CITY OF COFFEYVILLE
BOARD OF COMMISSIONERS AGENDA ITEM

MEETING DATE	February 10, 2015	
RESOLUTION OR ORDINANCE NUMBER	R-15-11	
AGENDA TITLE	**GRDA Contract-New Generation**	
REQUESTING DEPARTMENT	Electric	
PRESENTER	Gene Ratzlaff	
FISCAL INFORMATION	Cost as recommended:	
	Budget Line Item:	
	Balance Available	
	New Appropriation Required:	[ ] Yes [ ] No
PURPOSE	Execute a revised contract with GRDA that includes new generation assets	
BACKGROUND	The City of Coffeyville and GRDA signed a Power Purchase and Sale Agreement which included a Capacity Purchase Agreement to purchase the capacity of the Electric Utility generating assets. This agreement was effective August 1, 2007.	
SPECIAL NOTES		

ANALYSIS	In 2012 the Electric Utility assessed the future of its generating assets. Unit 6 (17.6 MW) entered service in 1955 and Unit 7 (38.2 MW) entered service in 1971. It was determined that these units because of their age and less efficiency than new technology that their value in the SPP Generation Resource Marketplace would be at a competitive disadvantage and would be of less value to GRDA and would prompt GRDA exercising the 5 year out clause in the Capacity Purchase Agreement. The Electric Utility employed Guernsey to perform a feasibility study to determine the best approach moving forward. It was determined the most value to the Utility was to pursue new efficient and fast starting peaking generation such as Wartsila reciprocating engines. We have negotiated a new agreement with GRDA with the following new terms: • A commercial operation date of January 1, 2017 • Extend capacity purchase agreement for the new Watsila units to 2042 • Increase the amount of generation eligible for capacity payments by 22% • Removal of Diesel Units 1 and 2, and Unit 6 from capacity payment structure in 2017 to allow for new generation • Unit 7 to remain in capacity payment structure through 2022 with an option by GRDA to extend capacity payments on an annual basis • Allows for the Electric Utility to recover fuel related charges associated with dispatch of generating units thereby removing risk to the Utility associated with fuel costs • The Electric Utility will receive capacity payments for the new Wartsila units over the life of the contract in an amount of $111,048,000 plus 7 years of capacity payments for Unit 7 in the amount of $10,562,000 for a total of $121,610,000 The capacity payments received will pay the debt service of the new generation units.

PUBLIC INFORMATION PROCESS	
BOARD OR COMMISSION RECOMMENDATION	
STAFF RECOMMENDATION	Staff recommends approval of the GRDA contract
REFERENCE DOCUMENTS ATTACHED	GRDA Contract

RESOLUTION NO. R-15-11

A RESOLUTION TO ENTER INTO AN AMENDED POWER PURCHASE AND SALE AGREEMENT AND AN AMENDED CAPACITY PURCHASE AGREEMENT WITH THE GRAND RIVWER DAM AUTHORITY TO INCLUDE 56 MW OF NEW GENERATION FOR THE CITY OF COFFEYVILLE ELECTRIC UTILITY.

BE IT RESOLVED by the Board of Commissioners of the City of Coffeyville, Kansas that the Mayor be and is hereby authorized to enter into an amended power purchase and sale agreement and an amended capacity purchase agreement with Grand River Dam Authority to include 56 MW of new generation for the Electric Utility.

ADOPTED THIS 10th DAY OF February, 2015

_____
James Falkner, Mayor

ATTEST:

_____
Cindy Price, City Clerk

APPROVED AS TO FORM AND LEGALITY:

_____
Paul Kritz, City Attorney

FIRST AMENDED CAPACITY PURCHASE AGREEMENT

BETWEEN

GRAND RIVER DAM AUTHORITY

AND

CITY OF COFFEYVILLE, KANSAS

THIS First Amended Capacity Purchase Agreement, hereinafter referred to as Agreement, made and entered into this 1st day of _____, 2015, hereinafter referred to as the "Effective Date," by and between GRAND RIVER DAM AUTHORITY, a governmental agency of the State of Oklahoma, hereinafter referred to as "GRDA" and CITY OF COFFEYVILLE, KANSAS, a municipal corporation organized and existing under the laws of the State of Kansas, hereinafter referred to as "CUSTOMER",

WITNESSETH:

WHEREAS, CUSTOMER owns and operates certain electric generation facilities and associated equipment for the production of electric power and energy, and

WHEREAS, CUSTOMER is planning to replace existing steam generation facilities and associated equipment with new generation facilities and associated equipment; said facilities and equipment (both existing and new) hereinafter referred to as the "Facilities" and each generating unit hereinafter referred to as a "Unit"; and

WHEREAS, the Facilities are indirectly interconnected with GRDA's system through transmission and/or distribution facilities owned by CUSTOMER or others interconnected with GRDA; and

WHEREAS, GRDA and CUSTOMER have entered into a Power Purchase and Sale Agreement, dated the 1st day of August 2007, effective the 1st day of August, and as amended on the 1st day of _____, 2015, hereinafter referred to as the "GRDA-Customer Contract," under which CUSTOMER has agreed that GRDA shall supply all of CUSTOMER's electric power and energy requirements with certain exceptions as set forth in the GRDA-Customer Contract; and

WHEREAS, GRDA desires to purchase and CUSTOMER desires to sell power and energy produced from the Facilities as provided in Article 13 of the GRDA-Customer Contract; and

WHEREAS, CUSTOMER and GRDA desire that CUSTOMER operate its generating facilities in parallel with GRDA's system in a safe and reliable manner; and

WHEREAS, GRDA and CUSTOMER entered into a CAPACITY PURCHASE AGREEMENT, dated the 1st day of August 2007 and hereby desire to amend, supersede, cancel, and replace such Agreement with this First Amended Capacity Purchase Agreement; and

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreement hereinafter set forth, the parties hereto mutually contract and agree as follows:

ARTICLE I. TERM AND TERMINATION

1.1 This Agreement shall become effective on the Service Commencement Date, as that term is defined in the GRDA-Customer Contract, and shall remain in effect until the Termination Date, as that term is defined in the GRDA-Customer Contract, unless terminated earlier in accordance with the terms hereof. This Agreement shall automatically terminate upon termination of the GRDA-Customer Contract.

