SALLISAW MUNICIPAL AUTHORITY
REGULAR MEETING

February 13, 2023

Time: Immediately Following the
Meeting of the Board of City Commissioners

Council Chambers
113 North Elm Street
Sallisaw, Oklahoma

A G E N D A

1. **Meeting Called to Order**

2. **Declaration of a Quorum**

3. **Consider Approval of Minutes of Regular Meeting of January 9, 2023**

4. **Discuss and Acknowledge Notice of Assignment Between Sequoyah Renewables, LLC and Sallisaw Energy, LLC**

5. **Discuss and Consider Approval of Resolution 2023-01; A Resolution Approving Entering Into An Interlocal Cooperative Agreement Between The Sallisaw Municipal Authority And The Tahlequah Public Works Authority Establishing The Oklahoma Municipal Utility Services Association (OMUSA).**

6. **Update and Discussion on the Grand River Dam Authority Power Cost Adjustment; Possible Direction of Staff.**

7. **Administrative Reports**

8. **Adjourn**

Posted: FEBRUARY 10, 2023

Time: **10:40 AM**

Kim Jamison

MINUTES

SALLISAW MUNICIPAL AUTHORITY

REGULAR MEETING

JANUARY 9, 2023

The Sallisaw Municipal Authority met in a regular meeting on January 9, 2023, in the Council Chambers, 113 North Elm, Sallisaw. Notice of the meeting was given by emailing to Sequoyah County Times; by posting at city hall on January 5, 2023 at 3:45 p.m., by posting on the city's website; and, by giving notice to the City Clerk.

Members present:	Ernie Martens,	Chairman
	Ronnie Lowe,	Trustee, Ward 1
	Josh Bailey,	Trustee, Ward 2
	Julian Mendiola,	Trustee, Ward 3
	Kristin Peerson,	Trustee, Ward 4
Members absent:	None	
Staff present:	Keith Skelton,	General Manager
	John R. Montgomery,	City Attorney
	Kim Jamison,	Secretary
	Robin Haggard,	Director of Finance
	Keith Miller,	Building Development Director
	Terry Franklin,	Chief of Police
	George Bormann,	Economic Development Director
	Jessica Robertson,	Business Support Manager
	Christian Sizemore,	Network Manager
	Skylar Fullbright,	Grants Specialist
	Chris Carter,	Senior Code Inspector
Others present:	Lynn Adams; David and Carter Lessley; Todd and Mona Brewer; Kannon Martens; Other Uniidentified.	

Meeting Called to Order

Chairman Martens called the meeting to order at 6:31 p.m.

Declaration of a Quorum

A quorum was declared present.

Consider Approval of Minutes of Regular Meeting of December 12, 2022

Motion was made by Lowe, seconded by Mendiola, for approval of the minutes as presented. Vote: Lowe aye; Mendiola aye; Bailey aye; Peerson aye; Martens aye. Motion carried 5-0.

Discuss and Consider Approval of Staff's Request to Reinvest a Sallisaw Municipal Authority Certificate of Deposit with Firstar Bank for 182 Days at 3.55% Interest

Motion was made by Mendiola, seconded by Peerson, to invest the Sallisaw Municipal Authority Certificate of Deposit with Firstar Bank for 182 days at 3.55% interest. Vote: Mendiola aye; Peerson aye; Lowe aye; Bailey aye; Martens aye. Motion carried 5-0.

Update and Discussion on the Grand River Dam Authority Power Cost Adjustment; Possible Direction of Staff.

Keith Skelton advised that natural gas prices were down to around the $3.80 mark. He anticipates that the PCA should also be down. That information will be available at the next GRDA meeting.

Administrative Reports

None.

Adjourn

Motion was made by Lowe, seconded by Mendiola, to adjourn the meeting there being no further business. Vote: Lowe aye; Mendiola aye; Bailey aye; Peerson aye; Martens aye. Motion carried 5-0. The meeting ended at 6:33 p.m.

