

# City of Glendale

*5850 West Glendale Avenue  
Glendale, AZ 85301*



## Meeting Minutes - Final

**Tuesday, August 2, 2016**

**1:30 PM**

**Workshop**

**Council Chambers**

## **City Council Workshop**

*Mayor Jerry Weiers*

*Vice Mayor Ian Hugh*

*Councilmember Jamie Aldama*

*Councilmember Samuel Chavira*

*Councilmember Ray Malnar*

*Councilmember Lauren Tolmachoff*

*Councilmember Bart Turner*

**CALL TO ORDER****Rollcall**

**Present** 7 - Mayor Jerry Weiers, Vice Mayor Ian Hugh, Councilmember Jamie Aldama, Councilmember Samuel Chavira, Councilmember Ray Malnar, Councilmember Lauren Tolmachoff, and Councilmember Bart Turner

Also present were Jack Friedline, Acting City Manager; Michael Bailey, City Attorney; and Julie K. Bower, City Clerk.

**WORKSHOP SESSION****1. [16-360](#)****GLENDALE HOOVER POWER ALLOCATION AND CONTRACTS**

Staff Contact: Craig A. Johnson, P.E., Director, Water Services

Staff Presenter: Douglas E. Kupel, Ph.D., Deputy Director, Water Services

Mr. Kupel explained the City had received an allocation of the Hoover Dam power from the Federal Western Area Power Authority (APA). Contracts would have to be executed to obtain that allocation. A separate contract was also necessary with either Salt River Project (SRP) or Arizona Public Service (APS) to receive the power. He said staff was recommending that the City take advantage of the allocation, which would result in an annual estimated savings of \$12,969 after expenses, if the City chose the SRP contract.

The Boulder Canyon Project, constructed in 1928, supplied water and power to over 20 million people, with preference power allocated to Arizona, California and Nevada. In 2011, Congress created the Hoover Power Allocation Act, which established how the contracts would be allocated in the post-2017 time period and would take effect on October 1, 2017.

Mr. Kupel said there were power schedules. Schedule A covered the original purchasers; Schedule B the uprated Hoover generators for Hoover B capacity that supplies primarily CAP needs in Arizona; Schedule C was for any excess power; and Schedule D was a result of the 2011 Act and expanded the eligible entities to include tribes and retail entities. Water Services had been working on the process for more than five years and had utilized the services of a consultant during the process.

Mr. Kupel said the benefits were access to a renewable resource. It was historically a stable, low-cost power resource and provided a hedge against rising power costs. The net savings were created via alternative sources and costs of power (e.g. host utility bill crediting).

There were upfront costs which included repayable capital advances, working capital and transitional items. The annual operating costs were based upon actual costs for United States Bureau of Reclamation to operate the facility and staff estimated the annual expense at \$22,000. It was a take or pay contract and the availability of energy was affected by water releases and costs were subject to increase or changes in rates from federal and state agencies. There were risks associated with changes in federal and state policies and regulations.

Staff recommended signing the power sales contract with the APA and contracting with SRP for bill crediting. The APA had requested notification from the City of its intent to sign the contract by the end of August. Staff would bring the contracts to Council for review at the September 13, 2016 voting meeting.

Councilmember Malnar asked if the contracts were for five years.

Mr. Kupel explained the five-year contract was for the bill crediting agreement and the agreement with the APA for the power itself was for 50 years.

Councilmember Malnar asked if signing the APA contract was simply agreeing to take the power and asked if there was an associated charge.

Mr. Kupel said the City would accept the power and would have to pay the power rate charged at a net cost of approximately \$22,000 per year. The contract with the host provider, either SRP or APS, was to receive the value of the power.

Councilmember Malnar asked how often in the last 50 years had there not been an excess of power.

Mr. Kupel said it was a fairly reliable resource to get excess power over 70% of the time.

Councilmember Malnar asked if the City still had to pay the \$22,000 if there was no power available during the year.

Mr. Kupel said the City would still have to pay, and that was the take or pay provision.

Councilmember Turner asked if the 50-year contract had any cancellation options in it.

Mr. Kupel said the contract did have a termination provision but the APA could not unilaterally cancel the contract.

Councilmember Turner said the City was protected from the APA cancelling the contract but had the right to cancel the contract if it would not be advantageous at some point.

Mr. Kupel said that was correct.

Councilmember Turner asked if that power would be used to run the water treatment plant and sewage treatment plant.

Mr. Kupel said that was correct.

Councilmember Aldama asked if staff had researched how often there had not been an excess of power. He was asking because California was in a drought and wanted to make sure research had been done.

Mr. Kupel said it was approximately 30 percent and that was a conservative number. He added that over a 50-year period, it was not a significant risk.

Councilmember Tolmachoff asked if there were triggers or waiting periods for cancellation of the contract.

Mr. Kupel said there was a notice provision in the contract and the City would have to give notice of its intent to terminate the contract.

Mayor Weiers said the water levels at Lake Mead were very low and he was concerned about the low water levels. He was convinced the drought had been managed very well. The risks did not outweigh the advantages of the contract and the money was well spent for the opportunity.

Councilmember Aldama asked about risks at the federal and state level and asked if those were possibly political involvement, Corporation Commission or election outcomes.

Mr. Kupel said there were political risks because APA members were appointed. The legislature had the ability to change the laws under which the commission operated. There were the same kinds of risks at the federal level as well.

Councilmember Aldama asked who lobbied for the benefit of the cities in case of legislative interference.

Mr. Kupel said there wasn't a specific lobbyist, although the City retained the consultant who was an expert in the power field. The City had the Intergovernmental Programs and Public Affairs staff who also lobbied on its behalf at both the state and federal level.

Mayor Weiers said there was consensus for signing the contracts with APA and SRP.

#### **CITY MANAGER'S REPORT**

Mr. Friedline had nothing to report.

#### **CITY ATTORNEY'S REPORT**

Mr. Bailey had nothing to report.

#### **COUNCIL ITEMS OF SPECIAL INTEREST**

Councilmember Aldama asked for staff to bring back the draft of the non-discrimination ordinance.

Mayor Weiers requested staff to take a look at the fare structure for Dial-A-Ride users, specifically the higher rate that was charged for the ADA reservation service.

#### **EXECUTIVE SESSION**

The City Council entered into Executive Session at 2:03 p.m.

#### **ADJOURNMENT**

The City Council adjourned at 3:40 p.m.