

Introduced by _____ Council Bill No. R 24-06

A RESOLUTION

authorizing an agreement with Associated Electric Cooperative, Inc. for lease of a transformer to be used at the Grindstone substation.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF COLUMBIA, MISSOURI, AS FOLLOWS:

SECTION 1. The City Manager is hereby authorized to execute an agreement with Associated Electric Cooperative, Inc. for lease of a transformer to be used at the Grindstone substation. The form and content of the agreement shall be substantially as set forth in "Exhibit A" attached hereto and made a part hereof as fully as if set forth herein verbatim.

ADOPTED this _____ day of _____, 2006.

ATTEST:

City Clerk

Mayor and Presiding Officer

APPROVED AS TO FORM:

City Counselor

TRANSFORMER LEASE AGREEMENT

This agreement ("Agreement") is made as of January _____, 2006, between the City of Columbia, Missouri ("City"), and Associated Electric Cooperative Inc. ("AECI"), a Missouri electric cooperative, herein referred to collectively as "Parties" and singularly as "Party".

RECITALS

The terms and conditions contained in this Agreement govern the lease of a spare 45/60/75/84 MVA, OA/FA/FA 55/65 Degrees C Rise, 161 kV (Grounded Wye) / .69 kV (Grounded Wye) – 4.16 kV (Delta) auto transformer ("Transformer"), serial number 1-8226-51340-1, owned by AECI to the City and to be used at the City's Grindstone substation.

- 1 Effective Date: This Agreement shall be effective upon the date which the last Party executes this Agreement.
- 2 Term: The term of this Agreement shall commence once the City takes possession of the Transformer. Prior to taking possession of the Transformer, the City shall give AECI at least thirty days written notice that the City requires the use of the Transformer. The written notice shall provide the date which the City anticipates to take possession of the Transformer and the anticipated return date to AECI. The term will extend until the City returns the Transformer to AECI's long-term storage facility, which is located near AECI's Thomas Hill Generating Station ("Storage Facility") or to another location as specified in section 12. The term of this Agreement shall not extend beyond June 1, 2007, unless mutually agreed to by both Parties.
3. Possession: AECI shall make the Transformer available to the City at its current location near the Thomas Hill Generating Station. AECI shall provide the City an opportunity to test the Transformer, at the City's sole expense. All tests, testing protocol and testing contractors must be approved by AECI. After testing the

Transformer and confirming that it is in good working order, the City shall take possession of the Transformer at its current location. Possession shall continue until the Transformer is returned to the Storage Facility or to another location as specified in section 12. Possession shall not extend beyond June 1, 2007, unless mutually agreed to by both Parties. The City shall return the Transformer to AECI with a nitrogen blanket protecting the Transformer. The City further agrees that the Transformer shall be used only at the City's Grindstone substation and the City shall not lease, sublease, assign or in any other way transfer the Transformer to any other substation or party without AECI's prior written consent.

4. Costs: The City shall be responsible for all reasonable costs associated with the execution of this Agreement, including labor costs or other costs associated with dismantling the Transformer at Thomas Hill, transportation and reassembly of the Transformer at Grindstone. Such costs shall include but not be limited to permits, removal, and installation costs at the City's Grindstone substation as well as returning the Transformer to AECI's Storage Facility, or other designated location, in a condition "as found" upon the effective date of this Agreement. Removal and installation costs include costs of handling appurtenant equipment and oil and may include contractor costs for labor, equipment, testing or other costs associated with provisions of this Agreement.
5. Lease Charges: The City shall pay AECI a lease charge in the amount of \$5,000/month for which the City has possession of the Transformer. AECI shall bill the City monthly. The City shall pay the lease charge to AECI within thirty (30) days of the receipt of any invoice. Lease charges for partial months will be prorated accordingly.
6. AECI Right to Witness and Inspect: The City shall allow representatives or inspectors of AECI to witness and inspect all work during:
 - a) All phases of the preparation for transportation of the Transformer to and from the City's Grindstone substation.
 - b) The actual transportation of the Transformer to and from the

City's Grindstone substation.

