



# City of Grand Island

Tuesday, April 24, 2012

Council Session

## Item G3

**#2012-102 - Approving Contract to Reserve Firm Electric Service  
from the Western Area Power Administration**

Staff Contact: Tim Luchsinger

# Council Agenda Memo

**From:** Tim Luchsinger, Utilities Director  
Jason Eley, Assistant City Attorney/Purchasing

**Meeting:** April 24, 2012

**Subject:** WAPA Reserve Contract

**Item #'s:** G-3

**Presenter(s):** Tim Luchsinger, Utilities Director

## Background

The Utilities Department has been a customer of the Western Area Power Administration (WAPA) since 1970. WAPA is a Federal agency that manages the operation and administration of the various hydro power projects located along the Missouri river. As a customer, Grand Island receives a set amount of energy each month, known as a Contract Rate of Delivery (CROD), which contributes to slightly more than 4% of the Department's annual energy requirements. In November, 2011, WAPA issued its 2021 Power Marketing Initiative (PMI) which supports extending the existing CROD with associated energy to existing long-term firm power customers such as Grand Island.

## Discussion

The purpose of the proposed Reserve Contract is to affirm the commitment WAPA made through the 2021 PMI. By approving the Reserve Contract, Grand Island's existing CROD is reserved through December 31, 2020, pursuant to negotiations of an agreement for a thirty year renewal of the Firm Electric Service Contract beginning in 2021 and ending in 2050. If Grand Island chooses not to pursue a new Firm Electric Service Contract with WAPA beginning January 1, 2021, this Reserve Contract will automatically be terminated. Planning for electric supplies is typically projected for 20 to 30 years due to the long-term facility and financing considerations and commitments that need to be made by various parties. The hydro energy received by Grand Island from WAPA has been, and continues to be, an economical power source, and contributes to a blend of energy supply for future operational options by the Utilities Department, and it is recommended that this Reserve Contract be executed.

## **Alternatives**

It appears that the Council that 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 a future date
4. Take no action on the issue

## **Recommendation**

City Administration recommends that the Council approve the Western Area Power Administration (WAPA) Reserve Contract.

## **Sample Motion**

Move to approve the Western Area Power Administration (WAPA) Reserve Contract.

Contract No. 12-UGPR-622  
City of Grand Island,  
Nebraska

UNITED STATES  
DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION

Pick-Sloan Missouri Basin Program--Eastern Division

CONTRACT TO RESERVE FIRM ELECTRIC SERVICE  
CONTRACT RATES OF DELIVERY WITH ASSOCIATED ENERGY  
FOR THE CITY OF GRAND ISLAND, NEBRASKA

UNITED STATES  
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CONTRACT TO RESERVE FIRM ELECTRIC SERVICE  
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FOR THE CITY OF GRAND ISLAND, NEBRASKA

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UNITED STATES  
DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION

Pick-Sloan Missouri Basin Program--Eastern Division

CONTRACT TO RESERVE FIRM ELECTRIC SERVICE  
CONTRACT RATES OF DELIVERY WITH ASSOCIATED ENERGY  
FOR THE CITY OF GRAND ISLAND, NEBRASKA

1. PREAMBLE: This Contract is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, pursuant to the Acts of Congress approved June 17, 1902 (32 Stat. 388), December 22, 1944 (58 Stat. 887), August 4, 1977 (91 Stat. 565), and Acts amendatory or supplementary to the foregoing Acts between the UNITED STATES OF AMERICA, acting by and through the Administrator, Western Area Power Administration, Department of Energy, hereinafter called Western, represented by the officer executing this Contract, a duly appointed successor, or a duly authorized representative, hereinafter called the Contracting Officer, and the CITY OF GRAND ISLAND, NEBRASKA, a municipal corporation, duly organized under and by virtue of the laws of the State of Nebraska, hereinafter called Grand Island, its successors and assigns, each sometimes hereinafter individually called Party, and both sometimes hereinafter collectively called the Parties.

