

UTILITY COMMITTEE MINUTES

October 8, 2001

The Utility Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on October 8, 2001 at 3:05 p.m.

COMMITTEE PRESENT

Mike Whalen, Chairman
Bill Jaffa
Claudia Walters

COUNCIL PRESENT

Mayor Keno Hawker

OFFICERS PRESENT

None

1. Hear a presentation from Salt River Project regarding the proposed Thunderstone/Signal Butte/Seaton 69kV transmission line in East Mesa.

Jim Hunt, a Transmission Line Design and Construction Manager from Salt River Project (SRP), addressed the Committee and stated that SRP needs to expand its electric facilities throughout the system due to generalized load growth and in particular in the East Mesa area where there is a need for a new 69kV subtransmission line. He said that the new transmission line is planned to connect the Thunderstone Receiving Station (located near the intersection of Power Road and University Drive), which is a major delivery station, to the Signal Butte Substation (on University Drive east of Crismon Road) and the Seaton Substation (on Southern Avenue ½ mile east of Crismon).

Mr. Hunt reported that SRP developed numerous options in connection with siting the proposed power line and voluntarily conducted two public meetings to solicit input from residents regarding the options. He further reported that the meetings were conducted at Skyline High School and the Red Mountain Multi-Generational Center during August and referred to a sample invitation that was mailed to all residents within ¼ mile of any of the proposed routes. Mr. Hunt commented on the public input received and said that the most significant input was in reference to a route option that was ultimately not selected for the Signal Butte Substation to Seaton Substation section of the line.

Mr. Hunt commented on the route selected by SRP for placement of the transmission line and referred to a map entitled *Proposed Thunderstone/Signal Butte/Seaton 69kV Line* (See Attachment) that was provided to the Committeemembers. He described the proposed route, the type of transmission line and the type of construction planned for the section between the Thunderstone Receiving Station and the Signal Butte Substation and said that the route follows an existing power corridor and easement already acquired. Mr. Hunt described the proposed route, the type of transmission line and the type of construction planned for the section between the Signal Butte

Substation and the Seaton Substation. He noted that the route selected was in response to public opposition to an alternative route.

In response to a question from Committeemember Jaffa regarding two existing parallel power lines within a large corridor that runs east to west, south of Brown in the vicinity of Ellsworth, Mr. Hunt stated that the older, smaller, 12kV power line on the north would be replaced by the proposed new line and that the larger, steel structure 230kV power line on the south would remain.

Discussion ensued regarding the possibility of improving the appearance of the proposed power lines in the corridor south of Brown Road and the possibility of utilizing funds available from Salt River Project for aesthetic improvements.

City Engineer Keith Nath addressed the Committee and stated that although the City does receive an aesthetic funds allocation each year from SRP, those funds are typically used to bury smaller type lines and that the cost of burying a 69kV line is significant and would use a disproportionate share of the allocated funds.

In response to a request from Committeemember Jaffa, Mr. Hunt said that SRP would be happy to accommodate his request to visit the site.

In response to a question from Chairman Whalen regarding the source of the 230kV power line coming into the Thunderstone Receiving Station, Mr. Hunt advised that this line originates at the Goldfield Station, in the Apache Junction area.

Discussion ensued regarding the origination source of the power coming into the Goldfield Station; the capacity of the proposed power lines, the type and configuration of the poles proposed for the project, and the fact that the proposed power line must cross the Red Mountain/202 freeway.

In response to a question from Chairman Whalen regarding the acquisition of easements for the project, Mr. Hunt commented on the process of acquiring easements for the project and also commented on the possibility of adding a second 230kV transmission line in the existing corridor from the Goldfield Station to the Thunderstone Receiving Station in the future.

In response to a question from Chairman Whalen, Mr. Hunt stated that construction of the project will occur during 2002 and that SRP plans to energize the proposed lines in November 2002.

Chairman Whalen thanked Mr. Hunt for the update.

2. Hear a presentation from Salt River Project regarding the proposed 500 and 230kV transmission lines in the southeast Valley.

Dan Hawkins, a Transmission Planning Manager from Salt River Project (SRP), addressed the Committee and said that the purpose of the presentation is to update the Committee regarding SRP's plans to increase high-voltage transmission capacity in the southeast valley. Mr. Hawkins reported that SRP's proposed improvements are a result of the Central Arizona Transmission System (CATS) Study.