- c) The installation of the Transformer at the City's Grindstone substation.
- d) Operation and maintenance of the Transformer while at the City's Grindstone substation.

7. AECI Right of Approval: The City may use its own employees or hire contractors for transporting, oil filling, wiring, preparing for transporting, installation, internal inspection, oil sampling, testing and maintenance of the Transformer. Contractors hired for this purpose shall be approved by representatives of AECI to perform work on the Transformer. Likewise, procedures for any of the above functions, as well as system protection schemes must be approved by a representative of AECI. All requests for approval made pursuant to this section of the Agreement shall not be unreasonably withheld by AECI.

8. Monitoring and Operation: The City shall monitor the Transformer in real time for, at minimum, unit status and loading. The City shall operate the Transformer in accordance with good utility practice which shall include the avoidance of conditions which will overload, overheat or exceed the voltage rating of the transformer. The Transformer main tank oil shall be tested by the City and at the City's expense for dissolved gas in oil, moisture content, and dielectric when the unit vacuum filling has been completed and prior to energizing at Grindstone. Such tests shall be repeated at six month intervals while the Transformer is in service and after the Transformer is removed from service. Similarly, the Transformer load tap changing oil shall be tested for moisture content and dielectric.

9. Risk of Loss: The City shall be fully responsible for any damage, unusual loss of insulation life or destruction of the Transformer while in the City's possession. In addition, the City shall be fully responsible for all issues, including environmental or hazardous material issues concerning the Transformer oil while it is in the possession of the City as defined in this Agreement. AECI confirms that the

Transformer main tank and LTC oil contains less than 10 parts per million of PCB's or other hazardous materials at the time of transfer to the City. The cost of repair or replacement of the Transformer for damage or destruction while in the City's possession shall be the City's responsibility, as will any environmental or hazardous waste clean-up costs incurred and liabilities created under local, state or federal law. The City shall fully indemnify, hold harmless and defend AECI from and against all claims, demands, costs and expenses (including reasonable attorney's fees) made or incurred by third parties in any manner, directly or indirectly, connected with or arising from any loss, damage or injury (including death) to any person(s) or property as a result of providing the Transformer to the City, while the Transformer is in the City's possession.

10. Testing Upon Return: Upon return of the Transformer to AECI's Storage Facility or other designated site, the City shall pay the reasonable cost of any transformer testing deemed necessary by AECI so long as such tests are consistent with good utility practice. In addition to the oil tests specified in paragraph 8, the Transformer shall be Doble tested and a transformer turns ratio test performed prior to disassembly at Grindstone.

11. NO WARRANTY: THE TRANSFORMER IS BEING PROVIDED ON AN AS IS BASIS WITHOUT ANY WARRANTY, EITHER EXPRESSED OR IMPLIED. AECI SPECIFICALLY DISCLAIMS ANY IMPLIED WARRANTIES INCLUDING THE WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE.

12. In the Event AECI Has An Unforeseen Need of the Transformer: If, during the term of this Agreement, AECI experiences a transformer failure ("Affected Transformer") at any of its substations for which the Transformer could be used as a spare transformer, AECI will notify the City in writing of the need to return the Transformer leased under this Agreement. Upon receipt of such written notification, the City will immediately begin the process of returning the Transformer to AECI at the location of the Affected Transformer on an expedited basis.

13. Sublease and Assignment: The City will not, without AECI's prior written consent, assign any right or interest in this Agreement or the Transformer or sublet or otherwise relinquish possession of the Transformer to any third party.

