

**MINUTES**  
**EAGLE MOUNTAIN CITY COUNCIL MEETING**

**August 19, 2014**

**Work Session 4:00 p.m. Policy Session 7:00 p.m.**

Eagle Mountain City Council Chambers, 1650 East Stagecoach Run, Eagle Mountain, Utah 84005

**4:00 P.M. WORK SESSION – COUNCIL CHAMBERS**

ELECTED OFFICIALS PRESENT: Adam Bradley, Donna Burnham, Ryan Ireland, Richard Steinkopf and Tom Westmoreland.

CITY STAFF PRESENT: Ifo Pili, City Administrator; Paul Jerome, Assistant City Administrator/Finance Director; Jeremy Cook, City Attorney; Fionnuala Kofoed, City Recorder; Melanie Lahman, Deputy City Recorder; Aaron Sanborn, Financial Analyst; James Allred, Management Intern; Chris Trusty, City Engineer; Steve Mumford, Planning Director; Adam Ferre, Energy Director; Linda Peterson, Public Information Director; Kent Partridge, Building Official; Rand Andrus, Fire Chief; Eric McDowell, Sheriff's Deputy.

Mayor Pengra called the meeting to order at 5:07 p.m.

1. CITY ADMINISTRATOR INFORMATION ITEMS – This is an opportunity for the City Administrator to provide information to the City Council. These items are for information and do not require action by the City Council.

- A. Presentations by Bidders for Eagle Mountain City's Electric Distribution System

Rocky Mountain Power

Mayor Pengra announced that each bidder would have 30 minutes to make its presentation. He flipped a coin to decide who presented first, and Rocky Mountain Power won the toss.

Lucky Morse, Director of Customer and Community Relations for Rocky Mountain Power (RMP), introduced Kathy Hoffman, Community Manager; Paul Murphy, Communications; Megan McKay, Legal; and Brad Shafer, Government Relations. He gave a brief history of the company and described its facilities and other resources available for customer service, power generation, renewable energy, environmental protection and emergency response.

Mr. Morse explained that RMP is offering to purchase Eagle Mountain's power system for \$21.6M, consisting of \$20M for the assets of the power system; \$500,000 for the fleet, inventory and equipment; fair market price for the Public Works Building, at a minimum of \$500K; and \$600K towards system upgrades at the interconnection point with RMP's transmission system. The building referred to is the older Public Works Building, not the newer Energy Building.

The offer will enable the City to completely retire its bonds if it chooses to do so.

Mr. Morse stated that the bid includes job offers to all Energy Department employees, at or above their current total compensation packages. The purchase of the Public Works Building would enable all current Energy Department employees to continue to work in Eagle Mountain City. Those who wish to work in other areas will have that option. Employees would be given all the training they need to integrate into employment with RMP.

Rocky Mountain Power would cooperate with the City to identify ways to enable RMP to work with the City's current contracts with UAMPS and UMPA. The company plans to be involved in Eagle Mountain's economic development. Its commercial and industrial power rates will attract new businesses. There are also line extension allowances.

RMP's rates are among the lowest in the state. They don't expect the need to build any additional generation facilities in the next ten years, which will help keep the rates stable. The rates are scrutinized by the Public Service Commission.

RMP has a strong focus on customer satisfaction, with two 24-hour call centers, one in Portland and one in West Valley City. The system has a 99.7% system reliability rate.

The company would extend its customer energy efficiency programs to City residents. The Cool Keeper program provides a cash incentive to control cooling costs. The refrigerator program pays customers to allow RMP to pick up old refrigerators if they are willing to buy newer, more energy-efficient refrigerators.

Councilmember Westmoreland asked if Rocky Mountain Power was prepared to indemnify the City against the various energy contracts it is currently party to. Mr. Morse responded that while RMP hasn't had time to review the details of the contracts, being able to manage them is a prerequisite to exercising the bid.

Councilmember Westmoreland asked what RMP's position is on the Horse Butte wind farm. Mr. Morse said that the contract will have to be dealt with to make the deal work. He wasn't sure if RMP could assume the agreement.

City Attorney Jeremy Cook said not all of the agreements can be dealt with by RMP until the bid is awarded.

Councilmember Ireland asked what role the City Council would play if the contract were approved today. Mr. Cook stated that all the issues will have to be dealt with in formal agreements, which would be brought to the Council for approval. Neither party will be obligated until a formal agreement was signed by both parties.

All of the major terms of the agreement should be resolved prior to the election. In addition, a gas system purchase with Questar should be finalized before the election. The anticipated closing date is January 1, although there is some flexibility in that date.