Mr. Hawkins explained that the CATS Study was a cooperative regional effort of approximately 18 different electric entities in Arizona, including SRP and Arizona Public Service. He further explained that the purpose of the CATS Study was to address increasing power demands and emerging electric utility competition in the State and to prevent a California-style energy crisis. He commented

on the numerous objectives of the study, which included improving the use of the existing transmission systems for future load growth in the Phoenix area, increasing power transmission capacity into the Phoenix area, encouraging future generation additions south of Phoenix and providing additional transmission capacity to and from the Palo Verde hub. Mr. Hawkins noted that the Palo Verde hub has become a major power interchange area for the buying and selling of electricity. Mr. Hawkins commented on the results of the CATS Study and referred to a map on display in the Council Chambers, which depicted additional high voltage transmission lines throughout the State, as proposed by the study.

Mr. Hawkins stated that as a result of the CATS Study, SRP is proposing a new high voltage power line project that will include: 1) a 500kV power line from the Palo Verde hub, located west of Phoenix, to the southeastern edge of the Valley in northern Pinal County; 2) a 500kV substation at a site in the southeastern edge of the Valley in northern Pinal County; 3) a double-circuit 230kV power line from the new 500kV substation to the Browning Substation and a loop of the Silver King to Browning 500kV power line to the new substation. Mr. Hawkins referred to a map illustrating the proposed project and said that the exact routes for the proposed facilities will be determined through an extensive environmental siting process. He commented on the schedule of the proposed project and said that SRP plans to have the project energized prior to the summer of 2006.

In response to a question from Committeemember Walters regarding the ability of the proposed project to accommodate long-term growth, Mr. Hawkins stated that the purpose of moving forward with the project at this time is to precede future long-term growth in the southeast valley including the Queen Creek, Casa Grande, Coolidge and Apache Junction areas.

Discussion ensued regarding the use of video cameras at substations for security purposes, the efforts of the industry as a whole to provide redundancies into the generation and transmission systems for increased reliability, and the possibility of connecting the new Desert Basin plants into SRP's proposed 500kV line.

In response to a question from Mayor Hawker regarding the level of cooperation between electric entities relative to the sharing of transmission facilities and line corridors, Mr. Hawkins advised that the Corporation Commission has indicated that cooperation between entities will be a necessary component of future transmission expansion in Arizona.

Chairman Whalen voiced appreciation to Mr. Hawkins for the update.

3. Discuss and consider amendments to the Intergovernmental Agreement between the City of Mesa and the Salt River Pima-Maricopa Indian Community to include the sorting, processing and marketing of recyclable materials.

Assistant Development Services Manager Kari Kent addressed the Committee and provided a brief overview of this agenda item. She reported that it is staff's recommendation that the City amend the Intergovernmental Agreement between the City of Mesa and the Salt River Pima-Maricopa Indian Community to provide for utilization of a new materials recycling facility (MRF) that is being constructed by the Salt River Pima-Maricopa Indian Community adjacent to the Salt River Landfill. Ms. Kent reported that Hudson Baylor, a company that operates numerous recycling facilities around the Country, including a facility in Phoenix, was awarded the contract to build and operate the MRF at the existing landfill site.

Ms. Kent referred to photographs on display in the Council Chambers depicting the MRF under construction and said that the facility is scheduled for completion in late November 2001. She reported that the facility will include an educational center and a viewing room and she noted that Mesa Public School students will have the opportunity to tour the facility and learn about recycling in general and about Mesa's recycling programs.

Ms. Kent reported that Mesa currently contracts with the Abitibi (formerly Valley Recycling, Inc.) MRF in Chandler to process Mesa's recyclable materials. She further reported that staff proposes to continue to deliver approximately 45% of Mesa's recyclable materials to Abitibi, which will be collected primarily from the southern portion of the City. She added that the remaining recyclable materials, primarily from the northern portion of the City, would be delivered to the new Salt River Pima-Maricopa Indian Community facility.

Ms. Kent commented on the advantages associated with utilizing two facilities on opposite sides of the City including the ability to reduce miles traveled and time taken to deliver materials, the ability to increase the amount of materials collected and delivered and the advantages associated with having two facilities compete for the City's recyclable materials.

Ms. Kent stated that the proposed contract provides that a minimum of 50% of the City's recyclable materials be delivered to the new MRF and that the City will be compensated a minimum of \$5 per ton for the materials, which will increase during good recyclable market conditions, pursuant to a revenue sharing formula in the contract. She added that staff expects to generate approximately \$100,000 annually through the proposed contract.

Committeemember Jaffa voiced support for the opportunity to further partner with the Salt River Pima-Maricopa Indian Community, for the inclusion of educational facilities at the new MRF and for the City's ongoing commitment to recycling.

Committeemember Walters also stated support for the educational opportunities offered for children at the new MRF facility.

Discussion ensued regarding the ability of both MRF facilities to recycle phone books and the projected maximum annual costs borne by the City under the present contract with Abitibi, assuming a worst market conditions scenario.