____
Secretary to the Authority

(SEAL)

AGENDA ITEM COMMENTARY

Meeting Date:	February 13, 2023
Board:	Sallisaw Municipal Authority
Subject:	Sallisaw Methane Project

ITEM TITLE: Discuss and Acknowledge Notice of Assignment Between Sequoyah Renewables, LLC and Sallisaw Energy, LLC

INITIATOR: Norman Herrera, SPARQ Renewables, LLC

STAFF INFORMATION SOURCE: Norman Herrera, SPARQ Renewables, LLC

BACKGROUND: Per the executed Lease and Landfill Gas Rights Agreement between the Sallisaw Municipal Authority and Sequoyah Renewables, LLC, Sequoyah is permitted to assign rights and obligations to an affiliate of Sequoyah. Recently, Sequoyah Renewables partnered with the Williams Companies, Inc. for the Sallisaw methane project. With this partnership, Sequoyah and Williams have formed a new entity, Sallisaw Energy, LLC, to operate the Sallisaw methane project. Sallisaw Energy, LLC will be wholly owned by Sequoyah and Williams,

EXHIBITS: 1. Sequoyah Renewables, LLC - Notice of Assignment

KEY ISSUES:

- Assignment is allowed under Section 16.9 of the Landfill Gas Rights Agreement between the Sallisaw Municipal Authority and Sequoyah Renewables.
- The city attorney has reviewed and approved this document.

FUNDING SOURCE: NA

RECOMMENDATION: Staff recommends acknowledgment of the Notice of Assignment of Lease and Landfill Gas Rights Agreement.

Sequoyah Renewables, LLC
3555 Northwest 58th Street
Suite 625 West
Oklahoma City, OK 73112

February 2, 2023

Sallisaw Municipal Authority
115 E Choctaw
Sallisaw, OK 74955
Attn: General Manager

Montgomery and Montgomery, P.C.
P.O. Box 1180
Sallisaw, OK 74955
Attn: John Robert Montgomery

Re: Notice of Assignment of Lease and Landfill Gas Rights Agreement

To the General Manager:

As you know, Sequoyah Renewables, LLC ("Sequoyah") has partnered with the Williams Companies, Inc. ("Williams") for the renewable gas project (the "Project") to be conducted pursuant to that certain Lease and Landfill Gas Rights Agreement, dated as of September 14, 2020, as amended (the "Agreement"). As part of that partnership, Sequoyah and Williams have elected to create a new entity, Sallisaw Energy, LLC ("Sallisaw"), which will be wholly owned by Sequoyah and Williams, to own and operate the Project and act as the "Tenant" under the Agreement. Pursuant to Section 16.9 of the Agreement, Sequoyah is permitted to assign its rights and obligations under the Agreement to an affiliate of Sequoyah, and this letter shall serve as notice of Sequoyah's intent to assign its rights and obligations under the Agreement to Sallisaw, an affiliate of Sequoyah.

Sallisaw's address for purposes of any notices delivered under the Agreement is as follows:

Sallisaw Energy, LLC
One Williams Center, Suite 4900
Tulsa, Oklahoma 74172
Attn: General Counsel
Email: lane.wilson@williams.com

with a copy to:

One Williams Center
P.O. Box 2400
Tulsa, Oklahoma 74102-2400
Attn: Brian Hlavinka, VP, New Energy Ventures
Email: Brian.Hlavinka@williams.com

Although there will be a change in the "Tenant" under the Agreement, I will continue to serve as your business contact at Sallisaw, and Sequoyah will continue to be the operator of the Project pursuant to an agreement between Sequoyah and Sallisaw. Although not required under the Agreement, Sequoyah asks that you please provide your acknowledgment of this assignment by executing this letter below and returning the executed letter to Norman Herrera at norman.herrera@sparqrenew.com. Thank you for your prompt cooperation.

