



City of Grand Island

Tuesday, May 21, 2002

Council Session

Item G15

#2002-135 - Approving Joint Reporting Agreement - NPPD and City of Grand Island

The problems associated with deregulation of the nations electric industry have been well documented in the media over the past few years. As a result of the problems, federal regulation has increased, and as is often the case with federal regulation, extensive documentation and reporting are required to comply. The National Electric Reliability Council (NERC) and, regionally, the Mid American Power Pool (MAPP) have promulgated expanded rules and regulations governing the operation of electric utilities.

Mutual support and emergency back-up service have long been parts of utility operations. But with deregulation many more entities have access to the transmission system, increasing the chances of manipulating the rules to gain a financial advantage not intended by the original rules. Also during this same time frame, the nations reserves were being reduced by growing electric loads during a period of little plant construction. With dwindling reserves and deregulation came the need to more firmly document support arrangements and establish more detailed pricing methods.

NPPD is the area control for MAPP and Grand Island is located within that regional control area. NPPD is a member of the MAPP organization. Grand Island is not. Until now, the two utilities have continued to operate in much the same way as pre-deregulation, routinely buying and selling power and providing backup when needed, to the mutual benefit of both. However, regulation now requires that Grand Island comply with the new regulation in order to receive the benefit of MAPP support in an emergency, e.g. the loss of PGS.

Over the past several months, GI Utility and NPPD staff have reviewed a number of options to provide compliance with MAPP rules. The result of this analysis is the attached proposed Joint Reporting Agreement. Since NPPD is the MAPP control for the area around the City, and, because of logistics, is the entity through which Grand Island accesses other MAPP utilities for mutual support services, it seemed reasonable to add Grand Island requirements directly to the overall control area requirements as reported and administered by NPPD. If the parties approve this Agreement, it is then subject to additional approvals at MAPP; the Accreditation Working Group (AWG), the Design Review Subcommittee (DRS), and the MAPP Board.

It is the recommendation of the Utilities Department that the Joint Reporting Agreement be approved.

Fiscal Effects:

Some staff time to provide the required specific data for MAPP accreditation, payment to NPPD for the additional costs associated with adding the GI capacity to their reporting; estimated at \$20,000 per year, and purchase of firm transmission service for emergency access to MAPP utilities' reserves; estimated at \$250,000 per year.

Alternatives:

Join MAPP which would require added utility staff and equipment installation, plus \$128,000 first year payment and an annual payment of \$108,000 thereafter. At the present time, there is substantial uncertainty about the future of MAPP. Use of NPPD T-2 transmission service estimated at \$857,000 per year. Purchase of transmission network firm service estimated at over \$1,000,000 annual cost. Operate duplicate City generation to provide 100% back up in the event that a City generator experiences an unplanned outage. See attached RESOLUTION.

Staff Contact: Gary R. Mader

JOINT REPORTING AGREEMENT
between
NEBRASKA PUBLIC POWER DISTRICT
and
GRAND ISLAND UTILITIES
CITY OF GRAND ISLAND, NEBRASKA

Joint Reporting Agreement
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JOINT REPORTING AGREEMENT
between
NEBRASKA PUBLIC POWER DISTRICT
and
GRAND ISLAND UTILITIES
CITY OF GRAND ISLAND, NEBRASKA

This Joint Reporting Agreement ("Agreement") is made and entered into effective the 1st day of June, 2002, by and between Nebraska Public Power District, a public corporation and political subdivision of the State of Nebraska, hereinafter called "NPPD," and the City of Grand Island, Nebraska, a municipal corporation and political subdivision of the State of Nebraska, doing business as Grand Island Utilities, hereinafter called "GRIS". NPPD and GRIS respectively, being some times hereinafter referred to individually as "Party" or collectively as "Parties".

