



City of Grand Island

Tuesday, April 14, 2009

Council Session

Item G9

#2009-77 - Approving Reserve Sharing Agreement between the City of Grand Island Utilities Department and Nebraska Public Power District

Staff Contact: Gary R. Mader

Council Agenda Memo

From: Gary R. Mader, Utilities Director
Wesley Nesor, Asst. City Attorney/Purchasing

Meeting: April 14, 2009

Subject: Nebraska Public Power District Reserve Sharing Agreement

Item #'s: G-9

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

Background

The Grand Island Utilities Department provides electricity to its customers via distribution substations interconnected with a transmission loop. This transmission loop provides a path for transmitting power produced from its power plants to the customers. In addition, four connections with the regional grid and Nebraska Public Power District (NPPD) are established at various locations around the transmission loop. These connections are necessary to ensure a reliable electric supply even during generator outages. Without these connections, Grand Island Utilities would need to have enough unused generating capacity immediately available to backup their own generators in order to keep the city's electric service on during an unplanned generator outage. This amount would currently be approximately 100 MW.

As utilities across the country became interconnected, "Reserve Sharing Pools" were established among regional utilities. These pools utilize agreements that require every generator within the pool to hold back a portion of on line generating capacity in order to meet emergency conditions produced by loss of generating units; thus backing up one another's generators within the pool. The Grand Island Utilities Department currently participates in the Mid-Continent Area Power Pool (MAPP) through a joint operating agreement with NPPD. This pool includes all Nebraska generating utilities as well as generating utilities in other upper Midwest states and two Canadian provinces. Through this pool, the Grand Island Utilities Department is required to have approximately 4 MW of excess capacity available to meet emergency declarations, just as all other regional generators provide reserves to support the region.

Discussion

Across the nation there are several reliability regions. Historically, the state of Nebraska's utilities have been in the MAPP reliability region. But as of April 1, 2009, NPPD and the other major transmission owner/operators in the state will transfer to the Southwest Power Pool (SPP). The SPP region encompasses all or portions of seven states and extends generally south from Nebraska. A map of the SPP area is attached. NPPD will remain the area control entity for central Nebraska and Grand Island's primary contact for regional transmission access and reporting. The conditions and responsibilities of the City and NPPD in meeting the requirements of our transmission interconnection are included in the 1981 "Electric Interconnection and Interchange Agreement" between the parties. The move to SPP by NPPD sets in place some different documentation requirements for governance of the parties. NPPD has requested that the city execute a new "Reserve Sharing Agreement" as required by SPP. A copy of that proposed agreement is attached. The agreement documents the processes and procedures to be executed by the parties in calling upon reserves and in responding to calls for reserves in support of the regional reliability governing entity, the Southwest Power Pool.

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 Council approve the Reserve Sharing Agreement between Nebraska Public Power District and Grand Island Utilities.

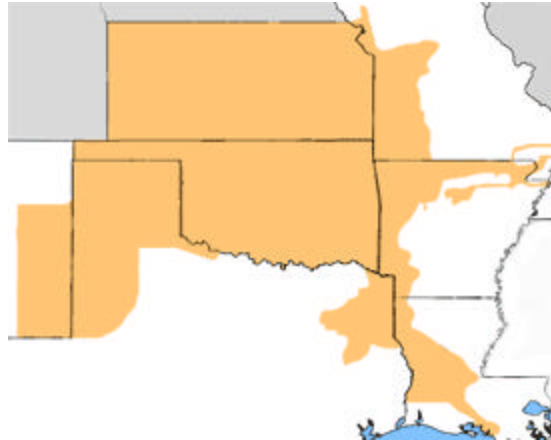
Sample Motion

Move to approve the Reserve Sharing Agreement between Nebraska Public Power District and Grand Island Utilities.



Southwest Power Pool

Operating Region



SPP manages the electric grid for all or part of seven states: Arkansas, Kansas, Louisiana, Missouri, New Mexico, Oklahoma, and Texas. SPP has members in the above states, Mississippi, and Nebraska.