Sincerely,

Norman Herrera
Manager of Sequoyah Renewables, LLC

Acknowledged and Agreed to
on ____________________, 2023:

SALLISAW MUNICIPAL AUTHORITY

By: ___________________________
Name:
Title:

AGENDA ITEM COMMENTARY

Meeting Date:	February 13, 2023
Board:	Sallisaw Municipal Authority
Subject:	Interlocal Cooperative Agreement

ITEM TITLE: Discuss and Consider Approval of Resolution 2023-01; A Resolution Approving Entering Into An Interlocal Cooperative Agreement Between The Sallisaw Municipal Authority And The Tahlequah Public Works Authority Establishing The Oklahoma Municipal Utility Services Association (OMUSA).

INITIATOR: General Manager
Municipal Electric Systems of Oklahoma (MESO)

STAFF INFORMATION SOURCE: Tom Rider, General Manager of the Municipal Electric Systems of Oklahoma
Chris Byrom, Attorney, Johanning and Byrom, PLLC
John Robert Montgomery, City Attorney

BACKGROUND: Recognizing the value and need for municipal utilities across Oklahoma to share ideas, train municipal professionals, and aid each other in times of need, the Board of Directors of the Municipal Electric Systems of Oklahoma wishes to establish the Oklahoma Municipal Utility Services Association (OMUSA). Membership in this new organization will be open to cities, towns, municipal trusts, and tribal utilities.

If adopted, the OMUSA will be formed as an Interlocal Cooperation Agency (IGA), established under the Interlocal Cooperation Act, 74 O.S., 1001, et seq.

To establish the OMUSA under the Interlocal Cooperative Agreement, there must be at least two entities to approve the forming of the organization. In discussion with the MESO Board of Directors, the General Manager of the Sallisaw Municipal Authority (also City Manager), has volunteered to be one of the forming agencies. The other agency that will form this IGA is the Tahlequah Public Works Authority (TPWA)

EXHIBITS:
1. IGA.OMUSA information narrative
2. RESOLUTION 2023.01. ESTABLISHING OMUSA - SMA
3. IGA.Sallisaw Tahlequah.Final

KEY ISSUES:

- Issues with the Current Structure of MESO/OMUSA: The current OMUSA is set up as a public trust, similar to how the City of Sallisaw and the Sallisaw Municipal Authority are set up. The current OMUSA trust is limited in that it doesn't provide for new members to join and serve on the Board, especially if named members cease to continue participation. If OMUSA cannot conduct business in the future, it places the future of MESO in jeopardy. Thus, the reason for moving to an Interlocal Governmental type organization with stipulations on how to replace member cities and board members.

- As a Public Power Community, Sallisaw will greatly benefit from this new organization. The SMA General Manager will serve on the original board for a term ending in June 2026. At that time, they will either be re-elected, or replaced by a vote of the OMUSA membership. The other original members of the OMUSA Board will serve staggering terms. The Sallisaw City Manager will also continue to serve on the MESO Board of Directors during the same time period.
- The Sallisaw General Manager, as well as the city attorney, has participated in the creation of the IGA document, and has reviewed the final draft of the document as presented. Both approve the document as presented.
- Once approved by the SMA and TPWA boards, the signed agreement will be presented to the Oklahoma Attorney General for final approval.

FUNDING SOURCE: NA

RECOMMENDATION: The SMA General Manager recommends approval of the Interlocal Cooperative Agreement. The city attorney has participated in the creation of this document, as well as reviewed the final draft, and has approved the format of the document.

Connecting Utilities Across the State

Oklahoma Municipal Utility Services Association (OMUSA)

Recognizing the value and need for municipal utilities to share ideas, train municipal professionals, aid each other in times of need, the Municipal Electric Systems of Oklahoma Board of Directors has established the Oklahoma Municipal Utility Services Association (OMUSA). Membership is open to cities, town, municipal trusts and tribal utilities.

