



REPORT TO: SUA

MEETING DATE: OCTOBER 18, 2021

Agenda Item:	5b. SUA-21-47
Prior Council Action/Related Items:	SUA-21-19
Background / Issue:	<ul style="list-style-type: none"> • The Stillwater Energy Center (SEC) has been dispatched to operate significantly more than projected during the first three months of FY22. • Staff believes this is due to several transmission line outages causing congestion on the transmission system in other areas of the state. • This congestion is raising the Local Marginal Price (LMP) for energy at those locations making our LMP lower, which equated to the SEC running more often. It is anticipated that repairs to those transmission lines will be made by December 1st. • At that point SEC could return to a more normalized run pattern; however, this is very hard to predict. • Along with more runtime at the SEC, natural gas prices have increased significantly. Gas futures are anticipated to be running in the mid \$6.00 per dekatherm range through the first quarter of 2022. • This time last year gas was running in the mid \$2.00 per dekatherm range.
Proposal/Solution:	<ul style="list-style-type: none"> • The SUA purchases natural gas and transportation from Enable under a long term contract for supply to the SEC. • On June 7, 2021, the trustees authorized expenditures to Enable for natural gas transport and supply not to exceed \$1,075,000 for FY22. • Staff has prepared a budget amendment to increase the natural gas expenditure account, with an offsetting revenue increase from Grand River Dam Authority (GRDA) for energy production. Both accounts are proposed to be increased by \$2,500,000.
Financial Impact/Funding Source(s):	<ul style="list-style-type: none"> • Increase to electric generation/natural gas expenditure from \$1,275,000 to \$3,775,000 with a corresponding increase to electric general/GRDA energy payment revenue from \$1,000,000 to \$3,500,000.

	<ul style="list-style-type: none"> • These amendments have no impact on the GRDA capacity payments.
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:	Motion to approve the FY22 expenditure limit increase to Enable for natural gas transport and supply to a not to exceed amount of \$3,575,000 and approve the associated budget amendments reflecting revenue and expenditures as described in this report.
Prepared By:	Loren Smith, Electric Utility Director
Reviewed By:	Melissa Reames, Deputy City Manager Patti Osmus, Assistant to City Manager
Submitted By:	Norman McNickle, City Manager
Attachment(s):	Budget Amendments