City of Las Vegas

Agenda Item No.: **66.**

AGENDA SUMMARY PAGE

CITY COUNCIL MEETING OF: JULY 15, 2009

DEPARTMENT: PUBLIC WORKS
DIRECTOR: JORGE CERVANTES

☐Consent ☒ Discussion

SUBJECT:
Report and possible action regarding an Interlocal Agreement between the City of Las Vegas and the Southern Nevada Water Authority to supply energy needs for the Citys wastewater treatment facilities located at 6005 East Vegas Valley Drive and 7271 North Durango Drive (estimated fee of $18,000 - Sanitation Enterprise Fund) - County (near Ward 3 - Reese) and Ward 4 (Anthony)

Fiscal Impact

- ☐ **No Impact** ☐ **Augmentation Required**
- ☐ **Budget Funds Available**

Amount: $18,000
Funding Source: Sanitation Enterprise Fund
Dept./Division: Public Works/Environmental

PURPOSE/BACKGROUND:
Pursuant to the First Amended Power Supply Agreement between the Colorado River Commission (CRC) and the Southern Nevada Water Authority (SNWA) as defined in NRS 704.787, the CRC has been authorized to provide electric services for SNWA and its member agencies for water and wastewater operations. The City of Las Vegas, being a member wastewater agency desires SNWA to provide sufficient power supply assets to meet electrical needs of the citys wastewater treatment facilities. This Interlocal Agreement provides a mechanism for the City to work with SNWA to plan, supply power and energy management services. The CRC will procure reliable, cost effective means of meeting the energy supply needs for SNWA and its member agencies. The Agreement requires establishment of a standby Letter of Credit (LOC) in the amount of $4,500,000.00 in the event of non-payment of services or termination of the Agreement.

RECOMMENDATION:
Staff recommends approval of the Interlocal Agreement and authorizes the Director of Finance to execute the required Letter of Credit.

BACKUP DOCUMENTATION:
1. Interlocal Agreement
2. Standby Letter of Credit Agreement and Application
3. PowerPoint Presentation
4. Submitted at Meeting Revised PowerPoint Presentation by Staff for Items 66-69

Motion made by GARY REESE to Approve as amended with a corrected fiscal impact of $22,525

Passed For: 0; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0

None; (Against-None); (Abstain-None); (Did Not Vote-None); (Excused-None)

Minutes:
JORGE CERVANTES, Director of Public Works, noted that on Item 66, the correct fiscal impact amount should be $22,525. He explained that these items ask the Council to consider making the City a customer of the Colorado River Commission (CRC) for its power and water needs for the Citys water treatment facility. The CRC manages the water and hydropower resources from the Colorado River for Nevada.

Using an updated PowerPoint presentation which was submitted for the record, GAIL BATES, Energy Services Manager for the CRC, explained that the CRC and the Southern Nevada Water Authority (SNWA) have been working collaboratively since 1999 to secure energy supplies for the SNWAS major pumping loads. In 2001, the CRC was authorized to sell electricity and to provide transmission and/or distribution service to meet the needs of the SNWA and its member agencies for their wastewater and water pumping needs. Approximately 95 percent of the SNWAS energy needs and 50 percent of the Las Vegas Valley Water Districts energy needs are met through the CRCS Energy Supply Program.

If the City elects to join the Energy Supply Program, the CRC will procure five years worth of energy on behalf of the City based on an estimation of future energy needs. The contract will mirror the existing relationships between the SNWA and its member agencies. The Risk Control Committee consisting of the CRC, the SNWA and its member agencies will make the decisions about how energy is purchased to ensure this program is as collaborative as possible. Through this program, any energy from a customers own energy generation facility will be used to meet that customers needs and will not be commingled with any other participants energy needs.

Under this program, NV Energy's transmission system will be used to deliver the energy to the City and the CRC will pay the tariffs already established by the federal government. NV Energy will continue to construct needed new facilities and to respond to any system outages. The CRC will also be installing advanced metering systems to allow the City to monitor and manage its energy use in real time.

The major benefit of this program is power cost stability which will make budgeting easier. The City will have an opportunity to participate in decision making through the Risk Control Committee and any excess energy assets generated by the facility will be sold at market prices to offset energy costs.

The up-front costs associated with this program include NV Energy Exit Fees which could cost up to $2.4 million. When a customer chooses an alternative energy provider, the exit fees are designed to protect NV Energy and its remaining customers from harm. The up-front costs also include $125,000 for metering and telecommunications infrastructure.

COUNCILMAN ROSS noted that the City is spending money on the up-front costs in order to save money in the long run.

In response to COUNCILMAN BARLOWS questions, MS. BATES explained that if the Citys waste water facility was producing renewable energy in excess of what it needed, that excess energy would be provided to other facilities and the proceeds would be credited to the City. If the City produced more energy than its forecasted need, that excess energy would be sold.

Regarding the City's potential energy savings, MS. BATES explained that the savings forecast was based on the City's forecasted energy needs and anticipated energy prices. She observed that the City is doing everything it can to save energy and reduce energy costs. MR. CERVANTES added that this program will help the City's sustainability efforts through better management of energy consumption at the water treatment plant and the ability to sell excess energy to the market. He noted that staff was working closely with NV Energy on this project.

MAYOR GOODMAN expressed his concern with the exit fees and suggested that the City would pay a premium to participate in this program. MR. CERVANTES stated that staff has been working closely with NV Energy on this project and NV Energy would be available if the SNWA was unable to supply the water treatment plants energy needs. MS. BATES stated that the program has no hidden costs, but the distribution agreement contains a clause that would permit NV Energy to adjust the City's exit fees based on a historical regulatory adjustment. Payment of the exit fees would be due in November or December. MR. CERVANTES pointed out that the costs would be covered through the Sewer Enterprise Fund and not the General Fund. He explained that staff had worked with the CRC on the City's estimated savings and added that the savings were anticipated to increase to $200,000 per year after the up-front costs are recovered.