Non-Coincidental Peak Load

SPP Fast Facts

Substations (modeled): 5,026

Generating Plants: 451

2007 System Peak (non-coincident): 43,304 MW

Net Energy for Load: 210,074 GWh

Miles by Voltage:

69 kV - 14,265 miles
115 kV - 6,255 miles
138 kV - 8,286 miles
161 kV - 3,872 miles
230 kV - 2,703 miles
345 kV - 4,879 miles
500 kV - 104 miles

Total - 40,364 miles

Capacity Resources: 56.5 GW

<u>Fuel Type</u>	<u>Capacity/Energy Produced in SPP Region*</u>
Coal	39% / 64%
Gas/Oil	42% / 26%
Nuclear	2% / 6%
Wind	1% / 3%
Other	11% / 1%
Hydro	4% / 1%

* Numbers do not equal 100 due to rounding. Energy produced may exceed capacity.

Reserve Sharing Agreement
between
Nebraska Public Power District
and
Grand Island Utilities
City of Grand Island, NE

This Reserve Sharing Agreement ("Agreement") is made and entered into effective the _____ day of _____, 2009, by and between Nebraska Public Power District (NPPD), a public corporation and political subdivision of the State of Nebraska, and the City of Grand Island, Nebraska (City), a municipal corporation and political subdivision of the State of Nebraska, doing business as Grand Island Utilities. NPPD and City respectively, being sometimes hereinafter referred to individually as "Party" or collectively as "Parties".

RECITALS

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

WHEREAS, NPPD and City are party to an "Electric Interconnection and Interchange Agreement," effective June 26, 1981 as amended, hereinafter called "Interconnection Agreement", and

WHEREAS, NPPD is a North American Reliability Corporation (NERC) registered balancing area and the City electric system is physically located within the balancing area of NPPD, and

WHEREAS, the Parties desire to enter into an agreement governing how operating reserves may be self-supplied.

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 one (1) year from said date, and from year to year thereafter unless terminated by either Party by providing at least six (6) months prior written notice.
- 1.2 In the event the NPPD-City Interconnection Agreement should be terminated and not superseded by another agreement, this Agreement shall terminate simultaneously and become null and void except for costs, charges and obligations arising or incurred prior to such termination.

ARTICLE 2
NPPD RESPONSIBILITIES

- 2.1 NPPD, as the NERC registered Balancing Area (BA), is responsible to meet all NERC reliability standards and standards of the NERC Regional Entity of which NPPD is a member. To meet these reliability standards, NPPD may elect to join a reserve sharing pool.
- 2.2 NPPD shall determine the amount of operating reserves (spinning and supplemental) to be carried by each load serving entity within the NPPD BA that is self supplying its operating reserves. NPPD will allocate operating reserves to each load serving entity in the NPPD BA pro-rata to each load serving entity's load in the NPPD BA compared to the total NPPD BA load.
- 2.3 In the event the NPPD BA has an obligation to deploy operating reserves, NPPD will deploy its own operating reserves and may call on City, if City is either a) self supplying operating reserves or b) purchasing operating reserve service from another supplier, for deployment of its operating reserves in accordance with the terms of this Agreement.
- 2.4 If City is purchasing operating reserve service from NPPD, NPPD will bill City for applicable charges under the appropriate tariff for operating reserve service.
- 2.5 NPPD shall be responsible to provide City with operating reserves when City requests operating reserves for the loss of a resource in accordance with the terms of this Agreement.
- 2.6 In the event NPPD participates in a reserve sharing pool, NPPD shall be responsible for allocating all reserve sharing pool costs, charges, revenues and the like to all NPPD BA load represented in the reserve sharing pool, including City. It is understood by the Parties that all such costs shall be pass through costs only. Such costs and charges may include related transmission tariff costs. If such costs, charges or revenues are bundled, NPPD will appropriate allocations based upon load share of each entity of the total NPPD reported BA load in the reserve sharing pool. If such costs, charges or revenue are separated between entities, NPPD will pass through such costs, charges or revenues

directly to City. Costs, charges or revenues shall be provided to City in accordance with Article 4.

