



City of Grand Island

Tuesday, November 08, 2005

Council Session

Item G11

**#2005-321 - Approving Western Area Power Administration
(WAPA) Revisions to Contract - Utilities Department**

Staff Contact: Gary R. Mader; DaleShotkoski

Council Agenda Memo

From: Gary R. Mader, Utilities Director
Dale Shotkoski, Asst. City Attorney/Purchasing

Meeting: November 8, 2005

Subject: Revision of Exhibits to Western Area Power Administration Contract

Item #'s: G-11

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

Background

The Western Area Power Administration (WAPA) markets electrical power and energy from the hydroelectric dam projects on the Missouri River. Grand Island entered into a purchase contract with the predecessor organization of WAPA in 1970. The Contract, WAPA Number 90-BAO-413, was renewed, with modifications in 1991 and again in 1999. This Contract extends through December 31, 2020.

The Contract contains provisions for WAPA, under certain circumstances, to reduce the allotment of power and energy, otherwise known as Contract Rate of Delivery (CROD), to customers. Those “circumstances” include new projects, changes in allocation of water resources, changes in river hydrology or river operations. Recently there have been extensive negotiations and court proceedings involving several states and federal agencies regarding the competing interests of recreation, barge traffic use and the maintenance of habitat for the endangered species utilizing the Missouri River Basin.

Grand Island has received notice that the Rate of Delivery will be reduced by 0.164% during the summer months and 0.216% during the winter months. WAPA requests that Grand Island acknowledge this reduction through execution of Revision 3 of Exhibit A and Revision 2 of Exhibit B.

Discussion

Revised Exhibit A provides the maximum hourly summer and winter delivers, while reaffirming WAPAs conditional right to impose further reductions. Revised Exhibit B

provides the monthly rates of delivery for power and energy to Grand Island. Both Exhibits are within the bounds of the existing contract.

WAPA provides approximately 5% of Grand Island's electrical needs. A 0.2% reduction of this 5% will not have a major impact on the overall cost of power to Grand Island or a major impact on the Electric Department's ability to serve customers. Platte Generating Station will be used to pick up the small reduction in energy. This reduction in the Contract Rate of Delivery is contractually authorized. The revisions provide Grand Island with the revised CROD. WAPA requests formal acknowledgement of these revisions.

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, in which case the revisions will still become effective by the existing contract.

Recommendation

City Administration recommends that the Council approve the proposed Exhibit A, Revision 3 and Exhibit B, Revision 2 to the WAPA Contract No. 90-BAO-413.

Sample Motion

Motion to approve acceptance of proposed Exhibit A, Revision 3 and Exhibit B, Revision 2 to the WAPA Contract No. 90-BAO-413.

EXHIBIT A
(Contract Rates of Delivery)

1. This Exhibit A made this _____ day of _____, 200____, under and as a part of Contract No. 90-BAO-413, dated April 4, 1991, hereinafter called the Contract, shall become effective on January 1, 2006. Upon such effective date, this Exhibit A shall terminate and supersede Exhibit A dated February 7, 2001, and shall remain in effect until superseded by another Exhibit A or termination of the Contract.

2. CONTRACT RATES OF DELIVERY FOR FIRM POWER:

2.1 On and after January 1, 2006, and continuing through December 31, 2010, the Contract Rate of Delivery (CROD) for firm power during any Winter Season shall be 5,113 kilowatts. Effective with the first day of the first full billing period beginning in January 2011, the CROD for firm power during any Winter Season may be adjusted as stated in this Exhibit A.

2.2 On and after January 1, 2006, and continuing through December 31, 2010, the CROD for firm power during any Summer Season shall be 9,153 kilowatts. Effective with the first day of the first billing period of the 2011 Summer Season, the CROD for firm power during any Summer Season may be adjusted as stated in this Exhibit A.

2.3 Through the term of this Contract, Western may reduce Grand Island's Summer Season CROD by up to 5 percent for new project use requirements, by giving a minimum of five years advance written notice of such action.