Councilmember Ireland asked Mr. Morse to describe another case in which RMP has taken over a municipal power system, and what issues it presented to RMP and the city. Mr. Morse said the company hadn't done that during his time with the RMP, but the company does transactions regularly. All of them involve determining the needs of the other party and finding creative ways to make sure those needs are met.

Councilmember Ireland asked if Mr. Morse had any examples of cities that bought Rocky Mountain Power facilities. Mr. Morse said that there was a recent example of that. It took approximately 3 to 4 years to come up with ways to be sure the customers were protected and make sure that each utility's needs were met.

Rocky Mountain Power's parent company purchased NV Energy in Nevada, which took approximately six to nine months.

Councilmember Burnham asked about line extension allowances. Since much of the City is not built out, it will be expensive in extending lines to newer areas. She wanted to know how RMP would interact with large power users that wished to locate in Eagle Mountain and what role they would expect the City to play. Mr. Morse stated that RMP works with those situations regularly. They work with state and local economic development organizations, providing answers on power costs and load service. Large customers receive line allowances calculated on 16 months of expected revenue, which can offset all or part of the service cost.

Councilmember Steinkopf asked how fast Rocky Mountain Power could put Eagle Mountain customers back online in the event of a widespread power outage affecting both the City and areas of Salt Lake. Mr. Morse said RMP is experienced with major events. There will be a crew located in Eagle Mountain. If the crew in Eagle Mountain is overwhelmed, other crews will be brought in to support them.

Councilmember Bradley asked if the \$21.6M was intended to pay off the City's Horse Butte obligation. Mr. Morse said that Horse Butte will be a separate issue. Councilmember Bradley asked what percentage of its power Rocky Mountain Power generates itself. Mr. Morse said that they purchase some power to keep costs down.

Councilmember Bradley said he looked at the 2013 J.D. Power rankings for large-power, Western region companies, and RMP is just slightly about average. Mr. Morse said that RMP doesn't participate in the J.D. Power studies. They participate in the MSI Market Strategies Satisfaction Survey, which provides more complete information to improve service.

Councilmember Bradley stated that one of the concerns about selling the system to another entity is lack of local control. Mr. Morse responded that the Regional Advisory Board is comprised of customers throughout the service area. RMP gets their feedback to let them know what customers want. The President of the company is the Chair and several senior executives are on the board, as well. It meets three times a year.

Councilmember Bradley was concerned about how Rocky Mountain Power will give the City input on growth of the power system. RMP has a Community Manager assigned to each city. There is an annual meeting with each city to develop a community performance plan. The Community Manager meets with the city regularly during the year.

Councilmember Bradley asked Mayor Pengra if a rate has been determined that City government would pay for power. Assistant City Administrator/Finance Director Paul Jerome stated that the Finance Department calculated that the fiscal year 2015 General Fund power budget is \$23,400. Calculated rates for City departments are as follows:

General Fund facilities:

RMP--\$23,000

SESD--\$16,627

Water Fund facilities:

RMP--just over \$500,000

SESD--\$580,000

Wastewater Fund facilities:

RMP--\$31,000

SESD--\$33,000

Councilmember Bradley asked Mr. Morse why Rocky Mountain Power didn't become the City's power provider when the City was founded. Mr. Morse said that RMP gave the City a price for providing power, and the City administration at the time felt the City could provide its own power for a lower price.

Councilmember Bradley asked about the local control franchise agreement mentioned in the bid document. Mr. Cook stated that Rocky Mountain Power would enter into a franchise agreement with the City to set forth the terms under which they will operate in the City. Most of the facilities are located in public rights-of-way. The agreement will specify how RMP will enter and work in those rights-of-way. Prices and franchise fees are set at a statutory maximum of 6%, so most franchise agreements default to that.

Councilmember Bradley asked how much money Rocky Mountain Power spends on lobbying the State Legislature. Mr. Morse didn't know.

Councilmember Burnham stated that residents had asked her several questions about how the change would affect them. One asked if RMP has an equal payment plan and how it would match up to the City's plan. Mr. Morse said he would ask the billing department if Eagle Mountain customers could be rolled over into Rocky Mountain's plan.

Councilmember Burnham asked if Eagle Mountain residents will have to pay deposits on their accounts. Mr. Morse answered that he believed that all accounts in good standing would be transferred to RMP without paying a deposit. In answer to a question about whether RMP has a military discount, Mr. Morse said that RMP's rates are set statewide and don't allow for a military discount. RMP does have programs that help customers who are struggling to pay their bills.

