



City of Grand Island

Tuesday, November 10, 2009

Council Session

Item G7

**#2009-289 - Approving Construction Agreement with NPPD for St.
Libory Substation**

Staff Contact: Gary R. Mader

Council Agenda Memo

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

Meeting: November 10, 2009

Subject: Transmission Facilities Construction Agreement with
Nebraska Public Power District

Item #'s: G-7

Presenter(s): Gary Mader, Utilities Director

Background

In 2006, Advantage Engineering (AE) was contracted to perform a Transmission and Substation System Study for the City of Grand Island Utilities Department (GIUD). Various alternatives and solutions were analyzed for the logical and economic expansion of the GIUD's 115 kV transmission loop, power interconnections with Nebraska Public Power District (NPPD), substations, distribution, and communications. The system study period was ten (10) years (2006-2016) taking into account projected City expansion and load growth. When fully implemented, the major substation and transmission requirements should be satisfied through 2027.

The Transmission and Substation System Study was completed in 2007 and contained a detailed analysis of previous studies and reports; surrounding area power provider plans; State wide planned improvements; Contractual obligations; the City's comprehensive development plans; system capabilities and capacities; land use issues; and schedule related items. The study resulted in recommendations to expand the GIUD's transmission system to serve load growth and assure reliability. The results of the Transmission and Substation System Study were presented to the Grand Island City Council on January 8, 2008.

One of the system improvements identified in the Transmission and Substation System Study was the need for providing a second 115 kV power supply to GIUD's Substation F. In the study it was recommended that a new 115 kV line be constructed to connect the open 115 kV transmission bay at GIUD's Substation F to the Nebraska Public Power District (NPPD) St. Libory Junction northwest of the City. The new 115 kV line would be approximately 7 miles in length and would require that GIUD select a route for the new line and obtain new transmission line easements necessary to construct the line. This

new transmission line would improve the reliability of the entire GIUD transmission system by providing an additional connection to the regional electric grid, to the north. A map of the proposed project is attached for reference.

On April 21, 2009, a presentation was made during a Council Study Session summarizing a 115 kV Transmission line route study for the new transmission line mentioned above. During the following City Council meeting on April 28, 2009, Council authorized the Utilities Department to proceed with the necessary engineering, permits and other services required to construct the new transmission line. The new transmission line will connect Grand Island's Substation F located along Capital Avenue to Nebraska Public Power District's (NPPD) St. Libory Junction located along Engleman Road between Chapman and Prairie Roads. In order to connect this new transmission line, NPPD will need to construct a new substation adjacent to the current location. Since this is a joint project with NPPD, Grand Island Utilities Department has agreed to finance half of this new substation.

Discussion

Discussions with NPPD have taken place to determine timing, location and cost of this substation. In order to protect both parties during the joint financing of this project, Grand Island is required to enter into a construction agreement with NPPD. The preliminary estimated total cost to design and construct this substation is \$4,000,000. Upon approval of this agreement, NPPD's governing board will authorize the design, procurement and construction of this substation. A more detailed and accurate estimate shall be developed and an invoice for half of that estimate shall be sent to Grand Island. Grand Island will be responsible for half of any costs over and above the final estimate as the project progresses.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