RECITALS

WHEREAS, the North American Electric Reliability Council (NERC) and the Mid-Continent Area Power Pool (MAPP) have established reliability standards to maintain the reliability and capability of the nations electric system, and

WHEREAS, those reliability standards require reporting of generation and transmission system capabilities, and prescribe operational requirements for member facilities, and

WHEREAS, NPPD owns and operates certain electric generating facilities together with a transmission system and various distribution systems in the State of Nebraska and is engaged in the generation, purchase, transmission, distribution, and sale of electric power and energy, and

WHEREAS, GRIS owns and operates certain electric generating facilities together with an electric distribution system and is engaged in the generation, purchase, transmission, distribution and sale of electric power and energy, and

WHEREAS, NPPD and GRIS have provided power and energy to each other through an "Interconnection and Interchange Agreement," effective June 26, 1981, as amended, hereinafter called "Interconnection Agreement", and

WHEREAS, GRIS is physically located within the control area of NPPD and NPPD's control area is a part of the MAPP region, and

WHEREAS, the Parties' respective electric systems are presently interconnected and they wish to provide joint reporting of generation and transmission facilities to MAPP, making possible a more beneficial use of generating facilities and assuring better service in emergencies, thereby providing important benefits to the areas served by the parties and to the public, and

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, the Parties do hereby mutually agree as follows:

ARTICLE 1
TERM

- 1.1 This Agreement shall become effective on the date first above written and shall continue in force for a period of two (2) years from said date (through May 31, 2004), and from year-to-year thereafter unless terminated by either Party by providing at least six (6) months prior written notice to the other Party.
- 1.2 Upon termination of this Agreement each Party shall be responsible for meeting their reserve and other obligations as set forth by the North American Electric Reliability Council (NERC), Mid-Continent Area Power Pool (MAPP) or their successor organizations.
- 1.3 In the event the NPPD-GRIS "Interconnection and Interchange Agreement" dated June 26, 1981, should be terminated and not superseded by another interconnection agreement, this Agreement shall terminate simultaneously and otherwise become null and void.
- 1.4 In the event a Party fails to perform or defaults on any of its responsibilities and obligations set forth in this Agreement, the other Party shall have the right to declare a breach and terminate the Agreement upon 30 days written notice to the breaching Party.

ARTICLE 2
JOINT LOAD AND CAPABILITY

- 2.1 For the purposes of this Agreement, NPPD is considered to be the reporting Party who, among other responsibilities, shall provide before-the-fact (projected) and after-the-fact (actual) joint load and capability reports to the Mid-Continent Area Power Pool (MAPP).

References to MAPP in this Agreement shall include MAPP or any successor organization(s) to MAPP.
- 2.2 GRIS and NPPD agree that each Party has the rights to the other's generating resources to serve the combined load of GRIS and NPPD. NPPD shall report to MAPP the GRIS and NPPD combined load and capability. GRIS and NPPD shall each, at a minimum, accredit and maintain generation or purchase accredited capacity equal to their respective loads plus the reserve margin specified by MAPP. If the combined load and reserve capacity obligation of the Parties exceeds the combined accredited capability of the Parties during any hour (deficit); then NPPD, as the reporting Party, will be responsible for any deficit incurred through the MAPP organization and shall pay any MAPP charges associated with the deficiency, subject to the provisions in Article 2.3 below.
- 2.3 If a MAPP deficit occurs on the combined load and reserve capacity obligation, the Parties shall determine which Party's load and reserve capacity obligation caused the deficit. The Party causing the deficit shall be responsible for any MAPP charges as a result of such deficit. If the Parties determine that the load and reserve capacity obligation of both Parties caused the deficit, each Party shall be responsible for its prorated share of the MAPP charges. Conversely, if

revenues are received by NPPD from other MAPP members for their deficits that occurred during the term of this Agreement, NPPD will distribute to GRIS its pro-rata share according to GRIS' share of the jointly reported after-the-fact surplus capacity for the applicable season of deficit.

- 2.4 If a Party's resource capability is deficient at the hour of the minimum surplus of the joint system, but the combined resource capability of the Parties, as reportable to MAPP, is not, the Party with the deficient capability shall purchase capacity to cover its load from the other Party at market rates as agreed to by the Parties.