1.2 CUSTOMER may terminate this Agreement effective November 1 of any year by providing five (5) years prior written notice; provided, however, that in the event CUSTOMER retires one or more individual Units, CUSTOMER may terminate this Agreement as to such retired Unit(s) by providing eight (8) months prior written notice. The provisions in this Section shall only apply to CUSTOMER's existing generation in service as of the Effective Date of this Agreement (the "Pre-2014 Facilities") and nothing in this Section shall limit the CUSTOMER's ability to terminate this Agreement in accordance with Article VII.

1.3 Except with respect to GRDA's entitlement in the Reciprocating Engine Capacity, GRDA may terminate this Agreement as to one or more Units (i) effective November 1 of any year by providing five (5) years' prior written notice, or (ii) in accordance with Article VII. GRDA agrees that it will not give notice with respect to Unit 7 prior to November 1, 2017, unless CUSTOMER should cease pursuit of development and operation of the Reciprocating Engine Capacity which would result in this provision being inoperable and void.

With respect to the Reciprocating Engine Capacity, GRDA may terminate this Agreement only in accordance with Article VII. In the event that GRDA terminates this Agreement as to one or more Units by providing five (5) years' prior written notice, CUSTOMER may exercise its rights under Article 13 of the GRDA-Customer Contract. In the event that GRDA terminates this Agreement as to one or more Units pursuant to Article VII, CUSTOMER may exercise its rights under Article 13 of the GRDA-Customer Contract, subject to all of the applicable requirements and limitations in the GRDA-Customer Contract with respect to said Unit(s).

1.4 In the event that one or more Units are destroyed or damaged beyond economic repair (a "Unit Destruction Event"), this Agreement shall immediately terminate as to such destroyed or damaged Units; provided, however, that CUSTOMER may, pursuant to a written notice provided to GRDA within seven (7) days of the Unit Destruction Event, delay said termination for a period ending no later than sixty (60) days after the Unit Destruction Event to allow CUSTOMER to evaluate the feasibility of repairing the affected Unit(s). In the event that CUSTOMER determines that the affected Unit(s) should be repaired, CUSTOMER shall (i) provide written notice to GRDA within said (60) day period, and (ii) expeditiously repair the affected Units(s) CUSTOMER shall provide written notice to GRDA immediately upon completion of repairs to the affected Unit(s). For the period commencing with the Unit Destruction Event and ending on the earlier of (i) six (6) months after the Unit Destruction Event, or (ii) receipt of notice from CUSTOMER that the affected Unit(s) have been repaired, GRDA shall not schedule energy from the affected Unit(s) pursuant to Article IV, nor make any payments or assess any charges pursuant to Article VI. In no event shall CUSTOMER be permitted to replace a Unit subject to a Unit Destruction Event except as provided in Section 2.5.

ARTICLE II. FACILITIES

2.1 CUSTOMER shall provide the information in Attachment 1-CPA ("CPA Generation Information Form") for each Unit to be operated by CUSTOMER pursuant to this Agreement. Such information shall be provided by CUSTOMER to GRDA at the time that CUSTOMER executes this Agreement for CUSTOMER's then-existing generating units. GRDA shall treat the information provided in Attachment 1-CPA as confidential to the extent provided by law. CUSTOMER shall provide written notice to GRDA of any changes to the information provided on an Attachment 1 – CPA for a Unit within seven (7) days of learning of the change. Any changes that affect the value of the Unit to GRDA, as determined by GRDA in its discretion, shall become effective on the first day of the month following the notice.

2.2 GRDA shall adjust the payment components set forth in Article VI to reflect the changes, and such changed payment components shall become effective on said first day of the month, unless the parties otherwise agree in a writing signed by both parties. However, the VOM and Other Fuel Related Charges shall not be changed more often than once every twelve (12) months and shall be effective on the first of the month following notice of the change. Increases in either VOM or OFRC shall not exceed the lesser of 3% per year or the percentage change in the south urban region consumer price index during the immediate past calendar year as determined by the U.S. Bureau of Labor Statistics. The other inputs to the calculation of payments under the capacity formula rate and other elements of compensation, identified in Article VI, may be updated to reflect actual current costs or revenues in the manner provided in this Agreement.

2.3 CUSTOMER shall provide a one-line diagram of the Facilities. Upon request, CUSTOMER shall provide any other information reasonably requested by GRDA to evaluate the safety and reliability of the Facilities and the operation thereof.

2.4 In the event CUSTOMER receives power from GRDA through a third party transmission provider, for purposes of this Agreement, the Point(s) of Delivery shall be defined as the point(s) at which CUSTOMER's system is connected to said third party transmission provider.

2.5 CUSTOMER may not add or replace a Unit except in accordance with a fully executed written amendment to this Agreement that sets forth the terms and conditions applicable to the installation and operation of such Unit(s). GRDA shall have no obligation to purchase power and energy from any new or replacement Unit except in accordance with said amendment. GRDA shall not be bound to agree to payments applicable to any new or replacement Unit at the same level, or determined according to the same methodology, as those applicable to other Units but shall be free to negotiate pricing to reflect the value of

such new or replacement Unit, as determined by GRDA in its sole discretion; *provided, however,* that nothing in this Agreement shall be construed to obligate CUSTOMER to agree to any pricing proposal put forward by GRDA that CUSTOMER, in its sole discretion, determines to be contrary to CUSTOMER's best interests; *and provided further*, that no rates or charges from CUSTOMER to GRDA nor any formula determining such rates or charges shall be subject to modification except by a fully executed written amendment to this Exhibit F-1. At least twelve (12) months prior to the proposed commercial operation date for any new or replacement Units, CUSTOMER shall provide GRDA with a written notice that (1) sets forth CUSTOMER's proposed commercial operation date for such Unit(s), (2) identifies any actions that CUSTOMER requests GRDA take to facilitate the installation and testing of the Unit(s), and (3) provides the information in Attachment 1-CPA for such Unit(s). Notwithstanding the foregoing, CUSTOMER is encouraged to provide as much advance notice as possible to GRDA regarding new or replacement Units proposed by CUSTOMER.