Councilmember Burnham asked what would happen to customers who are on the equal pay plan and have a deficit at the end of the year. Mr. Jerome responded that the equal payment plan will probably not extend past the end of the year. Potentially, the deficits could be attached to the sewer and gas accounts, which will remain with the City.

Councilmember Westmoreland asked where the closest power generation plant is. Mr. Morse said there's a 600 megawatt station at the old Geneva property in Vineyard. Eagle Mountain's power needs over the next ten years are expected to be absorbed into RMP's current capacity.

Mayor Pengra asked what RMP's plan is to meet the EPA's new clean air standards. Mr. Morse stated that RMP has been upgrading its coal-fired plants for several years to meet higher standards. There is one coal-fired plant in Carbon County that can't be adequately upgraded, so it will be closed.

Mayor Pengra stated that with the new 2.5 particulate standard, there is no commercially available solution for CO2 sequestration and capture. Mr. Morse responded that RMP has been working to meet State and Federal requirements. He believed that the company will be able to meet them.

Councilmember Bradley stated that RMP has never purchased a municipal power system. Mr. Morse clarified that the company has done so, but not during the time he's been with the company.

### SESD

Blair Hamilton, Chairman of the South Utah Valley Electric Service District (SESD) Board, introduced his team: Director of Finance Mark Holdaway; Electric Utility Planner Ryan Bagley, Office Manager Jennifer Nelson, two board members and SESD's legal counsel.

Mr. Hamilton described the history and current organization of SESD. He stated that if SESD is selected, it will build a new facility with input from Eagle Mountain City government. City employees would be employed by SESD at the same pay scale as they have with the City. SESD also has an accredited safety program.

Steve Lauritzen, SESD Trustee and Mayor of Woodland Hills, commended the City for considering the proper role of government in deciding whether to sell the power system.

Mayor Lauritzen noted that, since SESD is a public power entity like Eagle Mountain's, it provides power at cost to customers, with no need to satisfy shareholders. The entire Board is made up of local government officials. He said that he often takes developers who are new to the city to SESD to work out development issues.

Mayor Lauritzen said that SESD participates in city celebrations and answers questions from customers while they're at the events.

Nelson Abbott, SESD Trustee and Elk Ridge City Councilman, related an experience Elk Ridge had with SESD. In planning a new water tank, a mistake was made in the plans. SESD worked with Elk Ridge to solve the problem in a way that allowed them to begin building the tank before all the financial details were worked out.

Mr. Abbott said that an elected official of Eagle Mountain will be appointed to the Board of SESD. Every Board meeting is advertised and customers are invited to get on the agenda and discuss their concerns. SESD works with those who develop 500 lots and those who develop two lots.

Mr. Abbott said that service and maintenance will be provided by experienced employees who are familiar with Eagle Mountain. Eagle Mountain employees will be brought into the system with equivalent pay and benefits, including retaining their retirement accounts in the Utah Retirement System, because SESD is a Utah Special Service District.

Mr. Hamilton said SESD felt obligated to assume the \$8 million bonds for the Horse Butte wind power farm. SESD is a member of UAMPS, which assured Mr. Hamilton that SESD will be able to do that. Mr. Hamilton has spoken to UMPA and they are considering whether SESD can assume Eagle Mountain's agreement with UMPA.

Mr. Hamilton stated that SESD is not subject to Public Service Commission regulations, so it is free to adjust rates for unique situations, such as the high pumping costs of the Eagle Mountain power system.

Mr. Hamilton said that during his tenure with SESD, there has never been a disagreement within SESD on how funds should be administered. The annual budget is always available for public inspection.

Councilmember Westmoreland noted that SESD is divided into seven districts. Mr. Hamilton said that Eagle Mountain will be an eighth district and, under the law, SESD is allowed to expand to nine districts and could go to the Legislature to increase that. Councilmember Westmoreland asked why Eagle Mountain wouldn't constitute more than one or two districts, since it will comprise about half the customers of SESD. Mr. Hamilton said that SESD would consider that.

Mr. Hamilton stated that SESD buys power from several sources: Strawberry Water Users' Association water power, wind power, a coal-fired plant, a gas-fired plant in Payson, and assurance from UAMPS guaranteeing that they can meet any need of SESD through 2021. SESD is negotiating to purchase other blocks of hydropower.

