



City of Glendale

5850 West Glendale Avenue
Glendale, AZ 85301

City Council Workshop Agenda

Mayor Jerry Weiers
Vice Mayor Ian Hugh
Councilmember Jamie Aldama
Councilmember Samuel Chavira
Councilmember Ray Malnar
Councilmember Lauren Tolmachoff
Councilmember Bart Turner

Tuesday, August 2, 2016

1:30 PM

Council Chambers

Workshop

One or more members of the City Council may be unable to attend the Workshop or Executive Session Meeting in person and may participate telephonically, pursuant to A.R.S. § 38-431(4).

CALL TO ORDER

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

CITY MANAGER'S REPORT

This report allows the City Manager to update the City Council. The City Council may only acknowledge the contents to this report and is prohibited by state law from discussing or acting on any of the items presented by the City Manager since they are not itemized on the Council Workshop Agenda.

CITY ATTORNEY'S REPORT

This report allows the City Attorney to update the City Council. The City Council may only acknowledge the contents to this report and is prohibited by state law from discussing or acting on any of the items presented by the City Attorney since they are not itemized on the Council Workshop Agenda.

COUNCIL ITEMS OF SPECIAL INTEREST

Councilmembers may indicate topic(s) they would like to have discussed by the Council at a future Workshop and the reason for their interest. The Council does not discuss the new topics at the Workshop where they are introduced.

MOTION TO GO INTO EXECUTIVE SESSION**1. CALL TO ENTER INTO EXECUTIVE SESSION****EXECUTIVE SESSION****1. LEGAL MATTERS**

A. The City Council will meet with the City Attorney for legal advice, discussion and consultation regarding the city's position in pending or contemplated litigation, including settlement discussions conducted in order to avoid or resolve litigation. (A.R.S. § 38-431.03(A)(3)(4))

B. Council will meet to discuss and consider records exempt by law from public inspection and are specifically required to be maintained as confidential by state or federal law. (A.R.S. § 38-431.03(A)(4))

2. LEGAL MATTERS - PROPERTY & CONTRACTS

A. The City Council will meet with the City Attorney for legal advice, discussion and consultation regarding the city's position on property located near or at 93rd avenue and Glendale. (A.R.S. § 38-431.03(A)(3)(4))

B. The City Council will meet with the City Attorney for legal advice, discussion and consultation regarding potential litigation. (A.R.S. § 38-431.03(A)(3)(4))

C. The City Council will meet with the City Attorney for legal advice, discussion and consultation regarding the city's position in pending or contemplated litigation, including settlement discussions conducted in order to avoid or resolve litigation. (A.R.S. § 38-431.03(A)(3)(4))

D. The City Council will meet with the City Attorney for legal advice, discussion and consultation regarding the city's position with property located near 91st and Glendale Avenues. (A.R.S. § 38-431.03(A)(3)(4))

E. The City Council will meet with the City Attorney for legal advice, discussion and consultation regarding the city's position with the New River Multiuse Pathway Project. (A.R.S. § 38-431.03(A)(3)(4))

3. PERSONNEL MATTERS

A. Various terms have expired on boards, commissions and other bodies. The City Council will be discussing appointments involving the following boards, commissions and other bodies. (A.R.S. § 38-431.03(A)(3)(4))

1. Arts Commission

2. Aviation Advisory Commission
3. Board of Adjustment
4. Citizens Bicycle Advisory Committee
5. Citizens Transportation Oversight Commission
6. Commission on Persons with Disabilities
7. Community Development Advisory Committee
8. Glendale Municipal Property Corporation
9. Historic Preservation Commission
10. Industrial Development Authority
11. Judicial Selection Advisory Board
12. Library Advisory Board
13. Parks and Recreation Advisory Commission
14. Personnel Board
15. Planning Commission
16. Public Safety Personnel Retirement Board/Fire
17. Public Safety Personnel Retirement Board/Police
18. Risk Management/Workers Compensation Trust Fund Board
19. Water Services Advisory Commission

Upon a public majority vote of a quorum of the City Council, the Council may hold an executive session, which will not be open to the public, regarding any item listed on the agenda but only for the following purposes:

- (i) discussion or consideration of personnel matters (A.R.S. § 38-431.03(A)(1));
- (ii) discussion or consideration of records exempt by law from public inspection (A.R.S. § 38-431.03(A)(2));
- (iii) discussion or consultation for legal advice with the city's attorneys (A.R.S. § 38-431.03(A)(3));
- (iv) discussion or consultation with the city's attorneys regarding the city's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation, or in settlement discussions conducted in order to avoid or resolve litigation (A.R.S. § 38-431.03(A)(4));
- (v) discussion or consultation with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations with employee organizations (A.R.S. § 38-431.03(A)(5)); or
- (vi) discussing or consulting with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property (A.R.S. § 38-431.03(A)(7)).

Confidentiality

Arizona statute precludes any person receiving executive session information from disclosing that information except as allowed by law. A.R.S. § 38-431.03(F). Each violation of this statute is subject to a civil penalty not to exceed \$500, plus court costs and attorneys' fees. This penalty is assessed against the person who violates this statute or who knowingly aids, agrees to aid or attempts to aid another person in violating this article. The city is precluded from expending any public monies to employ or retain legal counsel to provide legal services or representation to the public body or any of its officers in any legal action commenced for violation of the statute unless the City Council takes a legal action at a properly noticed open meeting to approve of such expenditure prior to incurring any such obligation or indebtedness. A.R.S. § 38-431.07(A)(B).