ARTICLE 3 **REPORTING INFORMATION**

- 3.1 For purposes of this Agreement "Joint Reported Capacity" shall be defined as accredited generating capacity, in accordance with testing procedures identified in Article 4, and any accredited purchase of capacity or sale of capacity, accredited or not.
- 3.2 GRIS shall provide to NPPD its monthly Joint Reported Capacity and load information for reporting to MAPP as identified in Article 2.1 above as after-the-fact (actual) information. GRIS shall provide this information to NPPD in a form compatible with MAPP requirements. GRIS shall provide multiple hour information in order for NPPD to identify the specific hours that need to be reported to MAPP.
- 3.3 In order to meet deadlines for reporting to MAPP and other authorities as required, NPPD shall promptly request, and GRIS shall promptly provide, all required data. For example, one present requirement is that prior to January 1 of each year during the term of this Agreement as a part of MAPP's annual EIA-411 Data Request to each member, GRIS shall provide to NPPD its projected loads and capabilities, as well as additional MAPP-requested information, for the succeeding ten MAPP years. A MAPP year runs from May 1 of a particular year through April 30th of the following year. The first two years of projections shall be on a month-by-month basis and projections for years three through ten shall be on a seasonal basis. Projected load and capability reports shall be provided to NPPD in a form agreed to by the Parties and shall include projections for (i) accredited generating resources; (ii) known capacity purchases or sales, and (iii) firm loads, plus other items as requested. In the accreditation process, details on generation capabilities and contracts for purchases and sales (excluding pricing details) will be required for submittal to MAPP. It is not intended that this paragraph contain a complete list of all the information that will be required to be reported by GRIS to NPPD.
- 3.4 GRIS shall provide system data to NPPD and NPPD shall include such data in required MAPP and /or NERC filings in accordance with this Agreement. GRIS shall be responsible for applicable costs incurred by NPPD for including GRIS in such filings.
- 3.5 The Parties agree that the joint reporting arrangement set out in this Agreement shall not change ownership of facilities and that facility ownership and control will

be the same for each entity as established prior to entering into this Agreement. This Agreement is not intended to, and shall not be construed or deemed to, constitute or create any lien or encumbrance in respect of such facilities or any ownership rights or interest in such facilities.

ARTICLE 4
TEST PROCEDURES

- 4.1 NPPD and GRIS shall accredit their generating capacity through tests performed according to the terms and conditions specified by MAPP for Uniform Rating of Generating Equipment (URGE), currently in effect. The URGE criteria are defined in the latest revision of the MAPP Regional Reliability Handbook and such requirements are incorporated herein by reference.

ARTICLE 5
OPERATING RESERVES

- 5.1 NPPD and GRIS operating reserves, as required by MAPP, shall be determined from the combined load of GRIS and NPPD. NPPD will pro-rate the operating reserves between the Parties, in megawatts, based upon the pro-rata share of each Party's load that is used to determine the joint operating reserve requirement.
- 5.2 NPPD and GRIS shall maintain operating reserves in accordance with the requirements of MAPP's Generation Reserve Sharing Pool (GRSP) or its successor.
- 5.3 In the event an emergency within MAPP is declared, NPPD shall have the responsibility to respond and shall have the right to request GRIS assistance in providing generation resources for the MAPP emergency. GRIS shall promptly respond to NPPD's request to deploy operating reserves in response to MAPP emergencies and shall restore operating reserves in accordance with MAPP requirements. The amount of GRIS participation in the MAPP emergency will not exceed the incremental amount of reserves prorated as GRIS' share as set out in Article 5.1 above. NPPD shall have the sole responsibility for how operating reserves are deployed for MAPP emergencies. NPPD shall compensate GRIS for their generation share of the MAPP emergency, if called upon by NPPD to deploy reserves. Such compensation shall be based on MAPP emergency pricing for the emergency energy. Detailed procedures will be developed and maintained by the Operating Committee as set out in Article 9.
- 5.4 In the event of a loss of energy resource by GRIS, GRIS shall immediately notify NPPD and NPPD shall have the sole responsibility to declare an emergency within MAPP on behalf of GRIS or to cover the loss of GRIS resources with NPPD resources. GRIS shall follow notification procedures for loss of resource as set out in the operating and billing procedures in accordance with Article 9.
- 5.5 GRIS shall be responsible for all charges incurred by NPPD due to loss of GRIS energy resource whether the loss is covered solely by NPPD or through declaration of an emergency through the MAPP GRSP. Charges shall be as set

out in the operating and billing procedures as developed by the Operating Committee in accordance with Article 9.