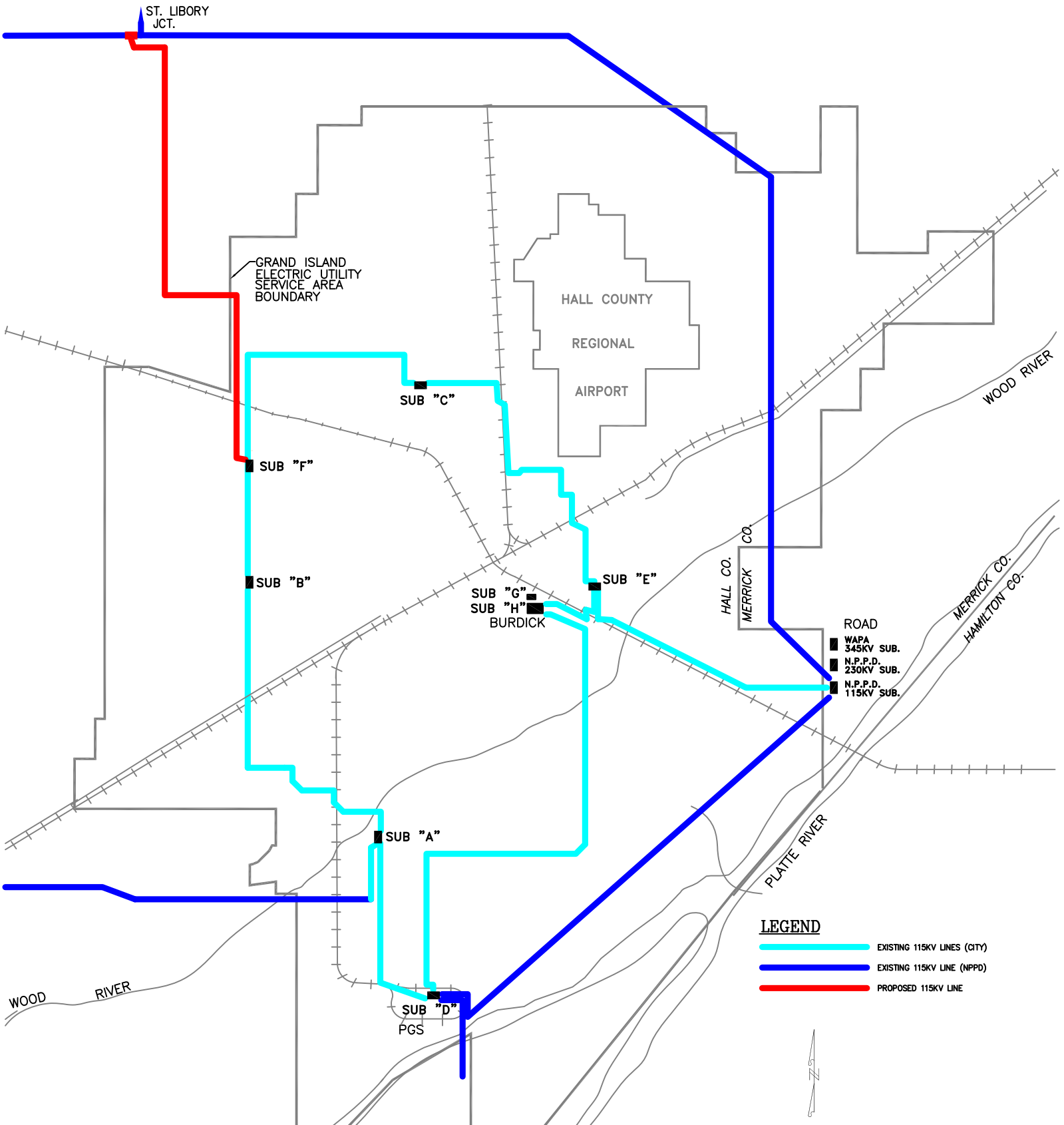
1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to future date
4. Take no action on the issue

Recommendation

City Administration recommends that the Council enter into an agreement with Nebraska Public Power District for the construction of the St. Libory Substation.

Sample Motion

Move to approve the Transmission Facilities Construction Agreement with Nebraska Public Power District.



- LEGEND**
- EXISTING 115KV LINES (CITY)
 - EXISTING 115KV LINE (NPPD)
 - PROPOSED 115KV LINE



TRANSMISSION FACILITIES CONSTRUCTION AGREEMENT

between

NEBRASKA PUBLIC POWER DISTRICT

and

CITY OF GRAND ISLAND, NEBRASKA

This Transmission Facilities Construction Agreement ("Agreement") is made and entered into this tenth (10th) day of November, 2009 by and between NEBRASKA PUBLIC POWER DISTRICT (hereinafter referred to as "NPPD"), a public corporation and political subdivision of the State of Nebraska, and THE CITY OF GRAND ISLAND, NEBRASKA (hereinafter referred to as "City"), a municipal corporation and political subdivision of the State of Nebraska, each referred to herein individually as a "Party" and collectively, the "Parties".

WITNESSETH:

WHEREAS, the Parties have agreed to construct a new 115kV substation near the present St. Libory Junction switching station to accommodate transmission additions at this location, and

WHEREAS, the Parties wish to set forth the terms and conditions governing the design, construction, payment and ownership of the transmission facilities to be constructed.

NOW, THEREFORE, in consideration of the mutual benefits to the Parties, the Parties hereby agree as follows:

SECTION 1
Work Scope

- 1.1 NPPD shall be responsible for the design, procurement, acquisition of land and easements, construction, and commissioning of a new NPPD owned 115kV St. Libory Substation (Substation) along with the re-routing and

connection of existing 115kV lines to this Substation, as illustrated on Exhibit 1, attached hereto and made a part of this Agreement. If NPPD is unsuccessful in negotiating the land purchase for the preliminary site, said Exhibit 1 shall be revised and replaced with a new Exhibit 1 depicting the actual site and construction details of the said Substation.