2.6 CUSTOMER shall install and maintain protective devices and equipment (relays, circuit breakers, etc.) required to promptly disconnect and isolate the Facilities from the GRDA system and to minimize any adverse effects on the GRDA system resulting from a fault or other problem originating with the Facilities. All such protective devices and equipment, including the design, installation and checkout of same shall be subject to review and acceptance by GRDA. All settings and ratings for protective devices and equipment installed for purposes of protecting GRDA and the GRDA system shall be subject to review and acceptance by GRDA. The maintenance requirements for the protective devices and equipment are subject to review and acceptance by GRDA. Notwithstanding the foregoing, GRDA shall have no responsibility or liability to CUSTOMER resulting from GRDA's review and acceptance, it being recognized and agreed that such review and acceptance is solely for the benefit of GRDA.

2.7 CUSTOMER shall install one or more disconnect devices to electrically isolate the Facilities from the GRDA system. Each disconnect device must be three-phased with external trip capabilities, and shall provide a visible air gap between the Facilities and the GRDA system in order to satisfy safety requirements for maintenance and repair work on GRDA's system. Each disconnect device shall be designed to allow the application of safety grounds on the GRDA side of the disconnect device.

2.8 The operation of the Facilities in parallel with the GRDA system shall not cause any reduction in the quality of service provided by GRDA to its other customers. CUSTOMER shall not operate the Facilities or any part of CUSTOMER's system in a manner that will independently energize any part of the GRDA system except under emergency conditions with the authorization of GRDA.

2.9 Nothing in this Agreement shall be deemed to limit CUSTOMER's ability to own or install electric generating facilities solely for the purpose of providing emergency standby generation or to operate such electric generating facilities for essential services in a manner consistent with this Agreement and the GRDA-Customer Contract.

2.10 Subject to the approval of CUSTOMER, which shall not be unreasonably withheld, nothing in this Agreement shall be deemed to limit GRDA's rights to designate all or any of the Units as one or more Network Resources under the SPP Transmission Tariff (as that term is defined in the GRDA-Customer Contract) or as a Resource under the SPP Market Protocols.

ARTICLE III. OPERATIONS

3.1 Prior to the initial parallel operation of the Facilities with the GRDA system, all applicable equipment modifications and/or additions shall be complete. GRDA may, in its discretion and solely for its benefit, perform an inspection of the Facilities to insure the proper installation and operation of the protective devices and equipment. The inspection shall include, but not be limited to:

a) Verification of the proper operation of the protective schemes;
b) Verification that the proper voltages and currents are applied to the interconnection protective relays;
c) Verification of proper operation and settings of the interconnection protective relays;
d) Verification of proper voltage and phase rotation;
e) Trip testing of the breaker(s) tripped by the interconnection relays; and
f) Verification of the existence and proper operation of the visible disconnect between the Customer's Facilities and the GRDA system.

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3.2 Upon performance and acceptance of the pre-parallel inspection by GRDA, CUSTOMER shall be granted approval for operation of the Facilities in parallel with the GRDA system. Neither the inspection nor the granting of approval to operate in parallel shall serve to relieve CUSTOMER of any liability for injury, death or damage attributable to the operation of the Facilities or the negligence of CUSTOMER

3.3 Except as otherwise provided in this Agreement, CUSTOMER shall have no obligation to provide transmission service or ancillary services to GRDA. CUSTOMER shall deliver power and energy, including ancillary services, if any, that CUSTOMER has agreed to provide to GRDA at the Point of Delivery. CUSTOMER shall be deemed to deliver the power and energy provided to GRDA pursuant to this Agreement at the Point of Delivery regardless of the direction or magnitude of the net power flow through the Point of Delivery at the time. Nothing in this Agreement shall be deemed to obligate GRDA to provide or constitute GRDA providing transmission service or ancillary services to CUSTOMER or require CUSTOMER to purchase or constitute CUSTOMER's purchase of any transmission service or ancillary services from GRDA associated with the power and energy provided pursuant to this Agreement.

3.4 CUSTOMER shall install, maintain and operate the Facilities in a safe and reliable manner in accordance with prudent utility practice and shall be solely responsible for complying with all applicable laws, regulations, policies, procedures and rules, including but not limited to rules adopted by an Electric Reliability Organization, as that term is defined by the Federal Energy Regulatory Commission, the North American Electric Reliability Corporation and/or the Southwest Power Pool or the successor(s) of any of the foregoing. CUSTOMER shall ensure that operation of the Facilities does not cause any adverse effects on the safety and reliability of the GRDA system.

3.5 CUSTOMER shall not operate any of the Units except (i) to provide energy to GRDA to meet schedules submitted to CUSTOMER by GRDA (including energy dispatched by SPP), (ii) to test a Unit as provided in Section 3.7, (iii) during an emergency in which GRDA is not able to supply and deliver all of CUSTOMER's power and energy requirements pursuant to the GRDA-Customer Contract, or (iv) other times as mutually agreed in writing by GRDA and CUSTOMER.

3.6 Planned Outages and Maintenance Schedules

(a) No later than October 1 of each year, CUSTOMER shall submit to GRDA a schedule for planned maintenance outages ("Planned Outages") for each Unit for the upcoming year ("Maintenance Schedule") and each of the subsequent two (2) years in the form included with this Agreement as Attachment 2 – Maintenance Schedule. CUSTOMER shall not schedule more than two (2) Planned Outages for any individual Unit in any year, nor any Planned Outages during the months from June through September

("Peak Season"), without GRDA's prior written approval. Planned Outages for larger Units shall be staggered to minimize the amount of capacity not available to GRDA at any given time. CUSTOMER shall coordinate with GRDA in developing the Maintenance Schedule.

(b) Within ten (10) days after receipt of the Maintenance Schedule, GRDA shall provide comments to CUSTOMER, including (if applicable) written approval of any Planned Outages during the Peak Season which GRDA is willing to agree. With respect to any Planned Outage scheduled during the Peak Season, GRDA shall have the right to require CUSTOMER to re-schedule such Planned Outage to a period that does not fall within the Peak Season and CUSTOMER shall promptly thereafter submit to GRDA a revised Maintenance Schedule, provided, however, that any such revised Maintenance Schedule shall also be subject to acceptance by GRDA. With respect to any Planned Outage not scheduled during the Peak Season, GRDA may request CUSTOMER to re-schedule any such Planned Outage, and in such case, CUSTOMER shall use commercially reasonable efforts to effectuate the requested change to the Maintenance Schedule. In the event that CUSTOMER agrees to re-schedule such Planned Outage, CUSTOMER shall promptly thereafter submit to GRDA a revised Maintenance Schedule. Upon approval by GRDA, a Maintenance Schedule shall become final and not subject to change by either party without the express written consent of the other party.