Councilmember Burnham was concerned about SESD's small size. She didn't know whether SESD could supply adequate power for a large company that wanted to locate in Eagle Mountain. Mr. Hamilton said that SESD has power resources available from UAMPS and financial resources available from their bonding sources. They view Eagle Mountain as an opportunity for expanding their customer base which fits in well with their plans for expanding their power resources.

Councilmember Burnham asked if SESD has an equal pay plan, if Eagle Mountain customers would have to pay a deposit, and if there is a military discount. Mr. Hamilton responded that customers can pay in any form—cash, credit or check. He stated that all new customers pay a deposit, in order to provide current customers with the greatest possible control over incoming funds. He asked Ms. Nelson what SESD's delinquency rate is. She told him it is under 3%. There is a military discount and SESD helps support a scholarship fund for high school students in memory of a young man from Elk Ridge.

Councilmember Bradley thanked Mr. Hamilton for bringing members of SESD's Board of Trustees. He asked Mr. Hamilton for SESD's strategy for handling a sudden doubling of its customer base. Mr. Hamilton responded that SESD has the same number of employees as Eagle Mountain servicing half as many customers. Because SESD is so spread out, it already services 400-500 miles of line, as well as underground line.

Councilmember Bradley commented that SESD's bid is much lower than Rocky Mountain Power's bid. Mr. Hamilton pointed out that SESD's bid is equivalent to RMP's when SESD's assumption of the City's Horse Butte obligations is taken into account.

Councilmember Bradley appreciated SESD's presentation on local control. That was an important concern for him.

Councilmember Ireland asked Mr. Hamilton what the last municipality was that joined SESD. Mr. Hamilton stated that Payson has been in talks with SESD for two years. They have an agreement to build a shared substation and a 46 kV line. SESD built a new substation near Salem and sold half of it to Salem. Later, SESD built another shared substation in cooperation with Salem.

Mayor Pengra expressed appreciation to both bidders for spending time discussing their bids with the Council.

2. ADJOURN TO A CLOSED EXECUTIVE SESSION – The City Council will adjourn into a Closed Executive Session for the purpose of discussing reasonably imminent litigation and the

purchase, lease or exchange of real property pursuant to Section 52-4-205(1) of the Utah Code, Annotated.

No Closed Executive Session was held.

**MOTION:** *Councilmember Bradley moved to adjourn the meeting. Councilmember Burnham seconded the motion. Those voting aye: Adam Bradley, Donna Burnham, Ryan Ireland, Richard Steinkopf and Tom Westmoreland. The motion passed with a unanimous vote.*

The meeting was adjourned at 6:06 p.m.

### **POLICY SESSION – CITY COUNCIL CHAMBERS**

**ELECTED OFFICIALS PRESENT:** Adam Bradley, Donna Burnham, Ryan Ireland, Richard Steinkopf and Tom Westmoreland.

**CITY STAFF PRESENT:** Ifo Pili, City Administrator; Paul Jerome, Assistant City Administrator/Finance Director; Jeremy Cook, City Attorney; Fionnuala Kofoed, City Recorder; Melanie Lahman, Deputy City Recorder; Chris Trusty, City Engineer; Steve Mumford, Planning Director; Adam Ferre, Energy Director; Linda Peterson, Public Information Director; Kent Partridge, Building Official; Rand Andrus, Fire Chief; Eric McDowell, Sheriff's Deputy.

#### 3. CALL TO ORDER

Mayor Pengra called the meeting to order at 7:12 p.m.

#### 4. PLEDGE OF ALLEGIANCE

Donna Burnham led the Pledge of Allegiance.

#### 5. INFORMATION ITEMS/UPCOMING EVENTS

- **UDOT Road Project Updates** – Regular project updates for UDOT's extension of Pioneer Crossing to Cory B. Wride Memorial Highway (SR 73) and the Redwood and Bangerter interchange project will be posted on the City website, News section and shared via Twitter, Facebook, and email.
- **Mobile App** – The City has cancelled its contract for the Eagle Mountain City mobile app due to unresolved issues with the function of the app and the small number of users. Those who have downloaded the app should uninstall it, as the City will no longer be updating it.
- **Road Work** – Thanks to everyone for their patience as road projects are being completed. The chip seal project on Pony Express Parkway from Eagle Mountain Blvd. to Sandpiper Road is scheduled to be finalized on Saturday, August 23 to Sunday, August 24. Check the City website, News section for info.
- **Eagle Mountain Business Forum** – The EM Business Forum will be held on Thursday, August 21 from 6:30 to 8:00 p.m. at the Thunder Lounge in Ridley's Market. The topic will be business websites and Facebook pages.