- 1.2 NPPD shall be responsible for all costs associated with the procurement and installation of the revenue metering equipment at the Substation.
- 1.3 City shall be responsible for the design, procurement, acquisition of easements, construction, and commissioning of a new City owned 115kV transmission line, approximately 6.5 miles in length, between the City's Substation F and NPPD's steel dead-end structure located inside the Substation,
 - 1.3.1 NPPD will make the connection from the steel dead-end structure to the 115kV Substation bus.
 - 1.3.2 NPPD shall grant to the City the right of ingress and egress to the Substation identified in Section 1.1 for the purpose of construction, inspection and testing of the new City owned line section.
- 1.4 The above mentioned transmission facilities shall be installed in accordance with Good Utility Practice and shall be subject to final inspection and coordination testing by the Parties before energizing the transmission facilities. The transmission facilities shall be energized upon the sole determination and approval of NPPD.

SECTION II

Term and Termination of Agreement

- 2.1. This Agreement shall become effective on the date first above written and shall remain in effect until all obligations of this Agreement, including but not limited to, the payment obligations of the Parties, have been fully satisfied as determined by NPPD.

SECTION III

Schedule

- 3.1 The City shall determine when NPPD is authorized to proceed with the construction of the Substation, and shall authorize NPPD to proceed with the work in writing.
- 3.2 Subject to the provisions of Section 3.3 herein, and provided that the City has notified NPPD in writing to proceed with the construction of the Substation by January 1, 2011, NPPD and the City will use every effort and practice to energize the transmission facilities described herein by April 1, 2012. Subject to the provisions of Section 3.3 herein, in the event the City notifies NPPD in writing after January 1, 2011 to proceed with the construction of the Substation, NPPD and the City will use every effort and practice to energize the transmission facilities described herein fifteen (15) months from the date of written notification from the City to proceed with the construction of the Substation.
- 3.3 It is understood by the Parties that the completion date may be affected by delays in the acquisition of permits and easements, and other uncontrollable circumstances, such as electric system demands, unavailability of labor and materials, governmental actions, weather, and other Acts of God that may delay the schedule or performance of this Agreement.

SECTION IV **Funding**

- 4.1 The Parties agree to share funding of the work identified in Section 1.1 for the construction of the Substation, including the re-routing and connection of the existing 115kV lines to the Substation.
- 4.2 The preliminary estimated cost of the work identified in Section 1.1 is Four Million Dollars (\$4,000,000.00). Each Party shall be responsible for one-half of the total actual costs associated with completion of the work identified in Section 1.1, and the actual costs shall be determined in accordance with Section 4.4.
- 4.3 After NPPD receives Board authorization/approval of the project, and the preliminary estimated cost of the project as identified in Section 4.2 has been more closely revised into the final estimated project cost, the City shall pay NPPD for one-half of the final estimated project cost. Payment of the City's portion of the final estimated project cost shall be due within

thirty (30) days of receipt of the invoice from NPPD. NPPD will begin construction of the facilities identified in Section 1.1 after receipt of the City's portion of the final estimated project cost.

- 4.4 NPPD will keep records of the actual costs that are incurred for the work identified in Section 1.1. Actual costs will be determined by using NPPD standard charge rates. Actual costs shall include, but not be limited to, labor costs, material costs, equipment costs, land and easement costs, costs of obtaining approvals and permits, design and engineering costs, construction costs, costs incurred by contractors, field investigation costs, and payroll and general administration costs. Any applicable taxes will be paid by NPPD and included in the calculation of the actual costs.
- 4.5 After the work for which NPPD is responsible under Section 1.1 begins, NPPD will track actual costs in accordance with Section 4.4. If the actual project cost for the work under Section 1.1 exceeds the final estimated project cost identified in Section 4.3, NPPD will begin issuing quarterly billing(s) to the City for its remaining one-half share of the actual costs for work under Section 1.1. Said billings shall be due within thirty (30) days of receipt of the invoice from NPPD.
- 4.6 Upon completion of the work for which NPPD is responsible under Section 1.1, NPPD will determine final actual costs in accordance with Section 4.4 and provide to the City an itemized report identifying actual costs for the project, and issue to the City a final billing which shall be due within thirty (30) days of the receipt of the invoice from NPPD. The final billing will reflect credit for the pre-payment identified in Section 4.3, and all quarterly payments previously made to NPPD by the City as identified in Section 4.5.
- 4.7 If the City disputes any portion of the billing provided by NPPD, the City shall nevertheless pay the full amount of said billing when due within thirty (30) days of receipt of the invoice from NPPD. The City shall notify NPPD in writing of the amount of the billing dispute and the basis for the dispute. If settlement of the dispute results in a refund to the City, the amount refunded shall not exceed the amount identified as being in dispute.
- 4.8 The City shall be responsible for all costs associated with the work identified in Section 1.3.