(c) CUSTOMER shall be allowed no more than fourteen (14) days of Planned Outages for any Unit in any calendar year; provided, however, that CUSTOMER may request GRDA to allow additional outage time for major maintenance work that cannot be completed within fourteen (14) days for which GRDA will not unreasonably withhold approval. CUSTOMER will use commercially reasonable efforts to complete all planned maintenance expeditiously and place the affected Unit(s) back into service as soon as practical.

(d) CUSTOMER shall give GRDA prompt written notice upon CUSTOMER's completion of a Planned Outage. Upon CUSTOMER's delivery to GRDA of such notice, the Planned Outage shall be deemed complete.

(e) Additional outages that come about on a short term notice will be considered as Planned Outages under this Section 3.6.

3.7 Generating Capacity Verification

The Demonstrated Generating Capacity (DGC) for the Unit is the net capability of a Unit. The DGC for any given day ("Daily DGC") is the generating capability that was actually available for the day. The Daily DGC shall be determined from the following sources:

a.) Customer's Best Estimate. CUSTOMER shall provide GRDA with CUSTOMER's best estimate of the net capability for each Unit, as shown in Attachment 1 - CPA. The DGC established by customer's best estimate shall remain in effect until such time that it is reestablished by either a criteria test, outage or de-rate or performance pursuant to this Section 3.7.

b.) Criteria Test. CUSTOMER shall be solely responsible for complying with rules adopted by the Southwest Power Pool or other entity having responsibility regarding rating of generating equipment. CUSTOMER, at its expense, shall perform such criteria tests as may be specified in such rules to establish the net capability of each Unit. CUSTOMER shall provide GRDA with advance written notice of any test to be scheduled on the Unit(s). The notice shall specify the Unit(s) to be tested, the reason for the test(s), and CUSTOMER's best estimate of the amount of energy to be generated from each Unit each hour during the test. Within one business day of receipt of CUSTOMER's notice, GRDA will provide written notice to CUSTOMER stating whether GRDA approves of CUSTOMER's planned test(s). If GRDA does not

approve CUSTOMER's request, GRDA shall provide the reason(s) in its notice to CUSTOMER and CUSTOMER shall delay the planned test(s) until approved by GRDA. GRDA shall be permitted to witness any test(s) of a Unit. Upon completion of a test for any Unit, CUSTOMER shall provide the results of each such test to GRDA within one (1) day of completion. Once established by a criteria test, the DGC shall remain in effect until such time that it is reestablished by either another criteria test, outage or derate or performance pursuant to this Section 3.7.

c.) Outages or De-rates. CUSTOMER shall provide GRDA with notice of any unscheduled or planned outages or de-rates for the Units as soon as such information becomes known to CUSTOMER. The DGC in effect shall be reduced accordingly until such time as CUSTOMER provides notice the outage or de-rate is over. Upon notice the outage or de-rate is over the DGC shall return to the DGC that was in effect prior to the outage or de-rate.

d.) Performance. To the extent CUSTOMER fails, other than as excused by Force Majeure, to deliver the capacity requested by GRDA on any given day, then the DGC shall be reduced to the highest hourly amount actually provided. The new DGC shall remain in effect until such time as CUSTOMER establishes a higher DGC either: a) through criteria tests pursuant to this Section 3.7 or b) by satisfactorily providing the requested capacity when next requested by GRDA.

3.8 To the extent that GRDA schedules energy from the Facilities and the Facilities are capable, CUSTOMER shall operate the Facilities to maintain a reasonable voltage at the Point of Delivery. Upon request from GRDA, CUSTOMER shall maximize the generation of reactive power from the Facilities, provided, however, that CUSTOMER's obligation to comply with GRDA's request shall be limited by the extent to which reactive power can be generated from the Facilities without causing undue wear and tear on the Facilities or creating adverse conditions on the GRDA system or on CUSTOMER's system.

3.9 In the event one or more of the Units have not been scheduled for operation by GRDA within the past thirty (30) days, CUSTOMER may operate said Unit(s) to the extent required by the manufacturer's maintenance procedures, and the energy generated by the Unit for that purpose shall be referred to as "Maintenance Energy". CUSTOMER shall provide GRDA with advance written notice of the planned operation of any Unit(s) pursuant to this Section 3.9. The notice shall specify the Unit(s) to be operated, and CUSTOMER's best estimate of the amount of energy to be generated from each Unit each hour of such operation. Within one business day of receipt of CUSTOMER's notice, GRDA will provide written notice to CUSTOMER stating whether GRDA approves of CUSTOMER's planned operation. If GRDA does not approve CUSTOMER's request, GRDA shall provide the reason(s) in its notice to CUSTOMER and CUSTOMER shall delay the planned operation until approved by GRDA. Approval by GRDA shall not relieve CUSTOMER of its responsibility for any associated SPP charges. GRDA shall be permitted to witness any operation of Unit(s).

ARTICLE IV. SCHEDULING & DISPATCH

4.1 GRDA shall dispatch energy purchased from CUSTOMER under this agreement by submitting a schedule to CUSTOMER. Such schedules shall specify the amount of energy that GRDA desires the CUSTOMER generate from each Unit in each hour (including energy dispatched by SPP). GRDA may not request energy from a Unit (i) subject to a Planned Outage pursuant to a Maintenance Schedule approved by GRDA in accordance with Section 3.6, (ii) subject to a test pursuant to Section 3.7, or (iii) affected by a Unit Destruction Event in accordance with Section 1.4. GRDA shall submit its schedule to CUSTOMER in accordance with mutually agreeable procedures adopted by the parties and in accordance with the SPP market timeline set forth in the SPP Transmission Tariff and Market Protocols. The schedules shall not exceed or otherwise be inconsistent with the operating characteristics for each Unit as set forth in Attachment 1 - CPA for each Unit. CUSTOMER shall confirm receipt of GRDA's schedule in writing and, if GRDA's schedule is inconsistent with the operating characteristics as set forth in Attachment 1 - CPA for each Unit, CUSTOMER shall notify GRDA as soon as practicable and GRDA shall revise its schedule accordingly. If CUSTOMER is unable to provide the aggregate amount of energy that GRDA requests, CUSTOMER shall notify GRDA as soon as practicable and state the extent to which CUSTOMER can provide energy.