- **Seniors' Mini Health Fair** – A free mini health fair will be offered for Seniors (ages 55+) in the City Council Chambers on Monday, August 25 at 5:00 p.m.
- **City Offices Closed** – The City offices and Library will be closed on Monday, September 1 for the Labor Day holiday. The Library will also be closed on Saturday, August 30.

6. **PUBLIC COMMENTS** – Time has been set aside for the public to express their ideas, concerns and comments.

Luke Pannell appreciated the sandbags placed in the City during the recent storm event. He asked City Administration to remember that there are flooding problems in White Hills, as well. He would also like to have Stage Coach Road repaired or repaved.

Mayor Pengra responded that the City already has plans to improve Stage Coach Road. The City needs to be contacted when flooding occurs so employees can respond to the problem.

Bruno Hunziker said he's the custodian at Mountain Trails Elementary School. He takes a lot of pride in keeping the school's grounds in excellent condition. The sidewalks leading to the school are full of tall weeds that hide the small children from oncoming traffic. He asked the City to send someone to cut the weeds down.

7. **CITY COUNCIL/MAYOR'S ITEMS** – Time has been set aside for the City Council and Mayor to make comments.

Councilmember Steinkopf

Councilmember Steinkopf noted that the City's first traffic light, at the intersection of Ranches and Pony Express Parkways, is operational now.

Councilmember Burnham

Councilmember Burnham thanked everyone who attended the meeting, as well as those who will be watching the video later and those who have sent in questions. She's impressed with how many people have taken the time to read the bid documents for the electric system sale and ask good questions.

Councilmember Ireland

Councilmember Ireland appreciated those who attended the meeting tonight. He encouraged them to listen to the bid presentations, take some notes and ask questions during the public hearing.

Councilmember Westmoreland

Councilmember Westmoreland thanked the attendees, as well. The decision being made tonight will affect the City far into the future. He reminded everyone to slow down and be alert when driving through the intersection with the traffic signal.

Councilmember Bradley

Councilmember Bradley thanked residents for their involvement. He has spoken to the Mayor and the other Councilmembers about changing Policy Session to help residents to be more active in participating. He said the electric sale decision is significant, and staff and elected officials have considered it long and carefully.

Mayor Pengra



Mayor Pengra said that City staff has put a tremendous amount of time into consideration of the electric system bids. The final decision as to whether or not to sell the power system will be turned over to the residents at the November election. He said that his intent in the beginning of the process was to answer every question about the issue. He underestimated how much time the process would take, especially when the time frame was condensed. He apologized to those who've sent emails to him. He will respond as soon as he can.

## CONSENT AGENDA

### 8. MINUTES

A. August 5, 2014 – Regular City Council Meeting

### 9. FINAL PAYMENT

A. Eagle Mountain Cemetery Roadway and Waterline Project – Kenny Seng

### MOTION:

*Councilmember Burnham moved to approve the Consent Agenda. Councilmember Westmoreland seconded the motion. Those voting aye: Adam Bradley, Donna Burnham, Ryan Ireland, Richard Steinkopf and Tom Westmoreland. The motion passed with a unanimous vote.*

## SCHEDULED ITEMS

### PUBLIC HEARING

#### 10. AGREEMENT – Consideration of a Bid for Eagle Mountain City's Electric Distribution System and Related Equipment and Facilities.

On July 30, 2014, the City issued a Request for Bids to find a qualified buyer, partner, interlocal entity, or other arrangement related to the sale, lease or transfer of the City's right, title and interest in the City's electric system and transfer of service for the City's existing electric customers. The City Council will consider any and all bids submitted by qualified bidders.

Representatives of SESD and Rocky Mountain Power recapped the presentations they made in Work Session.

Mayor Pengra stated that the City's negotiations with SESD and RMP have been pleasant, honest and open, which the City has appreciated very much.

*Mayor Pengra opened the public hearing at 8:25 p.m.*

Angela Bratt said that she grew up in Orem and remembers when the RC Willey area was cherry orchards. She is excited for growth, but asked the Council to maintain the small town character of the community. She asked about the flyer mailed out by Rocky Mountain Power, which said customer rates will go down. The numbers on the flyer, compared to her current bill, didn't seem to support that.

Christina Martinez said the military utility discount is important to her family, both because of the financial help and because it shows support and respect for those who serve in the military. She asked that the discount be remembered in the decision on the power system sale.

Luke Pannell said he's a current Rocky Mountain Power customer. He asked how much of the City's utility bond debt will be paid off. He asked how SESD will go about transferring service from City residents who are already being serviced by Rocky Mountain Power. He also wanted to know why the City wants to sell its electric service system, and possibly switch from public to private power.

