



# City of Grand Island

Tuesday, June 26, 2018

Council Session

## Item G-17

**#2018-184 - Approving the Letter of Agreement (Change Order #1)  
between JK Energy Consulting LLC and the City of Grand Island  
Utilities Department**

Staff Contact: Tim Luchsinger, Stacy Nonhof

# **Council Agenda Memo**

**From:** Timothy G. Luchsinger, Utilities Director  
Stacy Nonhof, Assistant City Attorney

**Meeting Date:** June 26, 2018

**Subject:** Engineering Services – Utilities Department  
Change Order #1

**Presenter(s):** Timothy Luchsinger, Utilities Director

## **Background**

On December 31, 2017, City Council approved a Contract with JK Energy Consulting, Inc., for Engineering Services. As part of this six (6) year contract, and as required by bond ordinance No. 9456, JK Energy Consulting is to provide the City with “continuous engineering counsel in its operation of the properties of the Electric System”. As an extension of this contract and per the hourly rates established in the aforementioned contract, Grand Island Utilities proposes to use JK Energy Consulting to analyze the potential cost and benefits of becoming an integration transmission service customer within the Southwest Power Pool.

## **Discussion**

In order to facilitate this additional work, the Utilities Department proposes increasing the original contract by \$10,000.00. The original contract total was \$61,500.00. This would raise the contract total to \$71,500.00.

## **Alternatives**

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to future date
4. Take no action on the issue

### **Recommendation**

City Administration recommends that Council approve the Letter of Agreement (Change Order #1), to the Contract for Engineering Services, to JK Energy Consulting in the amount of \$10,000.00, for a final contract amount of \$71,500.00.

### **Sample Motion**

Moven to approve the Letter of Agreement (Change Order #1) to the Contract for Engineering Services, to JK Energy Consulting Inc., in the amount of \$10,000.00, for a final contract amount of \$71,500.00.

June 7, 2018

Mr. Ryan Schmitz  
Assistant Utility Director  
City of Grand Island  
100 E. First Street  
Grand Island, NE 68801

Dear Ryan:

JK Energy Consulting, LLC (JKEC) is pleased to submit this letter agreement to assist the City of Grand Island Utilities Department (GIUD) in reviewing the costs and benefits of becoming a network integration transmission service (NITS) customer under the Southwest Power Pool (SPP) Open Access Transmission Tariff (OATT). This analysis would include developing annual transmission revenue requirements for the City's 115 kV transmission facilities for recovery through the NPPD zonal rate.

The work associated with this project is an additional service pursuant to Section 3.2, Biennial Reports, of the existing Engineering Services - Contract Agreement (Agreement). All terms and conditions set forth in the existing Agreement remain the same for this project.

### **Scope of Services**

**Task 1: Data Collection.** This task involves collecting information about GIUD's system necessary to develop annual transmission revenue requirements (ATRR) and existing SPP transmission service costs, including:

- Transmission line data
- Interconnection points with NPPD and Western Area Power Administration (WAPA)

JKEC already has on file other data required for this project, including the utility plant in service data, operating and maintenance cost data, capital structure and load data.

**Task 2: Prepare Annual Transmission Revenue Requirements.** This task involves preparing ATRR for the GIUD transmission system, including those facilities that qualify for cost recovery under the SPP OATT. Facilities included will be looped facilities with nominal operating voltage greater than 60 kV. There are several transmission rate

formula templates used by transmission owners, including templates applicable to municipal utilities, that have been approved for use by FERC. JKEC will identify a reasonable template for use in calculating the ATRR.

As part of calculating the ATRR, JKEC will calculate a consolidated NPPD zonal revenue requirement and compare existing NPPD rates to the proposed rates. A comparison of GIUD's transmission service revenues and expenses will be calculated to determine if there are sufficient benefits associated with transitioning network integration transmission service to offset potential additional costs for transmission service and SPP administrative fees.