- 4.9 After NPPD has initiated the work for the design, procurement, and acquisition of land and easements for the Substation as described in Section 1.1, if for any reason, the City is unable or unwilling to proceed with the construction of the Substation or the connection of the 115 kV lines to the Substation, then the City shall be responsible for One Hundred Percent (100%) of all of the costs incurred by NPPD.
- 4.10 After the City has notified NPPD in writing to proceed with the construction of the Substation, if for any reason, the City is unable or unwilling to proceed with the construction of the Substation or the connection of the 115 kV lines to the Substation, then the City shall be responsible for One Hundred Percent (100%) of all of the construction costs incurred by NPPD.
- 4.11 If NPPD proceeds with the construction of the Substation without the written authorization to proceed from the City, then NPPD shall be responsible for One Hundred Percent (100%) of all of the construction costs incurred by NPPD.
- 4.12 Following completion of the Substation described in Section 1.1, all future changes to the Substation facilities shall be funded by the requesting Party, unless otherwise agreed to by the Parties. This provision shall be included in the Electric Interconnection and Interchange Agreement between the Parties.

SECTION V

Indemnification

- 5.1 NPPD agrees to indemnify and hold harmless the City or its representatives, agents, or employees from all claims, demands, suits, actions, payments, and judgments arising from any negligent act or omission of NPPD, its agents, servants, or employees, during the construction of the facilities covered in this Agreement.
- 5.2 The City agrees to indemnify and hold harmless NPPD or its representatives, agents, or employees from all claims, demands, suits, actions, payments, and judgments arising from any negligent act or omission of the City, its agents, servants, or employees, during the construction of the facilities covered in this Agreement

SECTION VI
Good Utility Practice

6.1 Good Utility Practice shall mean any of the practices, methods, and acts at a particular time, which, in the exercise of reasonable judgment in the light of the facts, including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost, consistent with the reliability, safety and expediency of the action. In applying a Good Utility Practice standard to any matter under this Agreement, equitable consideration should be given to the circumstances, requirements, and obligations of each of the Parties. It is recognized that a Good Utility Practice is not intended to be limited to a single best practice, method, or act, to the exclusion of all others, but rather can be within a spectrum of possible practices, methods, or acts which could reasonably have been expected to accomplish the action.

SECTION VII
Governing Law

7.1 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 of the State of Nebraska.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their authorized representatives as of the date first above written.

Nebraska Public Power District

City of Grand Island, Nebraska

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

RESOLUTION 2009-289

WHEREAS, in 2006, Advantage Engineering (AE) was contracted to perform a Transmission and Substation System Study for the City of Grand Island Utilities Department (GIUD); and

WHEREAS, various alternatives and solutions were analyzed for the logical and economic expansion of GIUD's 115 kV transmission loop, power interconnections with Nebraska Public Power District (NPPD), substations, distribution and communications; and

WHEREAS, the Transmission and Substation System Study was completed in 2007 and presented to the City Council on January 8, 2008, recommending expansion of GIUD's transmission system to serve load growth and assure reliability; and

WHEREAS, one of the recommendations was that a new 115 kV line be constructed to connect the open 115 kV transmission bay at GIUD's Substation F to the NPPD St. Libory Junction northwest of the City; and

WHEREAS, the new transmission line would improve the reliability of the entire GIUD transmission system by providing an additional connection to the regional electric grid, to the north; and

WHEREAS, in order to connect this new transmission line, NPPD will need to construct a new substation adjacent to their current location, and since this is a joint project with NPPD, Grand Island Utilities Department has agreed to finance half of this new substation; and

WHEREAS, in order to protect both parties during the joint financing of this project, Grand Island is required to enter into a construction agreement with NPPD; and

WHEREAS, the proposed agreement has been reviewed and approved by the City Attorney.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Construction Agreement between the City of Grand Island 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; and the Utilities Director is hereby authorized and directed to provide notice to proceed to NPPD at the appropriate time, in accordance with the contract terms and conditions.

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Approved as to Form	☐ _____
November 5, 2009	☐ City Attorney

Adopted by the City Council of the City of Grand Island, Nebraska, November 10, 2009.

Margaret Hornady, Mayor

Attest:

RaNae Edwards, City Clerk