Isaac Brown asked why Rocky Mountain Power wants to provide service to Eagle Mountain City now, since they didn't want to do so when the City began. Rocky Mountain Power's presentation described their alternative energy program. He would like to hear about SESD's alternative energy program.

Kathy Bitter asked how the City would be added to the SESD Board: would it take over an existing seat or would it take over two seats because it will add so many customers to the system? She asked for a specific rate breakout from Rocky Mountain Power. RMP's tiered rates will affect her family. She wanted to know how the companies would deal with her solar panels.

Bruno Hunziker asked the Council to look carefully at whether SESD can handle the Pole Canyon development. He believes that Rocky Mountain Power can, because of its size.

Isaac Brown said he would like to see a service level agreement in place.

Ashley Lower asked if the City will post a rate calculator once the bid is awarded to one of the bidders. She also wanted to know if the purchaser will build underground power lines like those that are already required in Eagle Mountain or if new developments will have overhead lines.

*Mayor Pengra closed the public hearing at 8:44 p.m.*

Mayor Pengra stated that the City would negotiate an agreement with the successful bidder requiring them to meet City building code standards such as underground power lines. He also said that the \$26M in gas and electric bonds will be entirely paid off by a combination of proceeds from the sale and City fund balances. There will be cash left over. City staff will have to determine where that cash should be used.

Assistant City Administrator/Finance Director Paul Jerome showed a rate comparison chart. The average customer would save about \$109 with SESD and \$36.64 with RMP. Mr. Jerome clarified that the company figures were taken from their bids. The City figures were calculated by including every account in the City and accounting for every kilowatt-hour.

Councilmember Ireland asked if Mr. Jerome included commercial accounts. Mr. Jerome said that these numbers only used residential accounts, not commercial.

A resident stated that Rocky Mountain Power didn't list its actual rates in their bid, but an average. Mr. Jerome said he has specific figures. RMP used a blended average rate in the flyer it sent out.

Mayor Pengra, as a military veteran, offered his opinion on the active duty military discount. He emphasized that this is his personal opinion and hasn't been discussed with the Council. His belief is that many other residents of the City deal with serious needs: parents of children with disabilities, people with dependent parents, and others. He questioned whether it is the role of government to determine who gets that money. Utilities regulated by the Public Service Commission, such as Rocky Mountain Power, are prohibited from offering a rate benefit to anyone

that isn't offered to everyone. He would like to find a solution that doesn't suddenly take the military discount away, but perhaps phases it out.

Councilmember Ireland stated that if the bid is awarded to RMP and the public vote is favorable, the military discount program will automatically be eliminated. Mayor Pengra pointed out that the City Code requires the military discount. It would have to come from one of the remaining funds, none of which are financially able to support it.

Mayor Pengra invited SESD to explain how they would take over the transmission line to White Hills. Mark Holdaway, Finance Director, said that SESD expects to use \$1.6M in City impact fees to make whatever improvements are necessary to the system. SESD always plans ahead for system construction costs so that facilities aren't built through customer rates.

Mayor Pengra asked what incentives SESD offers in the way of net metering or alternative energy. Mr. Hamilton stated that SESD offers net metering. There has never been a customer who produced more total power than they used. Mr. Holdaway said that SESD uses meters that can measure energy sent back into the system very accurately. SESD reimburses customers for excess energy they produce.

Councilmember Westmoreland asked Mr. Hamilton to specify how many Board seats would be held by Eagle Mountain. Mr. Hamilton stated that SESD has two seats on the Board free and has discussed giving Eagle Mountain two seats. Trustees are not elected to the Board, they are appointed by their municipalities for four-year terms.

Mr. Hamilton noted that SESD is worth \$15M, so it's not as small as some people might think.

Councilmember Westmoreland asked whether Board representation has been based on population or geographical areas. Mr. Hamilton said that it's based on geographical areas.

Mayor Pengra answered a question asked earlier about why RMP wants to provide power to the City when they didn't at the City's beginning. He said that RMP presented a bid requested by the City at the time, and the City felt that they could provide power at a lower cost.

In response to the question asking why the City wants to sell the power system, Councilmember Burnham explained that the City is at a point where it will cost so much to build infrastructure in the near future, it will never be able to get out of the utility business. There's also a philosophical question about whether municipal government should be in the utility business. She emphasized that City employees do an excellent job providing utility service. In addition, when large companies consider locating in Eagle Mountain, they're concerned about whether a city system can deliver as much power as they need.

