

City of Seward, NE
Monday, December 21, 2015
Regular Session

Item G5

**CONSIDERATION OF ISSUING NOTICE TO NEBRASKA
PUBLIC POWER TO REDUCE ENERGY PURCHASE - Bruce
Smith**

Administrative Report: If Council determines at this meeting not to sign a new 20-year contract with NPPD, the City needs to provide notice to NPPD prior to December 31, indicating the intent to reduce energy purchases.

Staff Contact:

December 21, 2015

Mr. Patrick L. Pope
President & CEO
Nebraska Public Power District
1414 15th Street
PO Box 499
Columbus, Nebraska 68602

Dear Mr. Pope:

This letter provides written notice to the Nebraska Public Power District (NPPD) from the City of Seward, Nebraska (City) to terminate the Wholesale Power Contract (WPC), dated January 1, 2002, between NPPD and the City. This termination shall be effective at the conclusion of its initial term on December 31, 2021. This notice is provided pursuant to Article 1, Section B, of the WPC.

Also, pursuant to Article 2, Section A, of the WPC, the City hereby notifies NPPD of the City's intent to limit and reduce its purchase of Demand and Energy from NPPD under the WPC on the earliest possible schedule and in the largest possible percentage rates of reduction the WPC permits. We understand that there is outstanding litigation regarding the reduction provision with other customers. The City will abide by the terms of the resolution of that litigation, but would like to reduce its purchases by the maximum amount allowed. In particular, the City hereby notifies NPPD of the following reductions:

Three (3) Consecutive Annual 30 Percent (30%) Reductions – Preferred Option

1. For the calendar year commencing January 1, 2019, the City shall limit and reduce its monthly purchase of Demand and Energy from NPPD by 30 percent (30%) of the City's Base Monthly Demand and Energy Obligation, as that term is defined in the WPC. This reduction shall remain effective through December 31, 2021.
2. For the calendar year commencing January 1, 2020, the City shall limit and reduce its monthly purchase of Demand and Energy from NPPD by an additional 30 percent (30%) of the City's Base Monthly Demand and Energy Obligation, effective through termination of the WPC. For calendar year 2020, the cumulative reduction shall be 60 percent (60%) of the City's Base Monthly Demand and Energy Obligation. This reduction shall remain effective through December 31, 2021.

3. For the calendar year commencing January 1, 2021, the City shall limit and reduce its monthly purchase of Demand and Energy from NPPD by an additional 30 percent (30%) of the City's Base Monthly Demand and Energy Obligation, effective through termination of the WPC. During calendar year 2021, and continuing through expiration of the WPC on December 31, 2021, the cumulative reduction shall be 90 percent (90%) of the City's Base Monthly Demand and Energy Obligation.

Notice of Consecutive Annual Reductions of 30 Percent (30%), 10 Percent (10%) and 50 Percent (50%) - Second Option

If the Preferred Option is not available as the result of the outstanding litigation, the City hereby gives notice as follows:

1. For the calendar year commencing January 1, 2019, the City shall limit and reduce its monthly purchase of Demand and Energy from NPPD by 30 percent (30%) of the City's Base Monthly Demand and Energy Obligation. This reduction shall remain effective through December 31, 2021.
2. For the calendar year commencing January 1, 2020, the City shall limit and reduce its monthly purchase of Demand and Energy from NPPD by an additional 10 percent (10%) of the City's Base Monthly Demand and Energy Obligation, effective through termination of the WPC on December 31, 2021. During calendar year 2020, the cumulative reduction shall be 40 percent (40%) of the City's Base Monthly Demand and Energy Obligation. This reduction shall remain effective through December 31, 2021.
3. For the calendar year commencing January 1, 2021, the City shall limit and reduce its monthly purchase of Demand and Energy from NPPD by an additional 50 percent (50%) of the City's Base Monthly Demand and Energy Obligation, effective through termination of the WPC on December 31, 2021. During calendar year 2021, and continuing through expiration of the WPC on December 31, 2021, the cumulative reduction shall be 90 percent (90%) of the City's Base Monthly Demand and Energy Obligation.

Notice of Consecutive Annual Reductions of 30 Percent (30%) and 10 Percent (10%) Thereafter – Third Option

If the Preferred Option or Second Option is not available as a result of the outstanding litigation, the City hereby gives notice as follows:

1. For the calendar year commencing January 1, 2019, the City shall limit and reduce its monthly purchase of Demand and Energy from NPPD by 30 percent (30%) of the City's Base Monthly Demand and Energy Obligation. This reduction shall effective through termination of the WPC on December 31, 2021.

2. For the calendar year commencing January 1, 2020, the City shall limit and reduce its monthly purchase of Demand and Energy from NPPD by an additional 10 percent (10%) of the City's Base Monthly Demand and Energy Obligation, effective through termination of the WPC on December 31, 2021. During calendar year 2020, the cumulative reduction shall be 40 percent (40%) of the City's Base Monthly Demand and Energy Obligation. This reduction shall remain effective through December 31, 2021.
3. For the calendar year commencing January 1, 2021, the City shall limit and reduce its monthly purchase of Demand and Energy from NPPD by an additional 10 percent (10%) of the City's Base Monthly Demand and Energy Obligation, effective through termination of the WPC on December 31, 2021. During calendar year 2021, and continuing through expiration of the WPC on December 31, 2021, the cumulative reduction shall be 50 percent (50%) of the City's Base Monthly Demand and Energy Obligation.

It is the City's expectation that all other provisions of the WPC will continue to remain in effect. The City reserves all other rights available under the WPC and applicable state law. We look forward to working with you to implement this request.

Sincerely yours,

Joshua Eickmeier
Mayor, City of Seward