What is OMUSA?
The Oklahoma Municipal Utility Services Association (OMUSA) is an Interlocal Cooperation Agency established under the Interlocal Cooperation Act, 74 O.S. §1001, *et seq*.

Why is it established as an Interlocal Cooperative Agency?
As an Interlocal Cooperation Agency, OMUSA is a non-profit organization recognized as a governmental agency owned by its members. As a governmental agency, OMUSA has all the tax advantages of a municipality or municipal trust. This enables OMUSA to keeps its expenses as low as possible which directly impacts on our members.

What are the general benefits of membership?
The focus of OMUSA is to improve the operational excellence of its members. OMUSA goals are to:

· Provide operational training for utility personnel
· Staff development training for all municipal employees
· Mutual aid in times of need - Natural disasters and when additional manpower is required for general operations
· Networking and learning opportunities for the sharing of ideas and discussion of common issues.

What are the membership categories?
There are three established membership categories:

Electric Distribution
Natural Gas Distribution
Public Works – which includes water, wastewater and other services

What are the annual dues for each membership category?
A member's dues are determined by the Member's highest gross revenue producing utility. The dues period is July 1 through June 30, the generally accepted Fiscal Year for municipal entities. Dues are annual and are not pro-rated.

· Electric Distribution Membership follows an established fee schedule based on annual electric sales.
· Natural Gas Distribution and Public Works Membership is $ 600.00 annually.

How does an eligible entity become a member?
To become a member, a qualified entity can -
(1) approve participation in the interlocal services outlined herein by formal adoption of the Interlocal Cooperative Agreement and maintain their membership annually through the payment of established dues; (open to municipal entities only) or,
(2) participate in the Association through the annual payment of established dues.
Membership is maintained through the annual payment of all applicable dues.

For more information, contact Cheryl Adams at (405) 528-7564, ext 7, or cheryl@meso.org.

RESOLUTION NO. 2023-01

TO EXECUTE THE AGREEMENT ESTABLISHING THE OKLAHOMA MUNICIPAL UTILITY SERVICES ASSOCIATION

WHEREAS, the Interlocal Cooperation Act of the Oklahoma Statutes enable municipal governments to cooperate with each other to make the most efficient use of their powers and resources on a basis of mutual advantage; and

WHEREAS, The Sallisaw Municipal Authority desires to cooperate by providing training and other services that assist with the operations of municipalities, including but not limited to safety training, professional development training, studies and other mutually beneficial services; and

WHEREAS, The Sallisaw Municipal Authority finds that the best and most efficient way of securing these services is by cooperating with other municipalities and utility entities; and

WHEREAS, the Interlocal Agreement between The Tahlequah Public Works Authority and The Sallisaw Municipal Authority establishing the Oklahoma Municipal Utility Services Association provides a basis for securing these services for member municipalities;

NOW THEREFORE BE IT RESOLVED by the Trustees of The Sallisaw Municipal Authority to join with other municipalities and authorities in the Oklahoma Municipal Utility Services Association; and

BE IT FURTHER RESOLVED THAT, The Sallisaw Municipal Authority hereby agrees to become a party to the Interlocal Agreement between The Tahlequah Public Works Authority and The Sallisaw Municipal Authority establishing the Oklahoma Municipal Utility Services Association, for the purposes and in consideration of the mutual covenants contained therein by adoption and execution of this Resolution.

Adopted by the Trustees of The Sallisaw Municipal Authority of Sallisaw, Oklahoma, this 13th day of February, 2023.