4.2 CUSTOMER may supply energy to satisfy a request submitted by GRDA for energy from a Unit pursuant to Section 4.1 from any of the Units that are connected to a bus common to the Unit from which GRDA has requested energy; provided, however that GRDA's payments for energy supplied by CUSTOMER shall be based on the Units(s) scheduled by GRDA regardless of the Unit(s) actually used by CUSTOMER to provide energy to GRDA. Furthermore, any variations between the energy schedules submitted by GRDA and the actual energy supplied by CUSTOMER shall be cause for adjustments to GRDA's payment to CUSTOMER in accordance with Section 6.3.

4.3 GRDA shall assume all Units are available unless otherwise indicated by CUSTOMER. Units registered with the SPP market will be made available to the SPP market based on this assumption.

ARTICLE V. METERING

5.1 GRDA shall install, own, and maintain metering for each Point of Delivery pursuant to the GRDA-Customer Contract.

5.2 GRDA shall install, own and maintain one or more meters (including additional equipment that GRDA determines is reasonable or necessary to comply with SPP rules, protocols, guidelines and other similar requirements) on CUSTOMER's premises at or near the point(s) where the Units are connected to CUSTOMER's system. Such metering shall be specified by GRDA, supplied at GRDA's cost, and for GRDA's use, and shall remain GRDA's property. GRDA may provide for the synchronization of such generation metering with the metering for the associated Point(s) of Delivery. CUSTOMER shall coordinate with GRDA to provide reasonable access for the installation, testing and maintenance of GRDA's meters. Upon request, CUSTOMER shall provide easements reasonably required by GRDA to install such meter(s). If CUSTOMER desires information from GRDA's meter(s), GRDA shall grant CUSTOMER full access to such information however, CUSTOMER shall be responsible for all additional costs associated with obtaining information from GRDA's meter(s).

5.3 GRDA reserves the right to install the automated generator control equipment necessary to pulse the units.

ARTICLE VI. PURCHASE AND SALE OF CAPACITY AND ENERGY; BILLING & PAYMENT

6.1 CUSTOMER shall sell and GRDA shall purchase capacity and energy, and, if applicable, ancillary services under this Agreement. Pursuant to Section 6.3, GRDA shall pay CUSTOMER for services provided by CUSTOMER from the Pre-2014 Facilities, and upon Commercial Operation Date of the Reciprocating Engine Capacity, from Unit 7 and the Reciprocating Engine Capacity. GRDA shall have no obligation to pay or credit CUSTOMER for energy provided from the Pre-2014 Facilities or the Reciprocating Engine Capacity except to the extent that GRDA has requested CUSTOMER provide energy hereunder.

6.2 GRDA shall pay CUSTOMER for capacity and energy from the Units comprised of the Pre-2014 Facilities, and upon Commercial Operation Date of the Reciprocating Engine Capacity, from Unit 7 and the Reciprocating Engine Capacity. In addition, to the extent a Unit is qualified and committed to provide installed reserves, spinning reserves and/or ready reserves, GRDA shall pay for such additional services to the extent provided by CUSTOMER as requested by GRDA. GRDA shall make payments pursuant to this Agreement on a monthly basis, and may, if requested by CUSTOMER, subtract any payment due CUSTOMER under this Agreement (or add if payment is due from CUSTOMER to GRDA) against amounts billed to CUSTOMER under the GRDA-Customer Contract. GRDA shall be responsible for the determination of the amounts due under this Agreement. The amount due from GRDA to CUSTOMER under this Agreement (or due from CUSTOMER to GRDA if said amount is negative) shall be calculated as the sum of the following:

a.) A monthly **capacity payment** for each Unit, calculated as the product of the average Daily Demonstrated Generating Capacity for the Unit for the month and a capacity charge calculated as follows:

MCC = [94.5 – 0.5 * (8 * FTAF * HR + (VOM+OFRC))] / 12

Where

MCC = Monthly capacity charge (in $/kW-mo) for the Unit
FTAF = Fuel type adjustment factor (1.0 for natural gas or 1.6 for diesel)
HR = Heat rate (in MMBtu/MWh) for the Unit at full load
VOM = Variable O&M (in $/MWh) for the Unit
OFRC = Other Fuel Related Costs (in $/MWh) for the Unit,

b.) If the Unit is qualified and committed to provide installed reserves pursuant to policies and procedures of SPP, a monthly **installed reserve payment** for each such Unit calculated as the product of the average Daily Demonstrated Generating Capacity for the Unit for the month and $0.75/kW provided, however that the installed reserve payment for a Unit shall be zero for any month in which the Unit fails to qualify as installed reserves (other than as a result of an outage) during all or any part of the month.

c.) If the Unit is qualified and committed to provide spinning reserves pursuant to policies and procedures of SPP, a monthly **spinning reserve payment** for each such Unit calculated as the product of the average Daily Demonstrated Generating Capacity for the Unit for the month and $0.25/kW,; provided, however that the spinning reserve payment for a Unit shall be prorated on a daily basis for any month in which the Unit fails to qualify to provide spinning reserves (other than as a result of an outage) during all or any part of the month.

If the Unit is qualified and committed to provide ready reserves pursuant to policies and procedures of SPP, a monthly **ready reserve payment** for each such Unit calculated as the product of the average Daily Demonstrated Generating Capacity for the Unit for the month and $0.75/kW; provided, however that the

ready reserve payment for a Unit shall be prorated on a daily basis for any month in which the Unit fails to qualify to provide ready reserves during all or any part of the month.

d.) An **energy payment** determined in accordance with Section 6.4, which amount may be negative. The Energy Charge for each Unit shall be calculated by multiplying the Fuel Index times the fuel type adjustment (which is 1.0 if the primary fuel for the Unit is natural gas and 1.6 if the primary fuel for the Unit is diesel) for the Unit times the Heat Rate for the Unit, and adding to the resulting product the non-fuel variable O&M ("VOM") rate and Other Fuel Related Charges ("OFRC"), for the Unit from Attachment 1 – CPA. The Fuel Index shall be equal to the gas price published in Platts Gas Daily in its "Daily Price Survey" under the column heading "Midpoint" for gas to flow at "Southern Star, Tx.-Okla.-Kan." for the applicable Day, expressed in $/MMBtu; provided, however, that in the event that such price is not published, the Fuel Index shall be the simple average of the last such price that was published and the next such price that was published. OFRC are those costs including (i) gas management fee (including CUSTOMER'S personnel costs for time devoted to management of gas supply), (ii) the variable transportation cost, if any, between the location of Fuel Index and the CUSTOMER'S delivery point of CUSTOMER's Reciprocating Engine Capacity, and (iii) Intraday gas price premium.