ARTICLE 6
RESPONSIBILITIES OF GRIS

- 6.1 GRIS shall grant to NPPD the rights to GRIS capacity and energy to serve NPPD end use load obligations, capacity sales, and obligations to the GRSP for providing energy during emergency conditions. The Operating Committee shall determine pricing for such purchases.
- 6.2 GRIS shall be responsible for a study to determine if the transfer capability from GRIS resources to NPPD is adequate to meet the requirements for joint reporting.
- 6.3 GRIS shall provide transmission service on its transmission system, for this joint reporting arrangement, to the points of interconnection between GRIS and NPPD.
- 6.4 GRIS shall purchase firm point-to-point transmission service on the NPPD system to accommodate the exchange of capacity and energy necessary to support this joint reporting arrangement.
- 6.5 GRIS shall operate its generating facilities for use by NPPD to provide energy associated with said facilities in accordance with the provisions of this Agreement, when called upon by authorized NPPD personnel to do so.
- 6.6 GRIS shall make all necessary and required modifications to GRIS' generating facilities as mandated by local, state or federal laws, rules, regulations and requirements that are needed for performance of this Agreement. Generating facilities, which are not in compliance with all such laws, rules, regulations and requirements shall not be reported on GRIS monthly Joint Reporting Capacity to NPPD, nor shall NPPD be responsible for reporting such non-compliant generation on the Joint Load and Capability Report to MAPP.
- 6.7 GRIS shall coordinate the scheduling of all or any part of GRIS' generating facilities with authorized NPPD personnel.
- 6.8 GRIS shall maintain its generating facilities in a readily operable condition in order to meet the requirements of this Agreement.
- 6.9 GRIS shall maintain continuous availability of GRIS personnel to respond to NPPD requests for operation of GRIS' generating facilities in accordance with the operating and billing procedure relative to this Agreement.
- 6.10 The operating and billing procedure relative to this Agreement shall identify GRIS Personnel authorized to request NPPD to operate NPPD's generation pursuant to Article 7.1.

ARTICLE 7
RESPONSIBILITIES OF NPPD

- 7.1 NPPD shall grant to GRIS the rights to NPPD capacity and energy to serve GRIS end use load obligations, capacity sales, and obligations to the GRSP for providing energy during emergency conditions. The Operating Committee shall determine pricing for such purchases.
- 7.2 In conjunction with Article 6.4 above, NPPD shall provide transmission service on its transmission system from the points of interconnection between GRIS and NPPD to NPPD's load, to facilitate this joint reporting arrangement.
- 7.3 NPPD shall submit the necessary MAPP joint reporting notifications, reports, studies, data, etc., to the MAPP Design Review Subcommittee, Accreditation Working Group, and/or other MAPP Committees or Subcommittees as required in support of this Agreement. GRIS shall be responsible for applicable costs incurred by NPPD to produce and submit said reports.
- 7.4 NPPD shall include GRIS' system data in MAPP and /or NERC filings that are required due to this joint reporting arrangement and GRIS shall be responsible for applicable costs incurred by NPPD to include GRIS in such filings.
- 7.5 NPPD shall notify GRIS when GRIS is to operate its generation facilities and NPPD shall provide GRIS as much advance notice of required operation as is feasible under the circumstances then existing.
- 7.6 The operating and billing procedure relative to this Agreement shall identify NPPD personnel authorized to request GRIS to operate GRIS' generation facilities, pursuant to this Agreement.
- 7.7 NPPD shall operate its generating facilities for use by GRIS to provide energy associated with said facilities in accordance with the provisions of this Agreement, when called upon by authorized GRIS personnel to do so.
- 7.8 NPPD shall make all necessary and required modifications to NPPD's generating facilities as mandated by local, state or federal laws, rules, regulations and requirements that are needed for performance of this Agreement.
- 7.9 NPPD shall maintain its generating facilities in a readily operable condition in order to meet the requirements of this Agreement.