ARTICLE 3
CITY RESPONSIBILITIES

- 3.1 City shall be responsible for compliance with the operating protocols and requirements of any reserve sharing pool that NPPD is a member. By way of example, City must comply with requirements for the call of reserves due to a City operating reserve contingency, such as loss of generation. Even though NPPD will call on operating reserves from a reserve sharing pool for such loss of generation on behalf of City in accordance with this Agreement, City is responsible to meet requirements governing the call of reserves for loss of generation by notifying NPPD of the loss in time for NPPD to meet the requirements of the reserve sharing pool.
- 3.2 If City chooses to self-supply operating reserves:
- a) City shall maintain at all times its share of the NPPD BA operating reserves, as determined by NPPD. Such operating reserves must meet the requirements set forth by NERC or the reserve sharing pool.
 - b) If at any time it is determined that City is not supplying operating reserves either by self supply or purchase from another supplier, City agrees to be responsible for all costs, charges, penalties or remedies imposed by NPPD or any regional authority with jurisdiction. City will also be required to purchase operating reserves from NPPD for the period during which they have not provided operating reserves either by self supply or purchase from another supplier.
- 3.3 Deployment of operating reserves (self supply) by City:
- a) City shall deploy operating reserves when called upon by NPPD within the timeframe required by NERC or the reserve sharing pool of which NPPD is a member.
 - b) If City fails to deploy operating reserves when called upon by NPPD, City shall be responsible for all costs, charges, penalties or remedies imposed by NPPD or any regional authority with jurisdiction. City shall not be responsible for penalties and remedies imposed by a regional authority for NPPD's failure to call upon City for deployment of operating reserves.
- 3.4 If City does not self supply operating reserves, then NPPD or the reserve sharing pool shall bill City and City shall pay all appropriate charges for the supply of operating reserves on City's behalf under the appropriate tariff.
- 3.5 City shall call upon NPPD, in accordance with Exhibit A, when an operating reserve contingency dictates the call for operating reserves be provided to City from the reserve sharing pool.

- 3.6 City shall be responsible for their share of all reserve sharing pool costs, charges, related transmission costs, revenues, and the like as allocated by NPPD or passed through by the reserve sharing pool and as provided in Section 2.6 and Article 4 of this Agreement.

ARTICLE 4 **BILLING AND PAYMENTS**

- 4.1 NPPD shall invoice City for costs and charges provided for under this Agreement and City shall pay such invoice within thirty (30) days of the invoice date. Except as otherwise agreed to by the Parties, if payment is not received within the thirty (30) day period the invoice amount shall accrue interest at the rate of one percent (1%) per month or pro-rata portion thereof.
- 4.2 For any revenues due City as a result of deployment or receipt of reserve sharing pool operating reserves under the terms of this Agreement, NPPD will issue such revenue, whether allocated or pass through revenue, to City within thirty (30) days of receiving such revenue from the reserve sharing pool. NPPD will allocate or pass through such revenues in accordance with Section 2.6 and the reserve sharing pool structure.
- 4.3 If a dispute arises relative to any billing or payment under this Article IV, the Party responsible to pay the invoice or distribute the revenue, whichever the case may be, shall nevertheless pay the full amount of the charges or revenues. The disputing Party shall give a written notice to the other Party within thirty (30) days from the date the billing is rendered or the revenue is distributed, which notice shall fully describe the basis for the dispute and set forth a detailed statement of the disputed issue(s). Within fifteen (15) days of such dispute notice the Parties shall give due diligence to resolving the dispute. In the event the dispute is not resolved within fifteen (15) days of the dispute notice, then senior executives of both Parties will meet to determine resolution of the dispute, which shall occur within thirty (30) days of the dispute notice date. In the event the Parties senior executives do not resolve the dispute, the Parties may agree to non-binding mediation to attempt to reach a resolution of the dispute. In the event that mediation does not resolve the dispute or if the Parties do not agree to non-binding mediation, either Party may pursue all remedies available at law or in equity.

