State would feel good about. He said that was the goal they were trying to achieve.

The Mayor went on to report that his staff will be involved in meetings with

Wayne Corbridge and the Silverado Group in pursuing the option of building a bridge over 4500 South. He felt that it would be a good solution to make the property an exciting development in the heart of our City between the heavy and light rails. He said it has significant challenges with noise and such, but he believed that people would adapt and become used to the noise. He said the City needs to get that project taken care of. He added that his staff will work diligently to see what makes sense, and get some hard costs so that they will be able to present the project to the Council.

Mayor Snarr said Keith Snarr, Economic Development Director, had indicated to him that the process for the north side of the Big Cottonwood creek is moving along well now in its creation of an RDA.

The Mayor also mentioned that they are working on the acquisition of the property at 5300 South, and hopes that they can work on that area soon.

2. Questions of the Mayor

Ms. Dunn reminded everyone that there are neighborhood meetings set up for next Tuesday at Twin Peaks Elementary and Wednesday at Murray High School in the Choral room to discuss the smaller school district issues and how they may affect Murray City and its residents, . Both meetings will be held at 6:00 p.m..

Ms. Dunn mentioned to Mayor Snarr and Fire Chief Gil Rodriguez that Mr. Brass had an emergency in his family, and he wanted to thank Mr. Rodriguez and his staff for the professional and compassionate way they handled everything.

Mayor Snarr noted that he would not be able to attend the Tuesday night Neighborhood meeting but will be in attendance at the Wednesday Neighborhood meeting.

H. Adjournment