ARTICLE 8
NERC REQUIREMENTS

- 8.1 The Parties acknowledge that the North American Electric Reliability Council (NERC) promotes the reliability of the bulk electric supply for North America. The Parties agree to comply with requirements, programs, standards, criteria, procedures, terms, conditions and the like issued by NERC "requirements", as they may be revised from time to time. It is the obligation of each Party to be individually responsible for compliance to NERC requirements and any associated fines, penalties or assessments due to failure to meet such requirements.

The Parties agree that references to NERC within this Agreement shall apply to NERC or any successor organization.

ARTICLE 9
OPERATING COMMITTEE

- 9.1 Each Party shall appoint one representative to act in matters pertaining to this Agreement, such representatives being referred to collectively as the Operating Committee. Either representative may call for a meeting of the Operating Committee at any time and may request personnel from their respective companies to attend such meetings. The principal responsibilities of the Operating Committee with respect to this Agreement shall include but not be limited to the following:
- a. Establish and coordinate energy scheduling procedures and share information on projected loads and capabilities,
 - b. Make available necessary information to audit bills and provide for audits as requested,
 - c. Adjust or settle billing disputes in accordance with Article 10,
 - d. Address any and all operational issues arising from this Agreement,
 - e. Establish procedures for capacity exchange, monitoring compliance, data reporting, billing, and other operating procedures.
- 9.2 Written minutes shall be kept for all meetings of the Operating Committee and decisions or agreements made by the committee shall be reduced to writing and signed by both Parties.

ARTICLE 10
COSTS AND BILLING

- 10.1 GRIS shall reimburse NPPD for all incremental costs associated with a joint GRIS and NPPD reporting arrangement to MAPP as set out in this Agreement, including, but not limited to, facilitation of the arrangement, required studies, reporting requirements, emergency energy supplied, administration, and MAPP charges. NPPD shall issue monthly invoicing to GRIS in accordance with the operating and billing procedures established by the Operating Committee.
- 10.2 NPPD shall reimburse GRIS for capacity and energy purchases identified in this Agreement. GRIS shall invoice NPPD as appropriate and in accordance with the operating and billing procedures established by the Operating Committee.
- 10.3 Without admitting to the correctness thereof, payments will be made to the Party performing the work or providing services when due and without deduction. Except as otherwise agreed to by the Parties, all payments will be due within 30 days after the date of the bill. If the due date falls on a Saturday, Sunday or holiday observed by either Party, the following business day becomes the due date. If the owing Party fails to make full payment on or before the due date, the owing Party will pay interest on any unpaid amount from the date due to the date payment is received by the other Party. Such interest will accrue at the rate of one percent (1%) per month or pro-rata portion thereof.

- 10.4 If a Party desires to dispute all or any part of the charges submitted by the other Party pursuant to this Agreement, the disputing Party shall nevertheless pay the full amount of the charges, and give a written notice to the other Party within sixty (60) days from the date the billing is rendered, which notice shall fully describe the basis for the dispute and set forth a detailed statement of the disputed issue(s), the amount in dispute and the relief sought; provided, however, if the basis for such dispute could not have been discovered by reasonable diligence within said sixty (60) days, any such notice shall be given, if at all, within sixty (60) days of the date of such discovery or within eighteen (18) months from the date the billing is rendered, whichever occurs first. The disputing Party will not be entitled to any adjustment on account of any disputed charges not brought to the other Party's attention within the time and in the manner herein specified. If resolution of the dispute results in a refund to the disputing Party, an amount of interest shall be added to the refund. Such interest will accrue at the rate of one percent (1%) per month or pro-rata portion thereof.

ARTICLE 11
ASSIGNMENT AND INDEMNIFICATION

11.1 Successors and Assigns

This Agreement shall be binding upon and inure to the benefits of the successors, legal representatives, and assigned of the Parties; provided, however, no Party shall assign all or part of its rights or delegate all or part of its duties under this Agreement without the express written consent of the other Party and an assignment or delegation by a Party of all or part of its rights or duties shall not discharge such Party from its duties under the Agreement, whether consented to or not, unless such discharge is expressly provided by the written agreement of the other Party. An approved assignment or delegation shall not be deemed to permit any further or other assignment or delegation.