14. Events of Default:

- (a) The following shall be events of default hereunder: (i) default in the payment of the Lease Charge; (ii) default in the performance of any obligations of a Party herein set forth and continuance of such default for fifteen (15) days after written notice from the non-defaulting Party to the defaulting Party; (iii) The City becomes insolvent or unable to pay its debts as they mature, or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding is instituted by or against the City.
- (b) Upon the happening of an event of default, the non-defaulting party will (except to the extent otherwise required by law) be entitled to: (1) spend any performance under this Agreement until such event of default is cured; (2) proceed to enforce performance by the defaulting Party of the applicable covenants and terms of this Agreement or to recover damages for the breach thereof; (3) in the case AECI, demand return of the Transformer without prejudice to any remedy or claim hereinafter referred to; (4) by written notice to the defaulting Party declare this Agreement terminated without prejudice to the non-defaulting Party's rights in respect of obligations then accrued and remaining unsatisfied; or (5) avail itself of any other remedy or remedies provided for by any statute or otherwise available at law, in equity, or in bankruptcy or insolvency proceedings. The remedies herein set forth or referred to shall be cumulative.

15. Notice: Any notice herein shall be in writing and may be delivered by hand delivery, United States mail, overnight courier service or facsimile. Notice by facsimile or hand delivery shall be effective at the close of business on the day actually received, if received during business hours on a business day, and otherwise shall be effective at the close of business on the next business day. Notice by overnight United States mail or courier shall be effective on the next business day after it was sent.

16. GOVERNING LAW: THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MISSOURI. EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT.

17. Miscellaneous: If any provision hereof shall be deemed valid, illegal or unenforceable in any respect then the validity, legality and enforceability of the remaining provisions shall not be in any way impaired or affected thereby. No waiver by a non-defaulting Party of any breach of default shall constitute a waiver of any other breach or default or waiver of any of the non-defaulting Party's rights hereunder.

This agreement is entered into this _____ day of _____, 2006.

CITY OF COLUMBIA, MISSOURI

BY: _____
H. William Watkins, City Manager

ATTEST:

Sheela Amin, City Clerk

APPROVED AS TO FORM:

Fred Boeckmann, City Counselor

Seller: ASSOCIATED ELECTRIC
COOPERATIVE, INC.

Authorized Signature

Name: _____

Title: _____

Date: _____

Source:
Water & Light
Department
Dan Dasho

To: City Council
From: City Manager and Staff 
Date: January 26, 2006
Subject: Grindstone Transformer Lease Agreement



Fiscal Impact

YES

NO

EXECUTIVE SUMMARY: Staff has undertaken planning studies designed to focus on the long-term capabilities of the 161/69 KV transmission system. We have worked with Associated Electric Cooperative Inc. (AECI) staff to insure a complete system analysis to serve the forecasted loads for the Mid-Missouri region through the year 2014. The results of these studies indicate it will be necessary to expand the Grindstone Substation in FY06 with a new 161/69 KV 100 MVA transformer. In order to get this transformer in a timely manner Water and Light has arranged to lease an 84 MVA unit from AECI. The cost will be \$5,000 per month (\$60,000 per year). The costs for moving and testing the transformer will be paid by W&L.

This substation work is directly tied to the new 161 KV transmission line being constructed in the southeast part of Columbia. This line has previously been discussed with council.

DISCUSSION: Staff has undertaken long-term transmission planning studies designed to focus on the capabilities of Water & Light's 161/69 KV transmission system. The studies investigated what improvements were necessary to serve the forecasted loads for the Mid-Missouri region through the year 2014. Staff worked directly with AECI, which is closely interconnected with our transmission system. The analysis took into account new requirements of the Midwest Independent System Operator (MISO). The MISO reliability criteria have advanced the need for transmission improvements in our area. The results of these studies indicate it will be necessary to add the following three Transmission projects:

