

Introduced by _____ Council Bill No. R 292-07

A RESOLUTION

authorizing an amendment to the Power Sales Contract with the City of Sikeston, Missouri relating to Nitrogen Oxide and Mercury allowances.

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 amendment to the Power Sales Contract with the City of Sikeston, Missouri relating to Nitrogen Oxide and Mercury allowances. 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 _____, 2007.

ATTEST:

City Clerk

Mayor and Presiding Officer

APPROVED AS TO FORM:

City Counselor

AMENDMENT TO POWER SALES CONTRACT

THIS AMENDMENT to Power Sales Contract entered into this _____ day of _____, 2007, by and between the City of Sikeston, Missouri, and the City of Columbia, Missouri.

WHEREAS, the Parties entered into a Power Sales Contract on the 4th day of October, 1983, and

WHEREAS, the Parties amended the Power Sales Contract on the 1st day of November, 2007, to establish procedures, rights, and obligations of the Parties under CAIR/CAMR and NO_x/Mercury Allowances, 10 CSR 10-6.362, 10 CSR 10-6.364, 10 CSR 10-6.368, and 10 CSR 10-6.366.

NOW, THEREFORE in consideration of the mutual agreements and covenants herein contained, the Parties agree as follows:

Holding, Transfer and Use of Allowances Beginning January 1, 2009

Columbia shall be deemed to own the allowances allocated to the Station by the EPA Administrator in proportion to its qualifying capacity share (as hereafter described) but all such allowances shall be held or distributed by the designated representative in accordance with this amendment.

Columbia's share of the station allowances shall be used as follows:

First; to cover actual Nitrogen Oxide emissions and Mercury emissions.

Second; to create an allowance reserve as herein described; then at Columbia's option any remaining allowances may be distributed to it no later than eleven (11) days before the allowance transfer deadline of the preceding year or may be held by the Designated Representative for future use or distribution.

By November 15 of each year in CAIR/CAMR, Columbia shall provide Sikeston with an estimate of its monthly energy utilization of its capacity entitlement for the following year. By December 1 of each year of CAIR/CAMR, Sikeston shall provide Columbia with its best estimate of the allowance requirements for the Station for the following year.

On July 1 and December 1 of each year of CAIR/CAMR, Sikeston shall provide Columbia with a reasonable estimate of the number of allowances which it has used for its benefit in operating the Station since the start of the calendar year, and the number of allowances which it reasonably anticipates it will need to complete operation in that year.

By January 10 of each year, Sikeston will provide Columbia with the specific number of surplus or deficient allowances for the prior year.

Columbia shall be required to obtain additional allowances to cover its proportionate share of any allowance deficiencies or to pay Sikeston the cost of obtaining these additional allowances. Columbia must notify Sikeston by December 10 of any year which option it chooses for that year so that Sikeston can obtain any necessary allowances by the allowance transfer deadline. Columbia may, at its option, use its portion of the reserve to cover such deficiencies provided that the reserve allowances are made up by Columbia the following year.

Any revenue received by Sikeston as a result of allowances deducted or withheld from the Station by EPA or another regulatory body having proper jurisdiction shall be paid to Columbia in proportion to its allowance ratio share within thirty (30) days of receipt by Sikeston of such revenue.

The parties to the Agreement, in recognition of the Power Sales Contract, this Amendment, and the interests of the participants, hereby agree that the allowances allocate annually to the Sikeston Power Station will be handled as follows:

- a. The actual allowances allocated to the Station for a particular year shall first and primarily be used to comply with emissions limitations applicable during that year, and the Designated Representative shall be responsible for assuring that there are adequate allowances for this purpose.
- b. In each year of CAIR/CAMR, the allowances allocated for that year shall be deemed to be held by the Designated Representative in the Station account on behalf of each of the qualifying participants in proportion to each participant's share of the Station's net capacity for that year, as set forth in the following table:

YEAR	SIKESTON	COLUMBIA	CARTHAGE	FULTON	TOTAL
2009	57.082%	28.326%	9.871%	4.721%	100.000%
2010	57.082%	28.326%	9.871%	4.721%	100.000%
2011	57.082%	28.326%	9.871%	4.721%	100.000%
2012	57.082%	28.326%	9.871%	4.721%	100.000%
2013	57.082%	28.326%	9.871%	4.721%	100.000%
2014	57.082%	28.326%	9.871%	4.721%	100.000%
2015	57.082%	28.326%	9.871%	4.721%	100.000%
2016	57.082%	28.326%	9.871%	4.721%	100.000%
2017	57.082%	28.326%	9.871%	4.721%	100.000%
2018	57.082%	28.326%	9.871%	4.721%	100.000%
2019	57.082%	28.326%	9.871%	4.721%	100.000%
2020	57.082%	28.326%	9.871%	4.721%	100.000%

This table may be changed if the entitlements of the Parties change.