Mayor Pengra stated that questions arise, even if they're unfounded, about whether a political body can provide services without favoring one developer over another. Economic development is another concern for him. Eagle Mountain has so much land at such good prices that a large commercial operation could easily locate here, which would require large amounts of energy. The utility business also takes up a lot of administrative time and attention.

Councilmember Bradley wanted the public to hear the questions and answers covered in the Work Session. Mayor Pengra pointed out that Work Session was recorded this time and the public can watch it. In the interest of time, he would prefer that.

Councilmember Westmoreland said the appraisal of the power system was approximately \$5M more than RMP's offer. He asked Rocky Mountain Power to comment on that. Mr. Morse stated that RMP looked at the facilities they have and the information available to them, and chose an amount that reflected what Eagle Mountain's power system was worth to them. Councilmember Westmoreland asked whether RMP had seen the appraisal when they made their offer. Mr. Morse said they had seen it.

Mayor Pengra pointed out that the Horse Butte obligation needs to be retired. Its full value is \$8M, although it's not likely to be sold for full value. That's a cost in addition to the offer.

Councilmember Westmoreland said that on page 4, it says that if RMP becomes the electricity provider for Eagle Mountain, the company expects to bring \$100,000 annually in property taxes into the City. Mr. Morse answered that once RMP owns those assets, they expect to pay property tax on them.

Councilmember Westmoreland asked how long RMP expects to maintain its current rates before they request an increase. Mr. Morse replied that RMP has been in a rate case this year which has been settled, which will result in a 2% increase in September and another 1% the following September. They'll file another rate case in 2017.

Councilmember Bradley noted that RMP's rates have increased every year except one for the last 15 years, sometimes five to ten percent. Mr. Morse answered that RMP went through a growth period which required new facilities. They don't expect to build any new facilities in the near future.

Councilmember Ireland asked what assets in Eagle Mountain would create a \$100,000 property tax. Mr. Morse said he's including the Public Works Building, transmission lines, underground lines and service facilities.

Councilmember Burnham said there is a State law limiting electrical improvement districts from serving where retail electric service has been provided within five years before 1985. She asked if RMP had provided service in this area before 1985. She wondered if RMP would challenge SESD's right to provide service in Eagle Mountain. Jeff Richards, General Counsel and Vice President of Rocky Mountain Power, responded that RMP wouldn't challenge SESD if the City chose them. He believed the State law Councilmember Burnham cited meant that SESD would be required to get a certificate of public convenience and necessity through the Public Service Commission.

Allen Smith, attorney for SESD, stated that he's spoken to the City Attorney and believes the statute can be satisfied. He appreciated RMP's willingness not to challenge SESD in the event that the City Council awarded them the bid.

Mr. Cook said SESD would need to seek a certificate or another alternative to serve in this area, perhaps an interlocal agreement. It is possible that the Public Service Commission could deny SESD permission to serve Eagle Mountain. SESD's bid includes three options, with Option 1 being the preferred one.

Councilmember Ireland asked Mr. Pili to explain the next steps after the Council awards the bid. He said that if the bid were to go to SESD, it would have to go to the PSC and receive that

certificate, and/or enter into an interlocal agreement, which would be done as soon as possible after the election. If the bid is awarded to RMP, the next steps would be to resolve the Horse Butte and UMPA contracts. Both bids are contingent on working through these issues. If the City and the bidder can't work through these issues before the election, the ballot question will have to be placed on next year's election.

Councilmember Bradley asked what budget plans the City has for paying another entity for its power use. Mr. Pili explained that the budget was calculated to account for that.

Councilmember Bradley asked Rocky Mountain Power's plan for servicing the Pole Canyon master development plan. Mr. Morse stated that the line extension allowance would help the developer. Customer growth in a given area is worked into RMP's planning process.

Mr. Pili pointed out that the master development agreement holds the developer responsible, not the City.

A resident asked about net metering. Dave Taylor, Manager of Regulatory Affairs for RMP, explained that when residents use more power than they generate, the meter runs forward. When they generate more power than they need, the meter runs in reverse. If the customer generates more than they use all month, the credit rolls over to the next month. Each year in March, any excess credit remaining for the year is donated to low-income assistance programs, because net metering is designed to offset customer usage. If the customer wanted to produce income from power generation, they would have to qualify as a power-selling facility. The law encourages residents to size their power generation to their own needs.

