



City of Grand Island

Tuesday, September 27, 2005

Council Session

Item G12

**#2005-271 - Approving Capital Financing Options for the
Nebraska City #2 Power Plant Project - Utilities Department**

Staff Contact: Gary R. Mader

Council Agenda Memo

From: Gary R. Mader, Utilities Director

Meeting: September 27, 2005

Subject: Nebraska City Unit #2; Capital Costs

Item #'s: G-12

Presenter(s): Gary R. Mader, Utilities Director

Background

The City of Grand Island is a participant in a new coal fired power plant project being built by the Omaha Public Power District (OPPD) at the site of their existing Nebraska City Plant. The new unit will be the second on that site and is generally referred to as NC#2. All environmental permitting and state agency approvals have been completed, and the project is proceeding to the point that major capital expenditures are pending for construction. The methods of project funding are included in the Power Participation Agreement (PPA) between the City and OPPD.

The Project is a 600 MW power plant with OPPD having 300MW committed to their system and 300MW dedicated to seven Project Participants; public power utilities in Nebraska, Missouri and Minnesota. Grand Island's Participation Share is 30MW. The financing of the project is structured such that OPPD will issue their bonds for their share and will also issue the bonds for the Participant's share. The Participant's costs to service that debt are to be billed monthly over the 40 year life of the plant. Participants are obligated under the PPA to begin Capital Cost payments at the time the unit goes into commercial operation in 2009. The bond issue for the Participants Share of the Capital Costs is referred to as the Separate System Bonds.

Discussion

The Power Participation Agreement does include provisions whereby each Participant may opt to provide its own share of the Project Capital Costs separately from the group. City staff from the Utilities, Legal and Finance Departments have met with OPPD staff to consider this option. City staff has also discussed this option with our bond agents from Ameritas Investment Corporation and our bond council, Baird Holm. It is the consensus from this evaluation that the City should provide its share of the Project Capital Costs via the Separate System Bond Issue as provided in the Power Participation Agreement with

OPPD. The City's share of Project Capital Cost is estimated at \$30,000,000, to be paid over the life of the NC#2 power plant.

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 the financing of Grand Island's share of the NC#2 project be included in the Separate System Bonds as provided in the NC#2 Power Participation Agreement between the City of Grand Island and Omaha Public Power District, and that the Utilities Director be directed to formally notify OPPD of that decision.

Sample Motion

Motion authorizing OPPD to issue the Separate System Bonds for the City of Grand Island's share of the Capital Cost of construction of the Nebraska City Unit #2 Power Plant Project, in accordance with the Power Participation Agreement between the parties and directing the Utilities Director to formally notify OPPD of that election.

RESOLUTION 2005-271

WHEREAS, on October 14, 2003, by Resolution 2003-279, the City Council of the City of Grand Island approved a Power Participation Agreement between the City of Grand Island and Omaha Public Power District (OPPD) to obtain up to 30 MW of energy from Omaha Public Power District after its Nebraska City Unit #2 plant is constructed and operational; and

WHEREAS, all environmental permitting and state agency approvals have been completed, and the project is proceeding to the point that major capital expenditures are pending for construction; and

WHEREAS, the financing of the project is outlined in the Power Participation Agreement and is structured such that OPPD will issue their bonds for their share and will also issue the bonds for the Participant's share; and

WHEREAS, the Participant's costs to service that debt are to be billed monthly over the 40 year life of the power plant, with the Participants obligated to begin Capital Cost payments at the time the unit goes into commercial operation in 2009; and

WHEREAS, after reviewing its options, City staff recommends providing its share of the Project Capital Costs via the Separate System Bond issue as provided in the Power Participation Agreement with OPPD; and

WHEREAS, the City's share of Project Capital Cost is estimated at \$30,000,000, to be paid over the life of the Nebraska City Unit #2 power plant.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that Omaha Public Power District is hereby authorized to issue Separate System Bonds for the City of Grand Island's share of the Capital Cost of construction of the Nebraska City Unit #2 Power Plant Project, in accordance with the Power Participation Agreement.

BE IT FURTHER RESOLVED, that the Utilities Director is hereby authorized to notify Omaha Public Power District of this election.

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Adopted by the City Council of the City of Grand Island, Nebraska, September 27, 2005.

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
September 22, 2005	☐ City Attorney