c. No surplus allowances will be transferred from the unit compliance account except for the purpose of covering emissions until such time as the Designated Representative reasonably concludes that the account, at the start of any calendar year, contains a reserve of approximately 15% more allowances than are likely to be necessary to meet the unit's emissions in the coming year. An accounting will be made to determine the ownership of such surplus allowances, and at such time as any Party ceases to participate in the unit or the unit retires, such Party will be paid the fair market value of such allowances or will receive such allowances at its option.

d. Although Columbia is allocated allowances in proportion to its entitlement to capacity from the Station, it is understood that such allowances are consumed by the unit on the basis of energy generated from time to time. To the extent energy is taken by Columbia, allowances consumed on Columbia's behalf will be calculated pursuant to a formula that multiplies the tons of NOX and Mercury emitted during the year by the unit times Columbia's share of the total net generation from the unit during that year.

e. Because it is to the advantage of all participants that the Station operate at as high a load factor as possible, it is further understood and agreed that Sikeston may consume any allowances allocated to the Station for the purposes of generating excess energy which is sold to others as contemplated by the Power Sales Contract. In doing so, Sikeston will use its best efforts to consume allowances it reasonably believes will be surplus allowances at the end of the year, and at such times as it becomes necessary to determine whose allowances have been consumed, may deem such allowances either to be its own or to be in proportion to each participant's anticipated contribution to that expected surplus. In the July 1, December 1, and January 10 report to the other participants specified in paragraph 4 hereof, Sikeston will advise Columbia of the number of allowances which have been consumed for the purpose of generating excess energy. Sikeston will use its best efforts not to consume allowances for the purpose of generating excess energy if doing so would lead to a deficiency in the compliance account at the end of any calendar year. However, Sikeston may choose to purchase allowances for the purpose of generating excess energy if it is economically viable to do so, and the cost of such purchased allowances will be charged to the Monthly Power Cost for that month.

f. It is acknowledged that the existing unit (Sikeston Power Station) may eventually be retired due to obsolescence or other cause, at a time when the regulations referred to herein may allow the participants to continue to be entitled to a share of the allowances at the same ratio as existed during the last full calendar year of operation of the unit. In the event the participants shall continue to be entitled to a share of the allowances in the same ratio which existed during the last full calendar year of operation for as long as such rights exist under said regulations. In such event then each of the participants shall continue to be allocated the same share of allowances as existed during the calendar year immediately prior to the retirement of the unit.

Nothing contained in this section shall be construed to grant to any party a right to an allocation of allowances relating to any unit constructed by Sikeston subsequent to the retirement of the existing unit.

IN WITNESS WHEREOF the Parties hereunto execute this Amendment to their Power Sales Contract as of _____, 2007, by their duly authorized representatives.

ATTEST:

Secretary

Board of Municipal Utilities
City of Sikeston, Missouri

BY: _____

ATTEST:

Sheela Amin
Title City Clerk

City of Columbia, Missouri

BY: _____
H. William Watkins
City Manager

APPROVED AS TO FORM:

Fred Boeckmann
City Counselor

Source:

Water & Light
Department



John Glascock

Fiscal Impact

YES

NO

Agenda Item No. _____

TO: City Council
FROM: City Manager and Staff 
DATE: December 6, 2007
RE: Proposed Amendment to Sikeston Power Sales Contract
NOx and Mercury Allowances

EXECUTIVE SUMMARY:

The proposed amendment to the Sikeston Power Sales Contract will provide the methodology for the Designated Sikeston Representative to hold the distributed NOx/Mercury allowances for Columbia. This agreement is the result of correspondence between the two utility staffs to establish procedures, rights, and obligations of the parties under CAIR/CAMR and NOx/Mercury Allowances, 10 CSR 10-6.362, 10 CSR 10-6.364, 10 CSR 10-6.366, and 10 CSR 10-6.368. This agreement has been reviewed by the Water and Light Advisory Board who have recommended Council approval.

DISCUSSION:

In October of 1983 the City and Sikeston, Missouri entered into a Power Sales Contract. This proposed amendment is similar to the existing SO2 Allowances policy and would establish the procedures, rights, and obligations of the City under CAIR/CAMR and NOx/Mercury Allowances as allocated to the station by the EPA Administrator. Beginning January 1, 2009 the City will own NOx/Mercury allowances in proportion to the City's qualifying capacity share of the Sikeston unit which will be held or distributed by the designated representative. The intent of this amendment is to use the City's share of the station allowances to cover actual Nitrogen Oxide and Mercury emissions or to create a reserve that at the City's option could be distributed or held for future distribution. Any revenue from additional allowances shall be paid to the City.

SUGGESTED COUNCIL ACTION:

That the City Council authorize the City Manager to execute the proposed amendment to the Sikeston power Sales Contract regarding NOx/Mercury Allowances.

Attachment

Cc: Water and Light Advisory Board

JDG/srb