____

Ernie Martens, Chairman of Trustees,
The Sallisaw Municipal Authority

____

Kim Jamison, Secretary of Trustees,
The Sallisaw Municipal Authority

INTERLOCAL COOPERATIVE AGREEMENT BETWEEN THE SALLISAW MUNICIPAL AUTHORITY AND THE TAHLEQUAH PUBLIC WORKS AUTHORITY ESTABLISHING THE OKLAHOMA MUNICIPAL UTILITY SERVICES ASSOCIATION (OMUSA)

This Interlocal Cooperative Agreement (the "Agreement") is made and entered into and effective on the last day of approval of all parties hereto, by and between the Sallisaw Municipal Authority, a public trust of which the City of Sallisaw, Oklahoma is the beneficiary ("SMA"), and the Tahlequah Public Works Authority, Tahlequah, Oklahoma ("TPWA"), a political subdivision of the State of Oklahoma, pursuant to the Interlocal Cooperation Act, 74 O.S. §1001, *et seq* (hereinafter the "Act").

RECITALS

WHEREAS, the SMA and TPWA are public agencies as defined by 74 O.S. §1003 of the Act, and specifically authorized by the Act to enter into agreements to make the most efficient use of their powers by enabling them to cooperate with each other by contract for performance of services or undertakings which the public agencies are authorized by law to perform; and

WHEREAS, the Act allows any two or more public agencies to enter into agreements with one another for joint or cooperative action and allows the public agencies to jointly exercise powers, privileges and authority to the extent allowed by law; and

WHEREAS, parties hereto desire to cooperate by providing services relating to professional training, education, mutual aid and other opportunities that benefit the members; and

WHEREAS, the purpose of this Agreement is to establish the relationship between the parties in order to ensure that each understands and agrees to certain responsibilities concerning the services provided;

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

1. <u>TERM AND TERMINATION.</u> The term of this Agreement shall be in perpetuity commencing on the date of last approval set forth below. The fiscal year of the Agreement shall be from July 1 through June 30.

The effective date of this Agreement shall be July 1, 2023, and shall continue from year to year without the necessity of a formal renewal by any Member (as hereinafter defined). The Agreement shall remain in full force and effect until such time as it may be dissolved by majority vote of the Board (as hereinafter defined). In the event of dissolution, the Board shall fix a date certain for termination of services and shall thereafter dispose of property as set forth herein.

2. <u>ENTITY CREATED AND MEMBERS.</u> In furtherance of this Agreement, there is hereby created the Oklahoma Municipal Utility Services Association (the "Association"), which group is created pursuant to this Agreement and shall operate and may be dissolved in accordance with the provisions of this Agreement.

The Members shall be those cities and towns within the State of Oklahoma, or any other public agency(ies), as defined in the Act, which (1) approve participation in the interlocal services outlined herein by approval of this Agreement and maintain their membership annually through the payment of established dues; or (2) participate in the Association through the annual payment of established dues. A Member's approval of the services outlined herein shall be evidenced by submitting their initial payment of applicable annual dues to the Association. Members shall maintain their membership through the annual payment of all applicable dues.

Each Member shall appoint a designated representative who will represent the Member ("Member Representative"). On or before June 30th of each year, the Association will hold an annual meeting (the "Annual Meeting") as provided for in the by-laws. At each Annual Meeting, the Member Representatives shall elect Members of the Board for and transact such other business requiring a vote of the Members. Each Member Representative shall be entitled to one vote for the election of Board Members and other such matters as brought to the Member Representatives during the Annual Meeting of the Association. Additionally, special meetings of the Member Representatives may be called pursuant to the requirements of Sections 8(a) or 8(b) provided hereinafter and notice thereof shall be provided pursuant to the requirements of Section 8 set forth hereinafter.