2.4 Effective on the first full billing period in January 2011, Grand Island's CROD may be adjusted in accordance with the Program. Western may reduce Grand Island's CROD for future Winter and Summer Seasons by up to 1 percent from the then current CROD. Western will give Grand Island two years advance written notice of such adjustment.

2.5 In the event that Western determines that any portion of the CROD withdrawn under the terms of Subsection 2.4 above is not required for use by Western in accordance with the Program, Western will offer a pro rata share of the unallocated CROD to Grand Island, using the formula as specified in Subsection 2.6 below.

2.6 The redistribution formula is as follows:

$$(CROD/MRW) \times MWA = \text{Share Returned}$$

where

CROD = CROD at the time of withdrawal;

MWA = Megawatts Available to be returned; and

MRW = Marketable Resource at time of Withdrawal.

2.7 In the event that Western, at its sole discretion, determines that resources become available due to the imposition of penalties in accordance with the Program, Western may offer these resources to Grand Island. Prior to offering these resources to Grand Island, Western and Grand Island will mutually agree upon withdrawal procedures which will be provided for in a separate agreement. To limit administrative burden, Western may wait until such time as it accumulates sufficient resources to justify offering them.

2.8 On and after the effective date of this Exhibit A, at the discretion and sole determination of Western, Grand Island's CROD will be subject to adjustment on five years advance written notice in response to changes in hydrology and river operations. Proportional adjustments will be set forth in a revised Exhibit A only after an appropriate public process.

WESTERN AREA POWER ADMINISTRATION

By _____

Title _____ Power Marketing Manager

Address _____ P.O. Box 35800

_____ Billings, MT 59107-5800

CITY OF GRAND ISLAND, NEBRASKA

(SEAL)

By _____

Attest:

Title _____

By _____

Address _____ P.O. Box 1968

Title _____

_____ Grand Island, NE 68802-1968

EXHIBIT B
(Operating Agreement Including Quantitative Determinations)

1. This Exhibit B made this _____ day of _____, 200____, under and as a part of Contract No. 90-BAO-413, dated April 4, 1991, hereinafter called the Contract, shall become effective on January 1, 2006. Upon such effective date, this Exhibit B shall terminate and supersede Exhibit B dated February 7, 2001, and shall remain in effect until superseded by another Exhibit B or termination of the Contract.

2. GRAND ISLAND'S FIRM ELECTRIC SERVICE ARRANGEMENTS:

2.1 The System Definitions and Billing Determinations set forth in this Operating Agreement are based upon the understanding of the Parties that Grand Island's firm electric service arrangements are such that its system load requirements are normally supplied from the following sources:

2.1.1 Firm electric service from Western.

2.1.2 Firm electric service from another power supplier.

2.1.3 Grand Island's own generation.

2.2 Western reserves the right to unilaterally require the substitution of a new Exhibit B in the event that the firm electric service arrangements of Grand Island are altered.

3. REPORTING REQUIREMENTS: Grand Island must provide, or cause to be provided, data to Western each month that documents both the times of operation and the amounts of power and energy generated. If Grand Island's resources are not operated during the month, information shall be submitted to Western so indicating. Grand Island shall also keep such other records as may be necessary for the purposes of this Exhibit B and will furnish the Contracting Officer with such information or reports necessary for the determinations called for herein.

4. SYSTEM DEFINITIONS:

4.1 Grand Island's System Demand for any billing period shall be the sum of the highest coincident 30-minute integrated demands established from meter readings taken at:

4.1.1 the Point(s) of Measurement, as may be adjusted and defined in Exhibit C; and

4.1.2 the Point(s) of Measurement into Grand Island's system from its generating units, adjusted, if necessary, to generator bus voltage.

4.2 Grand Island’s System Energy Requirements for any billing period shall be the total energy delivered during the billing period at:

4.2.1 the Point(s) of Measurement, as may be adjusted and defined in Exhibit C; and

4.2.2 the Point(s) of Measurement into Grand Island’s system from its generating units, adjusted, if necessary, to generator bus voltage.