6.3 GRDA shall purchase all of the energy produced from the Units. The amount of energy purchased by GRDA from each Unit will be the amount of energy delivered from the Unit to the Point of Delivery (net of reductions for station service, auxiliary loads and step-up transformer losses to the extent each is applicable). Energy provided from a Unit during a test conducted pursuant to Section 3.7 ("Test Energy") shall be purchased in accordance with Section 6.4. The price paid for all other energy in any hour shall depend on the extent to which the actual energy delivered (other than Test Energy) (such other energy referred to as "Supplied Energy") by CUSTOMER to GRDA differs from the aggregate energy scheduled by GRDA ("Requested Energy") in that hour, as follows:

a.) If the Supplied Energy is less than the Requested Energy in any hour, GRDA shall pay CUSTOMER the applicable Energy Charge for each Unit multiplied by the Requested Energy for the Unit, less said difference multiplied by the greater of (i) 110% of the applicable nodal price (LIP or LMP), or (ii) the applicable Energy Charge.

b.) If the Supplied Energy is more than the Requested Energy in any hour, GRDA shall pay CUSTOMER the applicable Energy Charge for each Unit multiplied by the Requested Energy for the Unit, plus said difference multiplied by 90% of the applicable nodal price (LIP or LMP.

6.4 GRDA shall pay CUSTOMER for Test Energy an amount equal to the product of (i) the total amount of Test Energy during the month, and (ii) GRDA's average cost for generation and purchased power during the previous calendar year. GRDA reserves the right to use the product of the applicable hourly Test Energy and the hourly nodal Locational Marginal Price (LMP) upon implementation of the SPP Integrated Market.

6.5 GRDA shall pay CUSTOMER for Maintenance Energy an amount equal to the product of (i) the total amount of Maintenance Energy during the month, and (ii) the Energy Charge as determined in accordance with Section 6.2 (d).

6.6 The Supplied Energy, Test Energy, and Maintenance Energy from each Unit, plus an adjustment for losses, if applicable, shall be added to the energy delivered through the applicable Metering Point in each fifteen (15) minute metering interval for purposes of determining the demand and energy delivered to CUSTOMER by GRDA pursuant to the GRDA-Customer Contract, and such adjusted billing data shall be deemed to be the electric power and energy requirements of CUSTOMER at the Metering Point(s) for purposes of the GRDA-Customer Contract.

6.7 CUSTOMER agrees to comply with all applicable rules, regulations and law as they pertain to the Units, operation of the Units, and qualification of the Units to provide the services that CUSTOMER has agreed to provide to GRDA pursuant to this Agreement, including rules adopted by the Southwest Power Pool (or its successor). CUSTOMER shall indemnify GRDA from any claims, losses or other damages incurred by GRDA as a result of GRDA serving as CUSTOMER's Market Participant, excluding those caused by the negligence or willful misconduct of GRDA.

6.8 In the event that the operation (including failure to operate as scheduled by GRDA) of any Unit causes GRDA to incur any cost for charges, fees, penalties, fines or other assessments from any third party, including but not limited to costs for imbalance, uninstructed deviation, and performance, but excluding the cost of replacing undelivered energy as determined pursuant to Section 6.3(a), CUSTOMER shall reimburse GRDA for such costs. GRDA may, but shall not be obligated to, subtract such costs from its payment to CUSTOMER (or add such costs if payment is due from CUSTOMER).

6.9 Except as expressly provided in this Agreement, GRDA shall be under no obligation to reimburse CUSTOMER for costs incurred in owning, operating and maintaining the Facilities, including but not limited to fuel, water, permits, emission allowances, staffing, and station service, or otherwise provide any of the foregoing to CUSTOMER. CUSTOMER shall be solely responsible for the supply and cost of all items necessary to own, operate and maintain the Facilities in a manner that will allow CUSTOMER to satisfy its obligations under this Agreement.

ARTICLE VII. DEFAULT

7.1 A party will be in default under this Agreement if the party fails to perform any of its material obligations under this Agreement and such default continues for thirty (30) days after written notice specifying the event of default is received from the non-defaulting party; provided, however, that such period shall be extended for an additional reasonable period if a cure cannot be effected within thirty (30) days and if corrective action is initiated by the defaulting party within the thirty (30) day period and so long as such action is diligently pursued until such default is corrected. For those material obligations that are not continuous in nature, a default shall be deemed to exist upon the third occurrence of a party's failure to satisfy its obligations hereunder within any continuous period of twelve (12) months. In the event the defaulting party does not satisfy the foregoing material obligations regarding cure of the default, the non-defaulting party may, in addition to other rights to which it may be entitled, terminate this Agreement as to one or more (including all) Units immediately upon notice to the defaulting party. CUSTOMER's failure to provide the Requested Energy shall not be considered a material obligation under this Agreement for purposes of this Section 7.1.

7.2 A default by CUSTOMER of its obligations under the GRDA-Customer Contract shall be deemed to be a default by CUSTOMER under this Agreement, and GRDA may immediately terminate this Agreement if GRDA terminates the GRDA-Customer Contract as a result of said default.

7.3 If a default by CUSTOMER has a material adverse effect on GRDA's other customers or results in conditions that GRDA determines pose an unacceptable safety or reliability risk, including a default under Sections 2.6, 2.7, or 2.8, GRDA may require that CUSTOMER isolate the Facilities from the GRDA system. Such isolation shall be in addition to and not in lieu of any other rights of GRDA, including GRDA's rights under this Article VII.

