

## FOR BOARD ACTION

Agenda Item # 11.a.

Meeting Date:

10/31/06

**SUBJECT:** Energy Sales Agreement for Cascade Creek Gas Turbines between the City of Rochester and Minnesota Municipal Power Agency

**PREPARED BY:** Wally Schlink, Director of Power Resources

### ITEM DESCRIPTION:

In October, 2005 the City and the Minnesota Municipal Power Agency (MMPA) entered into an agreement for MMPA to provide Market Participant services for the SLP units in the Midwest Independent System Operator (MISO) market. These services have allowed RPU to sell energy into the wholesale market and to maximize the revenue from the SLP facilities.

Beginning April 1, 2006 due to SMMPA becoming a member of MISO, RPU entered into an agreement with MMPA to market the 2 Cascade Creek gas turbines, in MISO and participate in the wholesale energy market through that entity. That agreement expires October 31, 2006.

Staff has been pleased with the results of the marketing services that MMPA has provided for both the SLP units and the Cascade Creek units and believes that this is the most effective way of maximizing returns on the infrastructure investment we have at Cascade Creek.

Our recommendation is to execute a new agreement for marketing the Cascade Creek units and continue the partnership with MMPA, who are experienced wholesale energy traders, are Market Participants in the MISO and who have agreements giving them access to transmission to the market.

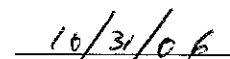
Staff recommends executing a new Cascade Creek Gas Turbine Energy Sales Agreement for the period of November 1, 2006 through October 30, 2007 that defines the terms of this marketing relationship which mirrors our original agreement to provide the identical services for the SLP units and we feel that RPU should choose to participate in this joint venture.

Attached is a copy of the agreement.

### UTILITY BOARD ACTION REQUESTED:

Staff recommends that the Board approve a resolution requesting the Common Council to approve the Cascade Creek Gas Turbine Energy Sales Agreement between the City of Rochester and the Minnesota Municipal Power Agency, and that the Mayor and the City Clerk execute the agreement.

  
General Manager

  
Date

**ROCHESTER PUBLIC UTILITIES**

## **Cascade Creek Gas Turbine Energy Sales Agreement**

**THIS AGREEMENT** is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2006, by and between the Minnesota Municipal Power Agency ("MMPA"), its successors and assigns; and the City of Rochester, Minnesota ("the City"), a Minnesota municipal corporation, its successors and assigns. Both MMPA and the City are sometimes hereinafter referred to individually as a "Party" and collectively as "Parties."

Sale of Energy from the Cascade Creek Gas Turbines ("Cascade Creek"). The MMPA agrees to market the energy from Cascade Creek.

MMPA Obligations. MMPA shall have the exclusive right to market the energy from Cascade Creek. MMPA will use its best efforts to market and sell the energy from Cascade Creek, and to maximize margins on energy sales. MMPA will schedule, tag, arrange transmission service for energy sales and provide any other related administrative or similar services as might become necessary to carry out energy transactions. MMPA will also provide energy reconciliation and accounting services for energy sold.

Exchange of Information. MMPA may sell Cascade Creek energy into the MISO day-ahead market, the MISO same-day market, or make bilateral sales. MMPA shall provide sales schedules to the City as soon as practicable after a sale is made. The Parties agree to develop procedures and protocols for operations, dispatching, and settlements.

Margins on Energy Purchases and Sales from Cascade Creek The City and MMPA shall share margins on all energy sales generated from Cascade Creek on the following basis: two-thirds to RPU and one-third to MMPA. For energy sales from Cascade Creek, the margin on each megawatt-hour sold shall be the difference between the total production cost and the net revenue from MISO (adjusted for MISO administration expenses) for the hour(s) of the sale. The City will include three components of production costs for all generating units: the cost of fuel, FERC 501 costs which include water injection costs, and an additional one dollar and fifty cents per megawatt-hour (\$1.50/mWh) for hard-to-quantify variable costs.

Term MMPA's exclusive right to market energy from Cascade Creek shall commence on November 1, 2006, and shall remain in effect through October 30, 2007.

Successors in Interest. The provisions of this agreement shall be binding upon and shall inure to the benefit of the parties hereto, and their respective successors and assigns.

Assignment. Neither party may assign or transfer its interest in this agreement without the written consent of the other party.

Waiver. The failure of one party to enforce any provision in this agreement shall not constitute a waiver by that party of that or any other provision.

Amendment. The terms of this agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by a written document signed by both parties.

Cross-Indemnification. Each party to this agreement shall be liable for its own acts and the results thereof to the extent authorized by law, and shall not be responsible for the acts of the other party, its officers, employees or agents.

Merger. This agreement constitutes the final expression of the parties' agreement, and the complete and exclusive statement of the terms agreed upon. This agreement supersedes all prior negotiations, understandings, agreements and representations. There are no oral or written understandings, agreements or representations not specified herein.

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

**MINNESOTA MUNICIPAL POWER AGENCY**

**By:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Dated:** \_\_\_\_\_

**ROCHESTER PUBLIC UTILITIES**

\_\_\_\_\_  
**General Manager**

**CITY OF ROCHESTER**

\_\_\_\_\_  
**Mayor**

**Attest:**

\_\_\_\_\_  
**City Clerk**

**Reviewed By:**

\_\_\_\_\_  
**City Attorney**



## RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Common Council of the said City is requested to approve a contract agreement with the Minnesota Municipal Power Agency (MMPA) and that the Common Council authorize the Mayor and the City Clerk to execute the agreement for

Sale of Energy from the Cascade Creek Gas Turbines

The term of the agreement to be November 1, 2006 through October 30, 2007.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 31<sup>st</sup> day of October 2006.

---

President

---

Secretary