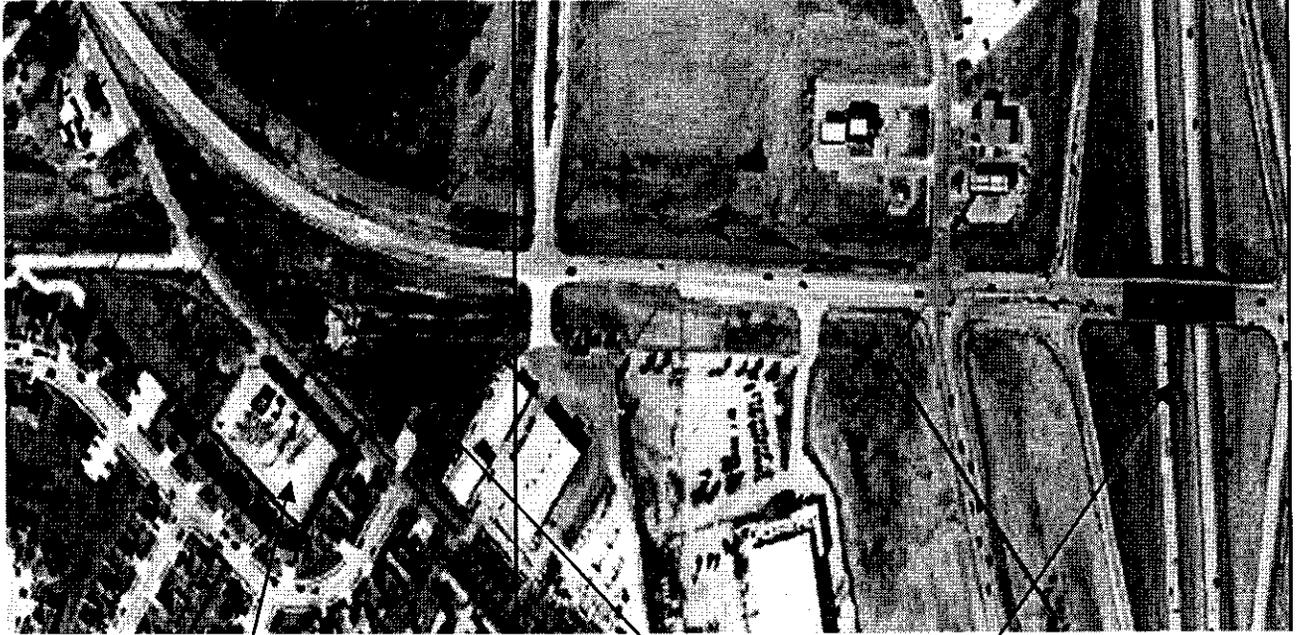
- FY06 – Addition of a new 161/69 KV substation with a 100 MVA transformer at the existing Grindstone Substation site.
- FY08 – Addition of a new 161 KV line from Grindstone Substation to the Perche Creek Substation.
- FY10 – Addition of a new 161/69 KV substation with a 100 MVA transformer at or near the existing Power Plant site.

The FY06 project is for Water and Light to tap the Rebel Hill Substation to Boone Substation 161 KV line and extend it to a new Grindstone 161/69 KV substation. This transmission project is in the southeast part of the City. The Grindstone Substation would ultimately include a 100 MVA 161/69 KV transformer and the associated 161 KV bus to connect three new 161 KV lines to Boone, Rebel Hill, and Perche substations. The first 161 Kv line portion of this project is well underway. In order to meet the in-service date of June 1, 2006 it will be necessary to lease a power transformer from AECL. The market for transformers this size is such that it takes about one year to get delivery. Fortunately, AECL has a spare transformer of the proper size and voltage for this project that they are willing to lease to the City on a short-term basis. Since delaying the installation of the expansion at the Grindstone Substation has the possible impact of increasing our power costs from between \$1.5 million and \$3 million during the summer of 2006 Water and Light views the lease as a cost effective short term solution. It is anticipated that the preparation of specifications and purchase of a permanent transformer could be accomplished so that the unit would be in service for the summer load of 2007.

The AECL Transformer Lease Agreement outlines the terms and conditions that would allow the City to use the AECL transformer until Water & Light can purchase a permanent transformer for the site. Under the proposed lease Water and Light would be responsible for all costs associated with the transformer relocation. Further, Water and Light would assume all liability for the unit while it is in our possession. There is also a \$5,000 per month charge for using the unit. Water and Light believes the costs and conditions are reasonable.

SUGGESTED COUNCIL ACTION: Authorize the City Manager to execute the short term Transformer Lease Agreement with AECL.

DMD/pem



Grindstone Substation

Route AC

Hwy 63