**Task 3: Prepare Economic Comparison of Alternatives.** This task involves preparing a comparison of the existing point-to-point arrangements with becoming a NITS customer. This comparison would be based on the termination of the existing NPPD and SPP point-to-point service agreements. The comparison would include recovery of GIUD's ATRR through the NPPD zonal rate.

### **Fee**

The Agreement stipulates that billing for additional services without an agreed-upon fixed fee will be based on Attachment 3 – Standard Billing Rate Schedule of the JK Energy Consulting, LLC Proposal, dated November 28, 2017, of the existing Agreement. JKEC has prepared the following billable hour and fee estimate for the services described in this letter as follows:

Task 1: Data Review			
Mr. Krajewski	4 hours x \$133 / hour	=	\$532
Administrative	2 hours x \$53 / hour	=	\$106
Task 2: ATRR Calculations			
Mr. Krajewski	48 hours x \$133 / hour	=	\$6,384
Administrative	4 hours x \$53 / hour	=	\$212
Task 3: Economic Comparison			
Mr. Krajewski	16 hours x \$133 / hour	=	\$2,128
Administrative	4 hours x \$53 / hour	=	\$212
Estimated Fee for Professional Services		=	\$9,524
Estimated Travel (one trip)		=	\$150
Total Estimated Fee:		=	\$9,724

JKEC agrees it will not exceed \$10,000 in billings for the services described in this letter without prior approval of GIUD staff. JKEC will bill GIUD on an hourly basis for actual time spent providing the services listed above using Attachment 3 - Standard Billing Rate Schedule of the existing Agreement.

JKEC will invoice GIUD monthly (via electronic mail) for work completed during the previous month and payment is due upon receipt. Invoices unpaid after 30 days will accrue interest at 1.0% per month.

### **Schedule**

Upon notice to proceed, JKEC will complete the work within 45 days of receipt of the requested data under Task 1.

### **Conflict of Interest**

JKEC has discussed this proposal with NPPD and has preliminary verbal concurrence that this work would not constitute a conflict of interest. JKEC needs to receive concurrence in writing from NPPD along with agreement from the Nebraska Power Review Board (NPRB) before proceeding. If GIUD accepts this proposal, JKEC will seek concurrence immediately from NPPD and the NPRB. In the event NPPD and/or the NPRB does not provide written concurrence for JKEC, this letter agreement will terminate immediately.

JKEC appreciates the opportunity to provide this letter agreement to the City of Grand Island Utilities Department. If it is acceptable, please print two copies, sign and return one copy to JKEC, and retain the other copy for your records.

Sincerely yours,



John A. Krajewski, P.E.  
JK Energy Consulting, LLC

ACCEPTED BY:

City of Grand Island Utilities Department

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

RESOLUTION 2018-184

WHEREAS, at the December 31, 2017 Council meeting, Council approved the contract for Engineering Services for the Utilities Department to JK Energy Consulting, LLC, of Lincoln, Nebraska, in the amount of \$61,500.00; and

WHEREAS, The Utilities Department proposed to use the services of JK Energy Consulting to analyze the potential cost and benefits of becoming an integration transmission service customer within the Southwest Power Pool; and

WHEREAS, to facilitate this additional work, the Utilities Department proposes increasing the original contract by \$10,000.00 for a final contract amount of \$71,500.00; and

WHEREAS; JK Energy Consulting prepared a letter of Agreement (Change Order #1) to include the proposed study to analyze the cost and benefits of becoming an integration transmission service customer within the Southwest Power Pool, and the Legal Department has reviewed and approved the Letter of Agreement (Change Order).

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA that the Letter of Agreement (Change Order #1) in the amount of \$10,000.00 is approved, and the Mayor is hereby authorized to sign the Letter of Agreement (Change Order) on behalf of the City of Grand Island.

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Adopted by the City Council of the City of Grand Island, Nebraska, June 26, 2018.

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Jeremy L. Jensen, Mayor

Attest:

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RaNae Edwards, City Clerk

Approved as to Form	☐ _____
June 22, 2018	☐ City Attorney