



REPORT TO: SUA TRUSTEES

MEETING DATE: AUGUST 2, 2021

Agenda Item:	5a. SUA-21-30
Background / Issue:	<ul style="list-style-type: none"> • February 2021 Oklahoma experienced an extreme cold weather event where temperatures plummeted to all-time lows and left plenty of ice, snow, and misery for electric customers. • Oklahoma experienced its lowest minimum and maximum temperature records throughout the state during the event. • During the event, the Southwest Power Pool (SPP), for the first time in its history, issued several Energy Emergency Alert 3's, which mandated utilities across its region curtail load. • This was done to ensure that the electric grid did not collapse, which would have caused widespread, long-term power outages similar to what happened in Texas. • Drivers of the curtailments were related to lack of fuel supply, rapid reduction of energy imports, and record wintertime energy consumption. • Natural gas prices spiked to extraordinary levels, which ultimately drastically increased the price of electricity in the market. • In order to provide energy to its customers, GRDA had to purchase available electricity at largely inflated prices. • Those prices have mostly been settled in the SPP, and GRDA is now aware that the energy they had to purchase in February will cost approximately \$102,388,191. • There is one more 180 day settlement that may slightly change this cost. • GRDA plans to recover each customer's actual share of costs based on February's energy usage. • Stillwater's proportionate share is \$7,138,352.
Proposal/Solution:	<ul style="list-style-type: none"> • GRDA has provided three options to its customers for repayment.

- ✓ Option 1: PCAx – up to 120 months recovery period utilizing State’s securitization law, which will include carrying costs (bond interest and administration fees)
 - ✓ Option 2: PCAx – paid in full with no carrying costs
 - ✓ Option 3: PCAo – paid over 12 months using GRDA’s traditional PCA calculation with no carrying costs
- To avoid carrying costs, the SUA could choose Option 2, pay in full, or Option 3, pay over 12 months using approximately \$3,569,176 from the electric Rate Stabilization Fund (RSF) and approximately \$3,569,176 from the FY21 budgeted general fund transfer that was not transferred.
 - Keeping in mind that the RSF is the designated fund for electric capital improvement projects, any use of electric RSF funds would have a significant negative impact on the capital improvement plan for electric.
 - Short-term projects:
 - ✓ 6th Street Transmission Relocation project,
 - ✓ LED street light project
 - ✓ Boomer Lake Station Redevelopment relocation project
 - ✓ scheduled vehicle replacement
 - ✓ distribution maintenance
 - ✓ transmission maintenance
 - Long-term projects:
 - ✓ substation upgrades
 - ✓ transmission upgrades
 - ✓ energy center maintenance.
 - In order to lessen the impact on the RSF, Option 2 or Option 3 would require repayment by electric customers over time. A 36 month payback has been modeled, which staff feels is a reasonable compromise to lessen the monthly bill impact to our electric customers.
 - Modeling included with this report shows: a
 - ✓ 50% split with the SUA (\$3,569,176) and electric customers (\$3,569,176); or
 - ✓ 100% pass through to electric customers (\$7,138,352) over a 36 month term
 - The 100% pass through would have no long term impact on the SUA.

	<ul style="list-style-type: none"> It is important to note that if the 50% split option is chosen and an extraordinary event like this occurs in the future, SUA may not be in a financial position to offer this option again and all costs may be passed on to customers.
Financial Impact/Funding Source(s):	<ul style="list-style-type: none"> Under the 50% scenario there would be a reduction of \$3,569,176 in SUA funds as only the funds used from the RSF would be recouped over a specified term. The 100% pass through scenario or \$7,138,352 would have a short term impact on the RSF/SUA. However, those funds would be recouped over a specified term.
Related Strategic Priority:	<p>#1 Effective Services & Accountable Government: Provide effective services and accountable government for all citizens by practicing fiscal responsibility, transparency, and outstanding customer service.</p> <p>#3 Safe Community: To identify effective services that enhance relationships, responsiveness, and quality customer service to promote a safe and secure community.</p>
Recommended Action/Motion:	<p>Motion to approve GRDA Option 2 and authorize expenditures up to \$7,138,352 (50% from the RSF and 50% from the FY21 budgeted general fund transfer that was not transferred).</p> <p>Staff recommends Trustees choose recoupment terms of 50% or 100% from electric utility customers for a term of 36 months or as decided by Trustees.</p>
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Submitted By:	Norman McNickle, City Manager
Attachment(s):	Cost Recovery Model 50% and 100%