3. <u>GOVERNING BOARD.</u> There is hereby created a governing board to be known as the Oklahoma Municipal Utility Services Association Board of Directors (the "Board"), consisting of a Chairperson and Vice Chairperson Elect who shall be elected from the members of the Board of Directors. The Board of Directors shall consist of seven (7) member representatives ("Directors") chosen by the Member entities who have agreed to participate in the Agreement purposes set forth herein. The Board shall have the

purposes and duties outlined herein. Quorum, voting procedures, representation on the Board, attendance, minutes of meetings, officers, term of office, committees, and all other operational issues shall be specifically regulated in the by-laws of the Board. All by-laws, along with any amendments thereto, shall be developed and approved by the Board by a majority vote of the Directors and submitted to the Membership at a meeting called pursuant to this Agreement and approved by a simple majority of those Member Representatives in attendance at said meeting prior to such by-laws and amendments thereto becoming effective. The Board shall designate the time and place of all meetings, which shall be conducted in compliance with the Oklahoma Open Meeting Act. Until such time as elections are held for the selection of Directors, the Board of Directors shall consist of initial members as provided hereinafter.

The initial members of the Board of Directors shall be:

For terms ending June 30, 2024

Aaron Michaud,	Electric Superintendent, City of Ponca City, Oklahoma Title and Municipality
Mike Doublehead,	General Manager, Tahlequah Public Works Authority Title and Municipality

For terms ending June 30, 2025

Loren Smith,	Electric Director, Stillwater Oklahoma Utilities Authority Title and Municipality
Sandy Henley,	City Clerk, City of Pawhuska, Oklahoma Title and Municipality

For terms ending June 30, 2026

Brett Griffin,	Electric Distribution Superintendent, City of Edmond, Oklahoma Title and Municipality
Keith Skelton,	General Manager, Sallisaw Municipal Authority Title and Municipality
Dwayne Elam,	City Administrator, City of Wagoner, Oklahoma Title and Municipality

Thereafter, the successors to the Directors whose terms are expiring shall be elected for three-year terms commencing on the first day of July following their election. Each Director shall be an elected or appointed representative of a Member pursuant to this Agreement. If a Director ceases to be an elected or appointed officer of a Member or should the city, town or public agency which the Director represents cease to qualify as a Member pursuant to this Agreement, the Director's position shall be deemed vacant. Any vacancy on the Board of Directors which may occur, for any reason, shall be filled by appointment by the majority vote of the remaining Directors for any unexpired term.

4. PURPOSES. The purposes of this Agreement shall be to provide the Members with a more efficient use of their powers and resources by cooperating on a basis that will be of mutual advantage to the Members and such other purposes as established by the Board. The specific purposes of the Agreement include, but are not limited to:

a. Providing operational training for the development of electrical distribution and transmission journeymen, to include an Apprentice program for Members electric distribution personnel.

b. Providing staff development training for all municipal staff in areas such as communication skills, supervision and leadership.

c. Coordination of Member electric distribution assets in response to state and national requests for Mutual Aid during times of a natural or man-made disaster.

d. Networking and learning opportunities for Members covering the most current tools, services and performance guidelines to assist Members in continuous improvement in their services to their customers.

e. Providing programs and services to ensure the needs and concerns of Member utilities, in particular municipal electric distribution systems ("public power") are conveyed to local, state and national legislative and administrative leaders on a regular and continuing basis.

f. Providing such additional services as the Board deems appropriate to assist and/or improve Member utility operations including, but not limited to, water, wastewater, natural gas and broadband services.

5. <u>MANNER OF FINANCING AND BUDGETING.</u> The Board shall have the power to establish fees for the services provided, to collect dues, to pay expenses, and to retain employees and independent contractors to provide the services authorized. An annual budget shall be established. The Board shall establish a schedule of dues which will be developed by category based on the Member's utility type. Utility types shall consist of the following categories: (1) Electric; (2) Natural Gas; and (3) Public Works which shall include water and wastewater services. Each Member shall be categorized and pay its respective dues based on the Member's highest gross revenue producing utility. Dues for Members in each separate utility type shall be determined by Member Representatives within their respective utility type and ratified by the Board of Directors. All prospective Members shall be apprised of the amount of their respective applicable annual dues for the first year of membership prior to considering membership in the Association. Existing Members shall be apprised of their applicable dues for the ensuing year at least 90 days prior to June 30 of each year.