Legislation Description

File #: 16-360, Version: 1

GLENDAL 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

Purpose and Policy Guidance

This agenda item is for City Council consideration of staff recommendations regarding contracts associated with an allocation of hydroelectric power from Hoover Dam. Glendale received an allocation of Hoover power from the Western Area Power Authority (Western) and will need to execute two contracts to receive the power associated with the allocation. Staff is seeking guidance from Council regarding approval of a contract with the Arizona Power Authority (APA) to receive the allocation and a separate contract with Salt River Project (SRP) to receive the value of the Hoover power.

Background

Water supplies and power generated from the Boulder Canyon Project serve over 20 million people. Power from Hoover Dam is allocated to Arizona, California, and Nevada.

Electricity from the dam's powerhouse was originally sold pursuant to a 50-year contract, authorized by Congress in 1934, which ran from 1937 to 1987. In 1984, Congress passed a new statute which set 30-year power allocations from the dam from 1987 to 2017. In 2011, Congress enacted the Hoover Power Allocation Act that will allow extending the contracts until 2067. The 2011 Act also set aside 5% of Hoover power for sale to Native American tribes, electric cooperatives, and other new entities. Glendale is one of the new entities that received a small allocation of Hoover power as a result of the 2011 Act. The new arrangement will begin on October 1, 2017, pending contract approval.

The 2011 Act distributes Hoover power under four schedules:

Schedule A allocates power to the original purchasers of Hoover power under the Boulder Canyon Project Act of 1928.

Schedule B allocates power to the contractors who provided advance funding of the Hoover power turbine uprating authorized in the 1984 Hoover Power Plant Act.

Schedule C governs allocations of excess energy, if any, to customers in Arizona, California and Nevada.

Schedule D was created as part of the 2011 Act and will allocate power to eligible new entities.

The allocation of Schedule D power in Arizona took place under two methods. Schedule "D1" power was

allocated by Western. This Federal process was completed on December 18, 2014. Glendale received an allocation of D1 power from Western, in the amount of 426 kW of contingent capacity, with 650,591 kWh of firm summer energy and 279,359 kWh of firm winter energy for a total of 930,050 kWh.

The second method "D2" was an allocation by the APA. Glendale did not receive any Schedule D2 power as a result of the Arizona process.

A number of other municipalities in Arizona also received new allocations. In the Salt River Valley these include Avondale, Buckeye, Chandler, Peoria, Phoenix, Scottsdale, and Tempe.

Analysis

In Arizona, the Hoover power will be contracted from Western to the APA which will, in turn, contract with specific customers for each class of power schedule.

Glendale will need to enter into an agreement with the APA to receive its Hoover power allocation and then enter into a bill crediting arrangement with one of its host providers, APS or SRP.

Community Benefit/Public Involvement

Water Services became interested in Hoover power as an additional source of electricity to help meet the energy needs associated with our water and wastewater utility. This lower cost electric power will help to maintain efficient and cost effective water and wastewater production, treatment, and delivery for the next fifty years.

Water Services staff have been monitoring and participating in the Hoover power allocation process for more than five years. Glendale submitted an application for Hoover power as part of the Western allocation on March 14, 2014. On April 27, 2015, Glendale submitted an application to the APA as part of the Arizona process.

Sustainable, renewable hydroelectric power is a helpful resource that assists in the production of drinking water and the treatment of effluent. The 2017 Hoover power allocation will be a sustainable resource that allows Glendale to stay green and serve its mission to its citizens.

Budget and Financial Impacts

Having access to low-cost hydroelectric power from Hoover Dam will reduce the amount of money that Glendale will pay for electricity. Because the amount of the Glendale allocation is small, the per-year financial benefit to the City is also small. The financial return is further reduced for the first five years of the 50-year contract by up-front costs that Glendale must pay. In addition, there are annual costs that must be paid to the APA whether or not power is received.

Up-front costs are those related to development of the new contracts and reimbursement of pre-2017 investments in the Project by new customers. The largest portion of the up-front fees is repayable capital advances. These are pre-2017 investments in long-term capital items, like turbines and generation equipment

that has 30-50 year service life.

Working with consultant K.R. Saline and Associates, staff has calculated that using the SRP bill-crediting agreement will save the City \$107,919.32 over the first ten years of the APA contract. If the APS bill-crediting arrangement is used, staff estimates the City will save \$82,283.16. These amounts are shown in the table below:

Using SRP	Savings	Using APS	Savings
1st 5 years	\$ 37,610.94	1st 5 years:	\$ 24,530.90
2nd 5 years	\$ 70,308.38	2nd 5 years	\$ 57,752.26
Total Savings	\$ 107,919.32		\$ 82,283.16

The cost-savings benefit over the duration of the 50-year contract will vary based on the utilization of the Hoover Dam generation facility, the capital cost of maintaining the facility, and the bill credit offered by the electric service provider. The amount of savings, however, should increase significantly over time as the cost of other sources of commercial power increases. Using the more favorable SRP credit of \$10,791.93 per year for the first ten years, the total savings to the City would be \$539,596 over fifty years. Water Services recommends that City Council support moving forward with a power allocation contract with the APA and a bill crediting arrangement with SRP.