Mr. Taylor explained the difference between Eagle Mountain and RMP rates. Eagle Mountain has a base rate to cover infrastructure, which is higher than RMP's. RMP's tiered rate makes the price of average usage slightly lower than Eagle Mountain's rate, and high usage slightly higher than Eagle Mountain's rate. RMP's tiered rate structure is designed to encourage energy efficiency. The rate structure is described in detail on RMP's website.

**MOTION:**            *Councilmember Burnham moved to approve a bid from Rocky Mountain Power for the purchase of Eagle Mountain City's electric distribution system and related equipment and facilities. Councilmember Ireland seconded the motion.*

Councilmember Ireland asked City staff to work with RMP to come up with a purchase agreement that specifies all of the details of the purchase. He stated that the fact that two companies are bidding on Eagle Mountain's power facilities, and one (Questar) on the gas facilities, proves how well the City has done over the years. He expressed appreciation for that, and reminded residents that the City will still be in the utility business. Eagle Mountain will still provide water, sewer and trash service. All of the residents will still need to make a decision on the vote in November. He said there's a benefit in having a separation of duties. He liked having the gas and electric facilities entirely separated. He preferred private over public facilities where possible.

Councilmember Westmoreland asked if the Council needed to refer to Questar in this. Mr. Cook stated that the bid documents state that this agreement is dependent on making an agreement with Questar also.

Councilmember Ireland thanked Mr. Jerome and his staff for finding the answers to many finance-related questions today as fast as he asked them.

***Those voting aye: Adam Bradley, Donna Burnham, Ryan Ireland and Tom Westmoreland. Those voting no: Richard Steinkopf. The motion passed with a vote of 4:1.***

Mayor Pengra said that he agreed with the vote, which is a departure from his previous opinion. Previously, he preferred that the bid be awarded to SESD, because previous negotiations with RMP were not positive, transparent or open. Rocky Mountain Power has since changed his perception of that recently and Mayor Pengra hoped that that would continue and had confidence that it would. He appreciated SESD's openness and integrity from the beginning.

Councilmember Bradley thanked SESD and RMP for their participation in this process. It is a tribute to City staff and officials that they built two utilities worthy of purchase. He voted for RMP because he believed private power is the better way for Eagle Mountain's power to be provided. The fact that they produce most of their own power also influenced him. It's up to the voters now to make an informed decision.

11. RESOLUTION – Consideration of a Resolution of Eagle Mountain City, Utah, Submitting a Ballot Proposition to Eagle Mountain City Residents Regarding the Sale of the City's Electric Distribution System and Facilities.

In compliance with Utah Code Ann. § 10-7-15(1)(a)(ii), Eagle Mountain City intends to submit to the registered voters of Eagle Mountain City, the question of the sale of the City's electric system. The question will be presented to Eagle Mountain City registered voters as a ballot proposition on the November 4, 2014 regular general election.

**MOTION:** *Councilmember Westmoreland moved to adopt a Resolution of Eagle Mountain City, Utah, submitting a ballot proposition to Eagle Mountain City residents regarding the sale of the City's electric distribution system and facilities; the blanks to be filled in with "Rocky Mountain Power." Councilmember Bradley seconded the motion. Those voting aye: Adam Bradley, Donna Burnham, Ryan Ireland, Richard Steinkopf and Tom Westmoreland. The motion passed with a unanimous vote.*

12. CITY COUNCIL/MAYOR'S BUSINESS – This time is set aside for the City Council's and Mayor's comments on City business.

Councilmember Steinkopf  
No comment.

Councilmember Burnham  
No comment.

Councilmember Ireland  
No comment.

Councilmember Bradley  
No comment.

Councilmember Westmoreland  
No comment.

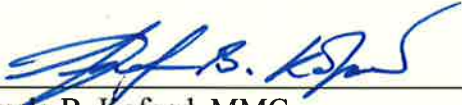
Mayor Pengra

No comment.

13. CITY COUNCIL BOARD LIAISON REPORTS – This time is set aside for Councilmembers to report on the boards they are assigned to as liaisons to the City Council.
14. COMMUNICATION ITEMS
  - A. Upcoming Agenda Items
15. ADJOURNMENT

**MOTION:**        *Councilmember Ireland moved to adjourn the meeting at 10:19 p.m. Councilmember Steinkopf seconded the motion. Those voting aye: Adam Bradley, Donna Burnham, Ryan Ireland, Richard Steinkopf and Tom Westmoreland. The motion passed with a unanimous vote.*

APPROVED BY THE CITY COUNCIL ON SEPTEMBER 2, 2014.



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Fionnuala B. Kofoed, MMC  
City Recorder