ARTICLE VIII. MISCELLANEOUS

8.1 CUSTOMER expressly agrees to indemnify and save harmless and defend GRDA, and its directors, officers, employees, agents and assigns, from and against any claim, demand, cost or expense arising out of CUSTOMER's design, installation, maintenance and operation of the Facilities; provided, however, that such claim, demand, cost or expense is not attributable to GRDA's sole negligence or willful misconduct with respect to the operation of its system, and further provided that CUSTOMER has sole charge and direction of any such claim, suit or action and of all negotiations for settlement. At CUSTOMER's expense, GRDA agrees to render all reasonable assistance which may be required by CUSTOMER. Without limiting the generality of the foregoing indemnity, CUSTOMER shall pay all fees and costs associated with defense of any such claim and any damages awarded in respect thereof. If CUSTOMER believes that any claim falls within the foregoing exceptions for claims based upon GRDA's sole negligence or willful misconduct, CUSTOMER will advise GRDA prior to the time defense of such claim is tendered by CUSTOMER and GRDA shall have responsibility for defense of such claim. If, in any case falling within the provisions of the preceding sentence, it is determined that the damage or loss in question was not caused by the sole negligence of GRDA or GRDA's willful misconduct, CUSTOMER shall pay any judgment entered against GRDA upon GRDA's demand that it do so and shall reimburse GRDA for all fees and costs incurred in connection with the defense of such claim. The provisions of this indemnity shall apply to the fullest extent permitted by law

8.2 To the extent allowed by Oklahoma law, in no event shall the parties be liable to the other party with respect to any claim arising out of this Agreement whether such claim is based on contract, tort or otherwise for any punitive, exemplary, or consequential damages, including without limitation, for liability based upon or damages for loss of profits.

8.3 This Agreement is not intended to and shall not create rights of any character whatsoever in favor of any person, corporation, association, or entity other than the parties to this Agreement, and the obligations herein assumed are solely for the use and benefit of the parties to this Agreement, their successors in interest or assigns.

IN WITNESS WHEREOF, the undersigned parties have duly executed this Agreement.

ATTEST	**GRAND RIVER DAM AUTHORITY**
_____	By: _____
By: _____	Title: _____
Title: _____	Date: _____

ATTEST:	**CITY OF COFFEYVILLE, KANSAS**
_____	By: _____
By: _____	Title: _____
Title: _____	Date:_____

Attachment 1
CPA Generation Information Form

This form should be completed for each generating unit in accordance with Article II of this Agreement. Note – Additional Information may be needed to complete the market registration for units as required by SPP.

GENERATOR SITE INFORMATION:

- Customer-Owner: City of Coffeyville, Kansas
- Name of Generator Site: Coffeyville Municipal Light & Power
- Address/Description: 605 Santa Fe Street
- Generator In-Service Date: May 1957
- Point of Delivery: Power Plant Sub

GENERATOR DATA:

- Unit Number: #6
- Manufacturer: Elliott, made in 1955 Model: 9,917
- Rated Output of Generators: 17,647 kW 17,647 kVA
- Rated Voltage: 12,470 kV Power Factor: 85 %

OPERATING CHARACTERISTICS:

- Net Capability – Summer: _____ kW
- Net Capability – Winter: _____ kW
- Power Factor Range: 85%
- Loss adjustment: _____
- Fuel Type(s): Primary - Gas Secondary - _____
- Minimum Operating Level: 6,000 kW Heat Rate at Min. 13,000 Btu/kWh
- Maximum Operating Level: 20,000 kW Heat Rate at Max. 12,200 Btu/kWh
- I/O Curve should be provided for units greater than 10 MW
- Start Time (from notice to Minimum Operating Level): see below minutes
- Startup Profile (net energy each hour during startup): Hour 1 12,000 kWh
  Hour 2 20,000 kWh Hour 3 _____ kWh Hour 4 _____ kWh Hour 5 _____ kWh
- Ramp Rate: 12 MW/hour
- Minimum Up Time: _____ hours Minimum Down Time: for a trip, less than 1 hours
- Equipped with AGC? (yes/no): yes Equipped with voltage control? (yes/no): yes
- Non-fuel Variable O & M $ 0.00 per MWh
- Other Fuel Related Costs $_____ per MWh ($/MMBtu * Heat Rate) ~~sum of the following: Gas Management Fee ___ $/MMBtu Other ____ $/MMBtu~~
- Capacity Payment $_____ per kW-month (as determined by GRDA based on details here)
- Qualified and Committed to Provide Installed Reserves? (yes/no): no
- Qualified and Committed to Provide Spinning Reserves? (yes/no): no
- Qualified and Committed to Provide Ready Reserves? (yes/no): no
- Manufacturers Maintenance Recommendation, run hours, frequency and duration:
  every 40,000 hrs

ADDITIONAL COMMENTS:

Prime Mover for Generation is Steam 3 Phase
Winter Startup is at least 24 hours in order to fill boiler and tower and be on line. The rest of the year we could be billed and ready to start in around 6 to 8 hours. This would not apply in a turn around or maintenance mode. It would be similar to the winter startup.

A one line diagram and detailed specification sheet for each component (generator, step-up transformer, cables, overhead lines, etc.) from the Point of Delivery to the generating unit should be included. This information is needed for short circuit analysis and any necessary protective relay setting calculations.

CUSTOMER:_____ Date: _____

GRDA:_____ Date: _____

NOTE – I haven't marked these sheets based on the changes shown on the first one.

Attachment 1-B

- Customer-Owner: City of Coffeyville, Kansas
- Name of Generator Site: Coffeyville Municipal Light & Power
- Address/Description: 605 Santa Fe Street
- Generator In-Service Date: April 1, 1973
- Point of Delivery: Power Plant Substation

GENERATOR DATA:

- Unit Number: #7
- Manufacturer: General Electric, Made in 1971 Model: 178881
- Rated Output of Generators: 38,235 kW 46,500 kVA
- Rated Voltage: 12,470 kV Power Factor: 90%

OPERATING CHARACTERISTICS:

- Demonstrated Generating Capacity: 38,000 kW Power Factor Range: 90%
- Loss adjustment: _____
- Fuel Type(s): Primary Gas Secondary _____-_____
- Minimum Operating Level: __16,000__ kW Heat Rate at Min. _12,100___ Btu/kWh
- Maximum Operating Level: __38,000____ kW Heat Rate at Max. ___11,200__ Btu/kWh
- Start Time (from notice to Minimum Operating Level): __See below _____ minutes
- Startup Profile (net energy each hour during startup): Hour 1 _15,000_____ kWh
  Hour 2 __33,000___ kWh Hour 3 _38,000____ kWh Hour 4 _____ kWh Hour 5 _____ kWh
- Ramp Rate: ____18_____ MW/hour
- Minimum Up Time: ____-____ hours Minimum Down Time: _for a trip, less than 1_ hours
- Equipped with AGC? (yes/no): _yes_____ Equipped with voltage control? (yes/no): __yes____
- Non-fuel Variable O & M $__0.00___ per MWh
- Capacity Payment $___4.14_____ per kW-month (as determined by GRDA based on details here)
- Qualified and Committed to Provide Installed Reserves? (yes/no): no
- Qualified and Committed to Provide Spinning Reserves? (yes/no): no
- Qualified and Committed to Provide Ready Reserves? (yes/no): no
- Manufacturers Maintenance Recommendation, run hours, frequency and duration:
  Every 40,000 hrs

ADDITIONAL COMMENTS:

Prime Mover for Generation is Steam 3 Phase

Winter Startup is at least 24 hours in order to fill boiler and tower and be on line. The rest of the year we could be billed and ready to start in around 6 to 8 hours. This would not apply in a turn around or maintenance mode. It would be similar to the winter startup.