5. FIRM POWER AND ENERGY OBLIGATION OF WESTERN:

5.1 Notwithstanding the provisions of Subsection 6.3 of the Contract, the Parties, by mutual agreement, have established, for each month of the year, values for the Maximum Rate of Firm Power Obligation and Maximum Energy Obligation of Western to Grand Island as shown below:

Summer Season	kW	MWh	Winter Season	kW	MWh
May	6,182	2,547	November	4,790	2,437
June	9,153	3,504	December	4,790	2,440
July	9,153	3,294	January	4,790	2,763
August	9,057	3,924	February ^{1/}	5,113	2,627
September	6,709	2,702	March	4,466	2,237
October	5,751	2,442	April	4,790	2,450

^{1/} Energy amount for leap year will be 2,721 MWh.

5.2 The Maximum Rate of Firm Power Obligation and Maximum Energy Obligation of Western in any billing period shall each be, for the billing period involved, apportioned among the Point(s) of Delivery identified in Exhibit C using the ratio of the obligation of Western, as noted above, to the respective Grand Island’s System Demand and System Energy Requirements for that same period as determined pursuant to Section 4 above.

5.3 In the event that Grand Island’s System Demand and/or Grand Island’s System Energy Requirements in a billing period are less than the values in Subsection 5.1 above for that billing period, then Grand Island’s actual System Demand and/or System Energy Requirements shall be Western’s Maximum Rate of Firm Power Obligation and Maximum Energy Obligation for that billing period.

5.4 Either Party hereto shall have the right to resume determination of Western's firm power and energy obligations to Grand Island pursuant to Subsection 6.3 of the Contract upon five years advance written notice to the other Party or upon a period of less than five years if mutually agreed to. In the event of such notice, obligation determinations pursuant to Subsection 6.3 shall begin upon the effective date of a revised Exhibit B providing for such determinations.

5.5 Western reserves the right to appropriately modify the above power and energy values in the event that the Contract Rate(s) of Delivery or energy deliveries are modified as provided elsewhere in the Contract.

6. BILLING DETERMINATIONS:

6.1 The billed demand for firm power provided by Western to Grand Island in any billing period shall be, for that billing period, the Maximum Rate of Firm Power Obligation as established pursuant to Section 5 above.

6.2 The billed energy provided by Western to Grand Island in any billing period shall be, for that billing period, the Maximum Energy Obligation as established pursuant to Section 5 above.

WESTERN AREA POWER ADMINISTRATION

By _____

Title _____ Power Marketing Manager

Address _____ P.O. Box 35800

_____ Billings, MT 59107-5800

(SEAL)

CITY OF GRAND ISLAND, NEBRASKA

By _____

Title _____

Attest:

By _____

Address _____ P.O. Box 1968

Title _____

_____ Grand Island, NE 68802-1968

RESOLUTION 2005-321

WHEREAS, since 1970, the City of Grand Island has purchased firm power and associated energy from the federal hydroelectric projects on the Missouri River, the federal bureau tasked with the operation and administration of the hydroelectric projects in the Western Area Power Administration (WAPA); and

WHEREAS, on March 4, 1991, the original contract was replaced with Contract No. 90-BAO-413, which will expire on December 31, 2020; and

WHEREAS, the contract contains provisions for WAPA, under certain conditions, to reduce the allotment of power and energy, otherwise known as Contract Rate of Delivery (CROD) to customers; and

WHEREAS, the City of Grand Island has received notice that the Rate of Delivery will be reduced by 0.164% during the summer months and 0.216% during the winter months; and

WHEREAS, WAPA requests that the City of Grand Island acknowledge this reduction through the execution of Revision 3 of Exhibit A and Revision 2 of Exhibit B; and

WHEREAS, both exhibits are within the bounds of the existing contract, and such reductions will not have a major impact on the overall cost of power to Grand Island or a major impact on the Electric Department's ability to serve its customers.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that Exhibit A, Revision 3 and Exhibit B, Revision 2 to the Western Area Power Administration Contract No. 90-BAO-413 are hereby approved and accepted.

BE IT FURTHER RESOLVED, that the Mayor is hereby authorized and directed to execute such revised exhibits on behalf of the City of Grand Island.

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Adopted by the City Council of the City of Grand Island, Nebraska, November 8, 2005.

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
November 3, 2005	☐ City Attorney