ARTICLE 5 **REPORTING INFORMATION**

Each Party agrees to cooperate in exchanging and provide in a timely manner information, data, reports and the like, which may be needed to meet the requirements of the Regional Entity, reserve sharing pool, any regional authority, NERC standards or requirements, and/or Party reporting needs:

ARTICLE 6
INDEMNIFICATION

Each Party (the "Indemnifying Party") shall indemnify, hold harmless and defend the other Party (the "Indemnified Party"), its agents, servants, employees and officers from any and all costs and expenses, including but not limited to reasonable attorney's fees, court costs and all other amounts that said Indemnified 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 in the performance of this Agreement, whether such demands, claims, liabilities or losses be for damages to property, including property of the Indemnified Part or injury or death of any person, including agents, servants, employees or officers of the Indemnified Party.

ARTICLE 7
GENERAL CONTRACT PROVISIONS

- 7.1 **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Nebraska without regard to conflict of law principles. The Parties agree that any lawsuit connected to, arising out of or related to this Agreement shall be brought only in the state courts of Nebraska.
- 7.2 **Captions.** The captions of the various sections and paragraphs herein are intended for convenience of reference only and shall not define or limit any of the terms or provisions hereof.
- 7.3 **Assignment.** This Agreement may not be assigned by any Party, without the prior written consent of the other Party.
- 7.4 **Waivers.** 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.

IT WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized officers and effective upon the date first above written.

Grand Island Utilities
The City of Grand Island, Nebraska

Nebraska Public Power District

By _____

By _____

Printed Name _____

Printed Name _____

Title _____

Title _____

Date _____

Date _____

City call to NPPD for operating reserves due to City contingency:

1. Within 2 minutes of City losing generation and/or schedule City will contact NPPD and request deployment of operating reserves.
 - a. NPPD's phone contact number is 402-845-5221.
2. City will provide to NPPD the amount of resource (generation or schedule) lost. This will be the amount of the initial deployment of operating reserves.
3. Within the limits of the rules of the reserve sharing pool, City may elect to deploy up to the entire amount of their operating reserves to cover that portion of the resource loss. City must notify NPPD at the time of the initial loss if they choose to deploy additional operating reserves to cover the resource loss.
4. Changes in the amount of operating reserves will be governed by the procedures of the reserve sharing pool, including:
 - a. Minimum time before operating reserves can be cancelled
 - b. Allowable changes in the amount of operating reserves requested
 - c. Maximum time operating reserves can be utilized
 - d. Declaration of Energy Emergency Alerts.

For self supply of operating reserves by City as provided for in Section 3.2:

1. City shall maintain operating reserves in the amount allocated by NPPD to City as described in Section 2.2. NPPD shall notify City when the amount of their share of the operating reserves changes.
2. Within three (3) minutes of NPPD receiving a request for the deployment of operating reserves (either from City or a reserve sharing pool member), NPPD will call upon City to deploy their pro-rata share of operating reserves under the terms of this Agreement.

Grand Island Utilities

The City of Grand Island, Nebraska

Nebraska Public Power District

By _____

By _____

Title _____

Title _____

Date _____

Date _____

RESOLUTION 2009-77

WHEREAS, the City of Grand Island and Nebraska Public Power District (the Parties) desire to enter into an agreement for electric power generation reserve sharing capacity in order to meet emergency conditions produced by loss of generating units; and

WHEREAS, Grand Island Utilities currently participates in the Mid-Continent Area Power Pool (MAPP) through a joint operating agreement with NPPD; and

WHEREAS, Nebraska utilities are moving to the Southwest Power Pool (SPP); and

WHEREAS, SPP requires the regional control, NPPD, to enter into agreements with electric generating utilities within their control area; and

WHEREAS, the Parties desire to enter into an Agreement to provide excess capacity to meet emergency conditions produced by loss of generating units within the area.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Mayor is hereby authorized to, on behalf of the City, execute the Reserve Sharing Agreement between the City of Grand Island and Nebraska Public Power District, in accordance with the terms and conditions generally described above.

- - -

Adopted by the City Council of the City of Grand Island, Nebraska, April 14, 2009.

Margaret Hornady, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form ☐ _____
April 8, 2009 ☐ City Attorney