

**MINUTES OF THE JOINT MEETING OF THE  
BOUNTIFUL CITY COUNCIL AND THE  
BOUNTIFUL LIGHT AND POWER COMMISSION**

**July 1, 2003**

**Those in Attendance**

**Power Commission**

H. Keith Barton, Chairman  
Richard Foster  
David Irvine  
Lowell Leishman  
R. Fred Moss  
Paul Summers

**Power Department**

Clifford Michaelis, Director  
Mark Athay  
Greg Bellon  
Jay Christensen  
Allen Johnson  
Kent Servoss  
Brent Thomas

**City Officials**

Mayor Joe L. Johnson  
Barbara Holt  
Thomas Tolman  
R. Fred Moss  
Tom Hardy  
Russell Mahan

**Recording Secretary**

Nancy T. Lawrence

**Others**

David Little, Holmes, Roberts and Owen  
Preston F. Kirk, George K. Baum & Co./IPA Counsel  
Jim Hewlett, IPA  
Reed Searle, IPA

**Excused**

Ralph Mabey, Power Commissioner

**WELCOME**

Chairman Barton called the meeting to order at 6:30 p.m. and welcomed those in attendance.

**INVOCATION**

The invocation was offered by Commissioner Foster.

**IPA PRESENTATION - UNIT #3 SALE OF COMMON FACILITIES, RENEWAL CONTRACTS**

Chairman Barton introduced Reed Searle and Jim Hewlett from IPA and asked them to give a general overview of the Intermountain Power Project (IPP), with the emphasis being on the construction of an additional third unit at the that site in Delta, Utah. Mr. Searle stated that

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the third unit will be less expensive than Units 1 and 2 because it will share much of the existing facility.

He posed the question, “Why pursue Unit 3?” and stated that the demand for electricity continues to grow, and both California and UAMPS (who initiated the idea of the third unit at this time) can use coal-fired power. Major points for building the third unit are:

- 1) The environmental issues have already been covered and the site enjoys a good local presence.
- 2) The advantage of needing only to get an Air Quality permit, initiated by a Notice of Intent.
- 3) Excess common facilities.
- 4) Excess transmission capacity
- 5) Availability of low-cost resources (coal).

Mr. Searle gave a background of Units 1 and 2, showing a map of the facilities, the location of the coal mines owned by IPA, and the railroad facilities which transport the coal. He also pointed out the Mona and Gonder transmission lines. Water resources are sufficient (even in terms of a 100-year drought) and there is adequate coal for all three units. The infra-structure includes a rail car service center, three trains, two coal mines, site buildings, worker housing, and inventory. All excess common facilities assets of Units 1 and 2 will be ownership transferred, with the exception of water rights which will be leased. Unit 3 will be owned by title – NOT leased.

Discussion followed regarding whether UAMPS or IPA would be the owner of Unit 3. Mr. Searle noted that it was the action of the UAMPS Board that initiated the idea of Unit 3 and the majority of the members of UAMPS would like UAMPS to serve as owner. However, Mr. Searle stated that IPA could serve as a holding company and contract back with UAMPS to manage the project. A lengthy discussion followed regarding the pros and cons of ownership by UAMPS or IPA, with the chief concern being financial advantages associated with bonding. IPA would be able to get a better bonding rate.

Mayor Johnson and Councilwoman Holt were excused at 7:20 p.m.

Bountiful’s share of Units 1 and 2 have been used on a limited basis by the City in the past and we have sold the power to other entities. However, increasing rates and limited CRSP resources could make this a base load resource for the City. Potential resources and a comparison of California and Utah power resources were discussed. It was also noted that power users in Arizona, New Mexico, Idaho, Wyoming and other Northwest entities have expressed interest in Unit 3. Mr. Mahan noted that the cost of this power (to the City), could be very favorable after the project debt is eliminated.

Mr. Searle reviewed design criteria and performance and existing contracts between IPA and California and Utah owners. The projected date for completion of unit 3 is Spring of 2009.

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Initial power costs were compared to rates today and those projected by 2023 (the ending date of the current IPA contract). Possible business arrangements were discussed as presently proposed, recognizing a 35-year facility life. Mr. Searle touched on potential legal requirements, the schedule for construction and associated construction costs. The estimated cost of the project is \$204 million, plus escalation. Critical to the cost of the project are financing costs and coal quality. Inasmuch as the bond market is favorable at this time, it would be advantageous to move quickly on this project.

The next steps for Bountiful would be for UAMPS to give a thorough review of their position regarding the project, including what it will cost. Then a coordination agreement between IPA and Unit 3 would be drafted for participant approval. The City would then determine a subscription amount (hopefully by October) and an agreement would be signed.

In conclusion, Mr. Searle noted that the current contracts with IPA expire in June 2027. The contract provides that if IPA extends the life of the project, or if the governing bodies make a decision to extend the operating life of Units 1 and 2, IPA must offer an extension of the contracts to the participating cities. At said time, the budget for renewal and replacement will go up on these two units to keep the plant operating at 90 percent capacity for its extended life.

Mr. Hardy expressed appreciation to Mr. Searle and the other visitors for their time in reviewing this matter. Mr. Kirk (George K. Baum) noted that over the past 25 years IPA has established itself as a respected borrower, well-respected by the investment community across the state. He praised IPA for good company management and noted that Utah participants are fortunate to have IPA's participation in the bond markets. Mr. Little added that the potential for risks have been minimized through the careful scrutiny of the Steering Committee in setting up Unit 3. Discussion on this item concluded at 8:30 p.m., and the Council and visitors were excused. Mr. Johnson reviewed load charts with projections from 2003-04 to 2028, following which the Commissioners took a short break.

JOE L. JOHNSON, Mayor

KIM J. COLEMAN, City Recorder

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