

FOR BOARD ACTION

Agenda Item # 6

Meeting Date:

9/27/05

SUBJECT:

Minnesota Municipal Power Agency (MMPA) -
Notice of Capacity Adjustment

PREPARED BY:

Wally Schlink, Director of Power Resources

ITEM DESCRIPTION:

RPU's post-1999 power supply plans include exercising recall provisions of existing capacity agreements. This strategy was reaffirmed in the Infrastructure Plan that was presented to and accepted by the Board in 2005.

In March 2000, the Board approved giving notice to SMMPA to terminate the Cascade Creek combustion turbine agreement, effective April 1, 2001. In May 2000, the Board approved giving notice to MMPA to recall 50 megawatts of capacity from Silver Lake Power Plant effective November 1, 2005.

The next opportunity to recall existing capacity is identified in the notice provision of the Participation Sales Agreement between RPU and MMPA for SLP capacity. The language of Paragraph 4.02, "Capacity Changes" is attached.

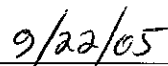
To exercise the next capacity reduction option RPU must provide a five-year notice to MMPA before November 1, 2005. The minimum amount of capacity that RPU can sell to MMPA under the Agreement in the 2010 – 2015 time frame is 25 megawatts. Analyses performed by staff and RPU's consultants have shown that the maximum recall of capacity is in RPU's best interest.

MMPA is presently paying RPU \$48.94 kilowatt year for 100,000 kW of capacity. This is reduced to 50,000 kilowatts per March 2000 Board action effective November 1, 2005 and will be further reduced to 25,000 kW based on the action that is being requested.

UTILITY BOARD ACTION REQUESTED:

Staff recommends that the Board authorize the Mayor to provide written notice to MMPA before November 1, 2005 of the City's intent to reduce the capacity supplied under the terms of the Participation Sales Agreement to 25 megawatts during the 2010 – 2015 period with such reduction becoming effective November 1, 2010.


General Manager


Date

ROCHESTER PUBLIC UTILITIES

PARTICIPATION SALES AGREEMENT
Between
THE CITY OF ROCHESTER
and
MINNESOTA MUNICIPAL POWER AGENCY

This Participation Power Sales Agreement ("Agreement") made and entered into this 19th day of June, 1992, by and between Minnesota Municipal Power Agency ("MMPA"), a Minnesota municipal corporation, 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".

ARTICLE IV
CONTRACT TERMS

4.01 Amount of Capacity The City hereby agrees to sell and supply and MMPA agrees hereby to purchase and receive one hundred (100) megawatts of Unit Participation Power, unless reduced as specified in Article 4.02, during the Contract Year hereunder. The amount of capacity from each generating unit shall be equal to the Capacity Ratio for that generating unit multiplied by the capacity MMPA is purchasing in that year

4.02 Capacity Changes With five (5) years written notice to MMPA, the City shall have the option to change the amounts of capacity supplied to an amount exceeding or equal to the minimum amounts specified below. All reductions in capacity become effective on November first (1st) and remain in effect until October thirty-first (31st) for the period specified. The schedule of minimum capacities shall be as follows:

- i. 2000 - 2005: Ninety-five (95) MW for the period,
- ii. 2005 - 2010: Fifty (50) MW for the period, and
- iii. 2010 - 2015: Twenty-five (25) MW for the period. During the 2010 to 2015 period the purchase of capacity shall be at the option of MMPA. However, MMPA shall provide four (4) years written notice to the City, if MMPA decides not to purchase any capacity from the City between 2010 and 2015.

4.03 Limited Capability When any unit's capability is partially or totally limited below its then current Accredited Capability, MMPA's energy entitlement shall be reduced pro-rata for the duration of such limitation, however, the Demand Charge Rate shall continue to be applied to the full one hundred (100) megawatts, or the amount of accredited capacity being purchased in that year.



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Mayor of the said City is directed to provide five-year written notice before November 1, 2005 to Minnesota Municipal Power Agency of the City's intent to exercise the Capacity Change provision of Paragraph 4.02 of the "Participation Sales Agreement Between the City of Rochester and Minnesota Municipal Power Agency," informing Minnesota Municipal Power Agency that

The capacity supplied by the City of Rochester to Minnesota Municipal Power Agency for the contract term November 1, 2010 through October 31, 2015 shall be reduced to twenty-five (25) megawatts.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 27th day of September, 2005.

President

Secretary