Ms. Kent reported that over the past five years, the City's recycling contract with Abitibi has resulted in net revenue to the City in the approximate sum of \$150,000.

In response to a question from Chairman Whalen regarding how the proposed contract will impact the City's current relationship with Abitibi, Ms. Kent stated that Abitibi was involved in the contract negotiations, that the City will provide Abitibi with 30 days notice regarding the reduction of materials delivered to Abitibi and that it is anticipated that the City will continue to deliver approximately 1100 tons per month to the Abitibi facility.

It was moved by Committeemember Walters, seconded by Committeemember Jaffa, to recommend to the Council that the proposed amendments to the Intergovernmental Agreement between the City of Mesa and the Salt River Pima-Maricopa Indian Community to include the sorting, processing and marketing of recyclable materials, be approved.

Carried unanimously.

Chairman Whalen commended the Salt River Pima-Maricopa Indian Community for their ongoing efforts to improve facilities.

4. Discuss and consider pursuing the concept of designating the City's district cooling facility as a utility enterprise and increasing the line size of the initial supply and return lines.

Neighborhood Services Manager Bryan Raines addressed the Committee and stated that the Council previously approved development of a district cooling facility in conjunction with development of the new Mesa Arts Center and the Indoor Aquatics Complex. He said that the approved facility is currently designed for three 900-ton chillers with maximum expansion capacity of five 1200-ton chillers and will be located on the west side of the existing parking garage on the site of the Mesa Arts Center. Mr. Raines reported that since Council approval of the district cooling facility, staff has been approached by the Methodist Church on 1st Avenue and by the Tribune Newspapers as potential customers of the City's district cooling system. Mr. Raines commented on the benefits afforded to businesses and other entities in the downtown area in connection with purchasing cooling capabilities from the City and also commented on the opportunity for the City to increase utility profits and provide an additional redevelopment incentive in the downtown area.

Mr. Raines reported that the primary supply and return lines presently designed to run along 1st Avenue between the planned Mesa Arts Center and the planned Indoor Aquatics Complex are not designed to accommodate additional customers. He said that if the City chooses to pursue the concept of designating the City's district cooling facility as a utility enterprise and adding private customers to the system, the capacity of the lines along 1st Avenue must either be increased now, while currently in the design phase, or in the future, necessitating a subsequent construction project. He reported that the estimated cost of upsizing the lines during the initial design phase is approximately \$165,000.

In response to concerns voiced by Committeemember Walters regarding increasing noise levels at the Mesa Arts Center, Mr. Raines said that with Council approval, staff envisions a future district cooling master plan and multiple sites for district cooling, which would add redundancy to the system and reduce demand and noise at any one location.

In response to a question from Committeemember Walters, Mr. Raines clarified that staff is seeking a recommendation from the Committee and Council approval to continue the process to evaluate the concept.

It was moved by Committeemember Walters, seconded by Committeemember Jaffa, to recommend to the Council that staff's proposal to pursue the concept of designating the City's district cooling facility as a utility enterprise and increasing the line size of the initial supply and return lines, be approved.

In response to a question from Committeemember Jaffa regarding staff's revenue projections associated with the enterprise concept, Mr. Raines stated that although it is the consensus of staff that the enterprise would be profitable, there have been no preliminary profit projections. He noted that if Council approves staff's proposal to evaluate the concept, it is anticipated that the assistance of a consultant would be necessary to help evaluate profitability of the enterprise. He added that a significant portion of the capital investment associated with establishing a district cooling enterprise

would be prepaid in connection with development of the district cooling system for the Mesa Arts Center and the Indoor Aquatics Complex.

Discussion ensued regarding the responsibilities associated with providing a reliable source of chilled water to customers of the conceptual utility.

Committeemember Jaffa stated conditional support for the concept on the basis that staff fully evaluates the responsibilities and duties associated with providing a consistent source of chilled water to customers who would rely on the service. He also commented on the importance of retaining the Tribune Newspapers within the downtown area.

Discussion ensued regarding the planned placement of supply and return lines in conjunction with the Mesa Arts Center Project, the convenience associated with upsizing the supply and return lines at this stage of the project to serve potential customers in the 1st Avenue corridor and construction that would be necessary in the future to further expand the utility.

Chairman Whalen stated support for the motion and requested that staff meet with him on an individual basis regarding the concept.

Carried unanimously.

5. Adjournment.

Without objection, the Utility Committee Meeting adjourned at 4:20 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Utility Committee Meeting of the City of Mesa, Arizona, held on the 8th day of October 2001. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK

Attachment
pjt