

RESOLUTION 2023-21

WHEREAS, the Mayor and City Council, may, by Resolution, pursuant to Title V, Chapter 54, Section 54.07 of the Gothenburg Code of Ordinances, establish electrical rates for consumers of electricity within the City; and

WHEREAS, the Mayor and City Council may obtain services of engineers to conduct studies related to cost of distribution of electricity within the City; and

WHEREAS, JKEC Energy Consulting, LLC, has proposed a letter agreement for consultation related to an industrial rate study, a copy of which is attached hereto as Exhibit "A";

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF GOTHENBURG, DAWSON COUNTY, NEBRASKA AS FOLLOWS:

Section 1. The Mayor is authorized to sign the letter agreement attached as Exhibit "A" for an industrial rate study.


Section 2. This Resolution shall become effective according to law.

Passed and approved this 5th day of September, 2023.




CITY OF GOTHENBURG

BY


Will Rahjes, Mayor

ATTEST:


Misty Bussinger, City Clerk

APPROVED AS TO FORM:


Michael L. Bacon, City Attorney

Exhibit "A"
[attach letter agreement]



August 22, 2023

Gary Greer
City Administrator
City of Gothenburg
409 9th Street
Gothenburg, NE 69138

RE: Electric Rate Design and Contract Negotiations Assistance Letter Agreement

Dear Gary:

JK Energy Consulting, LLC (JKEC) is pleased to submit this letter agreement to provide electric rate design and contract negotiation assistance to the City of Gothenburg and its electric utility (Utility). This letter agreement is submitted in response to our conversation on August 16, 2023.

Background

The City is pursuing a large industrial customer that would be located within the City limits and within the existing service territory of the municipal electric utility. The customer is anticipated to have a peak demand of approximately 250 MW, with an extremely high annual load factor. The Utility does not have an appropriate rate schedule for this large industrial customer, nor does it have appropriate policies and procedures for contributions in aid of construction and contract terms for large customers.

The scope of services in this letter agreement provides the Utility assistance in designing an appropriate rate schedule for the large industrial customer and assistance in contract negotiations between the City and the new customer.

Scope of Services

Task 1: Data Collection. This task involves collecting information about the new customer, including projected loads, expense data, and NPPD rate information.

Task 2: Calculate Marginal Cost of Service. This task involves reviewing the costs of purchased power and other costs that will be incurred by the City. This information will be used to develop a rate structure. The cost of service will include an appropriate margin

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for the City to compensate it for out-of-pocket costs, working capital and default risk. Costs will be developed based on fixed (demand- and customer-related) and variable (energy-related) costs and used to develop rates.

Task 3: Develop Rate Schedule. This task involves developing a rate schedule to recover the projected costs related to serving the prospective customer. Principles consistent with guidelines prepared by the American Public Power Association, the National Association of Regulatory Utilities Commissioners, the Federal Energy Regulatory Commission, and others would be followed. The rate schedule will be developed in ordinance form for review by the City attorney.

Task 4: Assist in Contract Negotiations. This task involves assisting the City and the Utility in negotiations with the new customer and likely with NPPD. JKEC will work with the City's legal counsel on technical and operational factors that should be addressed in the various agreements. As the wholesale supplier, NPPD will likely have at least two agreements related to this customer with the City and/or the customer. These agreements include a power supply agreement based on the NPPD interruptible rate and a facilities agreement to provide for construction of new facilities and the funding of those facilities. The City will likely have at least one agreement related to electric service with the customer.

JKEC will assist the City's legal counsel in ensuring that the proposed agreements protect the City's interests and provide appropriate risk mitigation. JKEC is not providing legal advice but rather working with the City's legal counsel (internal and/or outside counsel) to identify the operational and financial impacts of various provisions in the agreement.

Additional Tasks: Any additional tasks will only be performed upon written request (including email) by the City. A mutually agreeable scope and time estimate would be prepared prior to proceeding on the request.

Fee

JKEC will provide the above-listed services based on billable time and out-of-pocket travel expenses based on JKEC's standard billing rate schedule (see Attachment 1). Mr. Krajewski's current billing rate is \$145 per hour, which includes overhead expenses such as telephone calls, copying and postage. Administrative services are billed at \$60 per hour. Automobile mileage will be billed at the then-current IRS reimbursement rate, which is \$0.655 per mile as of January 1, 2023. Other travel expenses will be billed based on the actual out-of-pocket cost, without markup.

The estimated workload for Tasks 1 through 3 will be approximately 20-30 hours. The projected workload for Task 4 is difficult to estimate and will be based on the needs of the new customer and the City. It will likely take 4-8 hours to review the various contracts and provide initial comments, with additional time necessary to work with the City's legal

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counsel, NPPD and the new customer on other changes. These hourly estimates do not include travel time or expenses for on-site visits for negotiations or City Council meetings.

JKEC will invoice the City monthly (via electronic mail) for work completed during the previous month and payment is due upon receipt. Invoices unpaid after 20 days will accrue interest at 1.0% per month. JKEC agrees that for the purposes of this letter agreement, the hourly rate charged will remain the same through the completion of the project.

Schedule

Tasks 1 through 3 will be completed within four weeks of receipt of all requested data. Assistance with Task 4 will be provided on a mutually agreeable schedule.

Utility Responsibility

The Utility will be responsible for providing requested data on a timely basis, including timely response to any questions or clarifications regarding the provided data; reviewing draft results on a timely basis; and scheduling appropriate meeting(s) with the City Council, new customer, and others.

Other Terms and Conditions

JKEC shall exercise the same degree of care, skill, and diligence in the performance of services as is ordinarily possessed and exercised by a professional consultant under similar circumstances. No warranty, expressed or implied, is included in this letter agreement or in any testimony, specifications, report or opinion produced pursuant to this letter agreement.

This letter agreement may be terminated for convenience by the City upon five days' written notice and by JKEC upon 30 days' written notice. Termination for convenience by either party will not affect the requirement for the City to pay for services rendered prior to the termination date of the letter agreement. This letter agreement will terminate on April 1, 2024, unless extended by mutual agreement of the parties.

All expressed representations, indemnifications or limitations of liability included in this letter agreement will survive its completion or termination for any reason. Nothing under this letter agreement shall be construed to give any rights or benefits in this agreement to anyone other than JKEC and the City.

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JKEC appreciates the opportunity to provide this letter agreement to the City. If it is acceptable, please print, sign and return to JKEC (via email is acceptable).

Sincerely yours,



John A. Krajewski, P.E.
JK Energy Consulting, LLC

Attachment

ACCEPTED BY:

City of Gothenburg, Nebraska

Signature: _____

Printed Name: _____

Title: _____

Date: _____

Attachment 1 - Standard Billing Rate Schedule

The following rate schedule will be used to determine monthly billings, unless an alternative fixed-fee or other billing arrangement is specified. It will also be used to determine charges for additional services requested but not included in the agreed-upon Scope of Services.

<u>Billable Item</u>	<u>Billing Rate – Effective January 1, 2023</u>
John A. Krajewski, P.E.	\$145.00 per hour
Senior Consultant	\$120.00 per hour
Administrative staff	\$60.00 per hour
Mileage	IRS standard rate for business use for 2023: \$0.655/mile
Lodging, meals, other travel	Actual cost, without markup
Copies, faxes, postage, phone, other office overheads	Included in hourly billing rate
Outside professional services	Actual cost