2. EXPLANATORY RECITALS:

2.1 Western published the Pick-Sloan Missouri Basin Program--Eastern Division (P-SMBP--ED), 2021 Power Marketing Initiative (2021 PMI) in the Federal Register

(76 FR 71015) on November 16, 2011, to provide the basis for marketing the long-term firm hydroelectric resources of the P-SMBP--ED beyond December 31, 2020, when Western's existing Firm Electric Service contracts expire.

2.2 The 2021 PMI supports extending the existing Contract Rates of Delivery (CROD) with associated energy to existing long-term firm power customers reduced by up to 1 percent for each new resource pool in 2021, 2031, and 2041.

2.3 Grand Island is an existing firm power customer recognized under the 2021 PMI. As an existing firm power customer, Grand Island has certain resource planning responsibilities. Western supports those resource planning activities by reserving Grand Island's existing CROD under this Contract.

2.4 The purpose of this Contract is to affirm the commitment Western made through the 2021 PMI. Therefore, the Parties choose to enter into this Contract to reserve Grand Island's existing CROD, until the Parties enter into a new long-term Firm Electric Service Contract for a term of January 1, 2021, through December 31, 2050.

2.5 The Parties understand the CROD reserved in this Contract may be adjusted in accordance with Grand Island's existing Firm Electric Service Contract and the 2021 PMI.

2.6 The Parties recognize this Contract only reserves the CROD with associated energy and does not include terms and conditions for delivery. Those details will be included in the new Firm Electric Service Contract.

3. AGREEMENT: The Parties agree to the terms and conditions set forth herein.

4. TERM AND TERMINATION OF CONTRACT:

4.1 This Contract shall become effective on the date specified above, and shall remain in effect through midnight on December 31, 2050, subject to the provisions of Subsections 4.2 and 4.3 below;

4.2 This Contract shall automatically terminate if the Parties fail to enter into a new Firm Electric Service Contract before January 1, 2021, unless otherwise agreed to in writing by the Parties prior to January 1, 2021.

4.3 Provided further, this Contract shall automatically terminate upon the Parties entering into a new Firm Electric Service Contract before January 1, 2021, with a contract term of January 1, 2021, through December 31, 2050.

5. CONTRACT RATES OF DELIVERY TO BE RESERVED: In accordance with the 2021 PMI, Western reserves Grand Island's existing CROD with associated energy as identified in Grand Island's existing Firm Electric Service Contract. This existing CROD with associated energy is subject to reductions, withdrawals, restrictions, limits, penalties, termination, and any other applicable adjustments under Grand Island's existing Firm Electric Service Contract and the 2021 PMI, and subject to any approved assignments. Such CROD with associated energy will be set forth in a new Firm Electric Service Contract offered by Western, with a contract term of January 1, 2021, through December 31, 2050.



Contract No. 12-UGPR-622  
City of Grand Island,  
Nebraska

IN WITNESS WHEREOF, the Parties have caused this Contract to be executed the day  
and year first above written.

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 \_\_\_\_\_

Address P.O. Box 1968

Grand Island, NE 68802-1968

Attest:

By \_\_\_\_\_

Title \_\_\_\_\_

RESOLUTION 2012-102

WHEREAS, since 1970, the City of Grand Island has purchased firm power and associated energy from the Western Area Power Administration (WAPA), the federal bureau tasked with the operation and administration of the hydroelectric dams on the Missouri River, in accordance with WAPA Contract No. 14-06-600-15A; and

WHEREAS, on March 4, 1991, the original contract was replaced with Contract No. 90-BAO-413 which was amended in accordance with Resolution 98-307, to extend the expiration of such contract until December 31, 2020; and

WHEREAS, in November, 2011 WAPA issued its 2021 Power Marketing Initiative to support extending the existing Contract Rate of Delivery with associated energy to existing long-term firm power customers such as Grand Island, and

WHEREAS, by approving the Reserve Contract, Grand Island's existing Contract Rate of Delivery would be reserved through December 31, 2020.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Reserve Contract with the Western Area Power Administration is hereby approved; and the Mayor is hereby authorized and directed to execute the Reserve Contract on behalf of the City of Grand Island.

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Adopted by the City Council of the City of Grand Island, Nebraska, April 24, 2012.

\_\_\_\_\_  
Jay Vavricek, Mayor

Attest:

\_\_\_\_\_  
RaNae Edwards, City Clerk