A one line diagram and detailed specification sheet for each component (generator, step-up transformer, cables, overhead lines, etc.) from the Point of Delivery to the generating unit should be included. This information is needed for short circuit analysis and any necessary protective relay setting calculations.

Completed by:_____ Date: _____

Attachment 1-C
CPA Generation Information Form

This form should be completed for each generating unit in accordance with Article II of this Agreement.

GENERATOR SITE INFORMATION:

- Customer-Owner: City of Coffeyville, Kansas
- Name of Generator Site: Coffeyville Municipal Light & Power
- Address/Description: 605 Santa Fe Street
- Generator In-Service Date: July 19, 2007
- Point of Delivery: Power Plant Sub

GENERATOR DATA:

- Unit Number: #2
- Manufacturer: Mitsubishi, made in April 2006 Model: S16R-41PTAA2-2
- Rated Output of Generators: 2,000 kW 116 kVA
- Rated Voltage: 12,470 kV Power Factor: 80 %

OPERATING CHARACTERISTICS:

- Demonstrated Generating Capacity: 2,000 kW Power Factor Range: 80%
- Loss adjustment: _____
- Fuel Type(s): Primary Diesel _____ Secondary _____
- Minimum Operating Level: 500 kW Heat Rate at Min. - Btu/kWh
- Maximum Operating Level: 2,000 kW Heat Rate at Max. 9,900 Btu/kWh
- Start Time (from notice to Minimum Operating Level): 10 minutes
- Startup Profile (net energy each hour during startup): Hour 1 1,800 kWh
  Hour 2 2,000 kWh Hour 3 _____ kWh Hour 4 _____ kWh Hour 5 _____ kWh
- Ramp Rate: 1.8 MW/hour
- Minimum Up Time: - hours Minimum Down Time: - hours
- Equipped with AGC? (yes/no): yes Equipped with voltage control? (yes/no): yes
- Non-fuel Variable O & M $ 0.00 per MWh
- Capacity Payment $ 2.60 per kW-month (as determined by GRDA based on details here)
- Qualified and Committed to Provide Installed Reserves? (yes/no): No (SPP registration required)
- Qualified and Committed to Provide Spinning Reserves? (yes/no): No (SPP registration required)
- Qualified and Committed to Provide Ready Reserves? (yes/no): No (SPP registration required)
- Manufacturers Maintenance Recommendation, run hours, frequency and duration:
  Every 4,000 hr need valves checked
  _____

ADDITIONAL COMMENTS:

Prime Mover for Generation is Turbo Charged Engine, 3 Phase

A one line diagram and detailed specification sheet for each component (generator, step-up transformer, cables, overhead lines, etc.) from the Point of Delivery to the generating unit should be included. This information is needed for short circuit analysis and any necessary protective relay setting calculations.

Completed by:_____ **Date:** _____

Attachment 1-D
CPA Generation Information Form

This form should be completed for each generating unit in accordance with Article II of this Agreement.

GENERATOR SITE INFORMATION:

- Customer-Owner: City of Coffeyville, Kansas
- Name of Generator Site: Coffeyville Municipal Light & Power
- Address/Description: 605 Santa Fe Street
- Generator In-Service Date: July 19, 2007
- Point of Delivery: Power Plant Sub

GENERATOR DATA:

- Unit Number: #1
- Manufacturer: Mitsubishi, Made in April 2006 Model: S16R-41PTAA2-1
- Rated Output of Generators: 2,000 kW 116 kVA
- Rated Voltage: 12,470 V Power Factor: 80%

OPERATING CHARACTERISTICS:

- Demonstrated Generating Capacity: 2,000 kW Power Factor Range: 80%
- Loss adjustment: _____
- Fuel Type(s): Primary Diesel Secondary _____-_____
- Minimum Operating Level: 500 kW Heat Rate at Min. ____-_____ Btu/kWh
- Maximum Operating Level: 2,000 kW Heat Rate at Max. 9,900 Btu/kWh
- Start Time (from notice to Minimum Operating Level): 10 minutes
- Startup Profile (net energy each hour during startup): Hour 1 1,800 kWh
  Hour 2 2,000 kWh Hour 3 _____ kWh Hour 4 _____ kWh Hour 5 _____ kWh
- Ramp Rate: 1.8 MW/hour
- Minimum Up Time: ___-_____ hours Minimum Down Time: ___-_____ hours
- Equipped with AGC? (yes/no): yes Equipped with voltage control? (yes/no): yes
- Non-fuel Variable O & M $0.00 per MWh
- Capacity Payment $2.60 per kW-month (as determined by GRDA based on details here)
- Qualified and Committed to Provide Installed Reserves? (yes/no): No (SPP registration required)
- Qualified and Committed to Provide Spinning Reserves? (yes/no): No (SPP registration required)
- Qualified and Committed to Provide Ready Reserves? (yes/no): No (SPP registration required)
- Manufacturers Maintenance Recommendation, run hours, frequency and duration:
  Every 4,000 hrs need valves checked
  _____

ADDITIONAL COMMENTS:

Prime Mover for Generation is Turbo Charged Engine, 3 Phase

A one line diagram and detailed specification sheet for each component (generator, step-up transformer, cables, overhead lines, etc.) from the Point of Delivery to the generating unit should be included. This information is needed for short circuit analysis and any necessary protective relay setting calculations.

Completed by:_____ **Date:** _____

Attachment 2

Maintenance Schedule

	Unit	Outage Start Date	Outage End Date
Year 1			
Year 2			
Year 3			

Completed by:_____ Date: _____