11.2 Indemnity

Each Party shall indemnify, hold harmless and defend the other Party, its agents, servants, employees and officers from any and all costs and expenses, including but not limited to attorney's fees, court costs and all other amounts that said other Party, its agents, servants, employees and officers is or may become obligated to pay on account of any and all demands, claims, liabilities or losses arising or alleged to have arising out of, or in any way connected with, the negligent acts or omissions of the indemnifying Party, its agents, servants, employees or officers, whether such demands, claims, liabilities or losses be for damages to property, including property of the Parties or injury or death of any person, including agents, servants, employees or officers of the Parties. This indemnification does not apply to deficit capacity conditions as described in Article 2.

ARTICLE 12
GOVERNING LAW

- 12.1 This Agreement is deemed to have been effectively entered into in the State of Nebraska and it shall be interpreted and controlled by the laws of said state. The Parties agree that any action arising out of or related to this Agreement brought by either Party shall be brought only in the federal or state courts in the State of Nebraska.

ARTICLE 13
CAPTIONS

- 13.1 The captions of the various Articles and paragraphs herein are intended for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

ARTICLE 14
WAIVERS

- 14.1 Any waiver at any time by a party of its rights, or any delay in enforcing its rights, with respect to any default by the other Party hereto, or with respect to any other matter arising out of or related to this Agreement, shall not be considered a waiver with respect to any other default or matter.

ARTICLE 15
NO THIRD PARTY RIGHTS

- 15.1 Nothing in this Agreement creates or shall be construed to create any third party beneficiaries or to give any rights, benefits, privileges or interests to any person or entity other than the Parties and their successors and assigns.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed in duplicate by their duly authorized officers or representatives as of the dates indicated below.

ATTEST:

NEBRASKA PUBLIC POWER DISTRICT

By _____
Patrick L. Pope

Title Vice President, Transmission Services

Date _____

ATTEST:

CITY OF GRAND ISLAND, NEBRASKA

By _____

Title _____

Date _____

RESOLUTION 2002-135

WHEREAS, the North American Electric Reliability Council (NERC) and the Mid Continent Area Power Pool (MAPP) have established standards to maintain the reliability and capability of the nations electric system; and

WHEREAS, those reliability standards require reporting of generation and transmission system capabilities, and prescribe operational requirements for member facilities; and

WHEREAS, Nebraska Public Power District (NPPD) owns and operates certain electric generating facilities together with a transmission system and various distribution systems in the State of Nebraska and is engaged in the generation, purchase, transmission, distribution, and sale of electric power and energy; and

WHEREAS, the City of Grand Island owns and operates certain electric generating facilities together with an electric distribution system and is engaged in the generation, purchase, transmission, distribution and sale of electric power and energy; and

WHEREAS, NPPD and the City have provided power and energy to each other since 1981 through an Interconnection and Interchange Agreement; and

WHEREAS, the City is physically located within the control area of NPPD and NPPD's control area is part of the MAPP region; and

WHEREAS, the parties' respective electric systems are presently interconnected and they wish to provide joint reporting of generation and transmission facilities to MAPP, making possible a more beneficial use of generating facilities and assuring better service in emergencies, thereby providing important benefits to the areas served by the parties and the public; and

WHEREAS, after reviewing available options, it was recommended that the City enter into a Joint Reporting Agreement with NPPD to provide compliance with MAPP rules; and

WHEREAS, the proposed Joint Reporting Agreement has been reviewed and approved by the City Attorney's office.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Joint Reporting Agreement by and between the City and Nebraska Public Power District is hereby approved; and the Mayor is hereby authorized and directed to execute such agreement on behalf of the City of Grand Island.

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Adopted by the City Council of the City of Grand Island, Nebraska on May 21, 2002.

Approved as to Form ? _____ May 16, 2002 ? City Attorney

RaNae Edwards, City Clerk

Approved as to Form ? _____
May 16, 2002 ? City Attorney