



# City of Grand Island

Tuesday, October 14, 2003

Council Session

## Item G13

### **#2003-279 - Approving Electric Utility Contract with Omaha Public Power District**

*Background:*

*Differing fuel costs create a substantial difference in the cost of generation. Platte Generating Station produces electricity with a fuel cost of about \$10/MWh; Burdick Station is fired by natural gas and produces power for a volatile \$70/MWh. In 2002, Grand Island's retail electric rate averaged \$47.30/MWh. To maintain the present rate structure, production from Burdick Station must be limited to peaking service only.*

*For the past two summers, peak demand has exceeded 150 MW. Platte Generating Station can supply only 100 MW of the demand. The recently completed Combustion Turbine installation will help to control fuel costs. Unlike the Burdick Station steam generation, which must run for extended periods, combustion turbine operation can be restricted to peak load periods only.*

*Peak demand is growing at a projected rate of 2.29%. Grand Island has generating resources to satisfy peak demands for an extended period of time; this will require extensive operation of the Burdick Station steam generation. The price of energy is determined by our generation mix, which will grow more uneconomical as energy needs grow. Energy sales are increasing 3.2% per year. By 2007 it is expected that the natural gas fired Burdick Station would be needed for every month of the year. To remain competitive, Grand Island needs additional, low cost, base load capacity in the 2010 to 2012 time frame.*

*Discussion:*

*The Utilities Department continues to explore a number of options to add low cost, base load, coal fired resources to the current power generation mix. At present, there are three coal plant projects being evaluated in Nebraska;*

- 1) Omaha Public Power (OPPD), a 600 MW plant at Nebraska City.*
- 2) Hastings Utilities and Nebraska Municipal Power Pool (HU/NMPP), a 200 MW plant at Hastings and;*
- 3) Nebraska Public Power District (NPPD), a 400 MW plant at the CHAAP or at a site in the northeast part of the state.*

*The OPPD Project is currently in the final stage of participation subscription. To date the project participants are:*

- 1) Falls City Utilities: 5 MW - 2) Grand Island Utilities: 30 MW - 3) Independence, MO: 50*

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*MW - 4) Missouri Public Utility Alliance: 50 MW - 5) Nebraska City Utilities: 10 MW - 6) Nebraska Public Power District: 150 MW and 7) Central MN Muni. Power Agency: 21 MW*

*OPPD is retaining 300 MW of the 600 MW plant for their use. The project is approved by The Nebraska Power Review Board. All participants are Public Power Utilities.*

*The Power Participation Agreement is the contract by which the plant participants share in the Nebraska City #2 project. The document is available for review at the Utilities Office, Legal Office and the Office of the City Clerk. The Agreement has been reviewed by City staff and by our bond counsel, Richard Pedersen of Baird Holm.*

*Recommendation:*

*The Utilities Department recommends participation in the OPPD Nebraska City Unit #2 project and execution of the Power Participation Agreement at a 30 MW level.*

*Alternatives:*

*Increase participation in the Hastings and/or NPPD projects. These projects do not currently have a firm time line for completion and neither project has yet been approved by the Power Review Board.*

*Fiscal Effects:*

*Expenditure of funds from Electric Enterprise Fund 520 as defined in the Power Participation Agreement, commencing in 2009, and through the projected 40 year life of the Plant.*

*Staff Contact: Gary R. Mader*

RESOLUTION 2003-279

WHEREAS, on February 18, 2003, by Resolution 2003-52, the City Council for the City of Grand Island approved a Memorandum of Understanding between the City of Grand Island and the Omaha Public Power District (OPPD) to finalize the terms and conditions of a Participation Power Agreement to obtain up to 30MW of energy after the Omaha Public Power District Nebraska City Unity #2 is constructed and operational; and

WHEREAS, the cost of natural gas produced electric energy has increased to over five times that of coal fired energy, increases in gas consumption have a major impact on finances; and

WHEREAS, public power utilities in Nebraska are cooperating in the development of coal fired power plants to meet continued electric load growth in the state; and

WHEREAS, participation with other Nebraska coal-fired power plants is a cost effective means to provide low cost energy sources as the City's electric loads grow; and

WHEREAS, OPPD is constructing a 600MW unit at their existing plant site on the Missouri River near Nebraska City, which will have 300MW of generating capacity and energy available to other entities; and

WHEREAS, negotiations have progressed with OPPD to the point that a Power Participation Agreement has been prepared for the City to obtain up to 30MW of energy from them if needed; and

WHEREAS, the City Attorney and the City's bond counsel have reviewed and approved the proposed Power Participation Agreement.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Power Participation Agreement between the City of Grand Island and Omaha Public Power District is hereby approved to obtain up to 30MW of energy from OPPD after its Nebraska City Unit #2 plant is constructed and operational.

BE IT FURTHER RESOLVED, that the Mayor is hereby authorized and directed to execute such Power Participation 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, October 14, 2003.

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RaNae Edwards, City Clerk

Approved as to Form	☐ _____
October 10, 2003	☐ City Attorney