6. <u>DUTIES OF THE BOARD.</u> The duties of the Board shall consist of:

a. Establishing dues and/or fees for the services provided.

b. Appointing a General Manager who shall be responsible for the hiring and management of staff and contractors to provide the services authorized herein.

c. Entering into agreements to accomplish the purposes set forth herein.

d. Reviewing fees and costs associated with the programs and services provided.

e. Monitoring the results obtained from the services provided.

f. Encouraging and monitoring additional agreements to accomplish the purposes set forth herein, including, but not limited to, additional interlocal agreements that accomplish the purposes of this Agreement.

g. Performing other tasks consistent with the purpose and intent of this Agreement and any additional agreements entered into as a result of this Agreement.

7. PROPERTY ACQUISITION AND DISPOSAL. The parties agree that the Board shall have the authority to acquire and dispose of real and personal property. Any property owned by the Oklahoma Municipal Utility Services Association at the time of dissolution of the Board or upon termination of this Agreement shall become the property of the Members and former Members in undivided shares equal to the proportion of the cost paid for the property by each Member and former Member as compared to the total costs paid by all Members and former Members.

8. MISCELLANEOUS. Notices required by this Agreement shall be sent by regular United States Mail, electronically via email, or delivered by hand to the City or Town Clerk of the Member or in the event of a Member that is not a City or Town, its designated service agent. The parties agree that this written Agreement contains the entire Agreement between the parties and that it may be amended from time to time upon:

(a) Recommendation of the Board and approval by a simple majority of the Member Representatives present at a properly called meeting of the Association; or

(b) Petition proposed by at least twenty percent (20%) of the Members of the group and approval by a simple majority of the Member Representatives.

PROVIDED, any proposed amendment shall be provided to each Member at least thirty (30) days prior to the date that any such amendment shall be considered by the Board.

This Agreement shall be submitted and approved by the Attorney General of Oklahoma prior to becoming effective.

PASSED AND APPROVED at a regular meeting of the Trustees of the Sallisaw Municipal Authority, Sallisaw, Oklahoma held the _______ day of ________________, 2023.

____
Chairman, Board of Trustees
Sallisaw Municipal Authority

ATTEST: (SEAL)

____
Secretary to the Board of Trustees
Sallisaw Municipal Authority

Approved as to form:

____
City Attorney

PASSED AND APPROVED at a regular meeting of the Board of Trustees, Tahlequah Public Works Authority, Tahlequah, Oklahoma held the _______ day of ________________, 2023.

____
Chairman of Trustees
Tahlequah Public Works Authority
Tahlequah, Oklahoma

ATTEST: (SEAL)

____
Secretary of Trustees
Tahlequah Public Works Authority, Tahlequah, Oklahoma

Approved as to form:

____
City Attorney

ATTORNEY GENERAL APPROVAL

I, in my capacity as Attorney General for the State of Oklahoma, certify that I have reviewed the foregoing Interlocal Agreement and find such Agreement in proper form and compatible with the laws of the State of Oklahoma.

___________________________	_________________________________
Date	Attorney General

AGENDA ITEM COMMENTARY

Meeting Date:	February 13, 2023
Board:	Sallisaw Municipal Authority
Subject:	GRDA Power Cost Adjustment

ITEM TITLE: Update and Discussion on the Grand River Dam Authority Power Cost Adjustment; Possible Direction of Staff.

INITIATOR: General Manager
Director of Finance

STAFF INFORMATION SOURCE: Grand River Dam Authority

BACKGROUND: Staff will provide any information available regarding the GRDA PCA and the effects of the cost of natural gas on GRDA power generation and the cost passed to Sallisaw customers.

EXHIBITS:
1. Feb 13 GRDA
2. GRDA PCA Report as of February 8, 2023

KEY ISSUES:

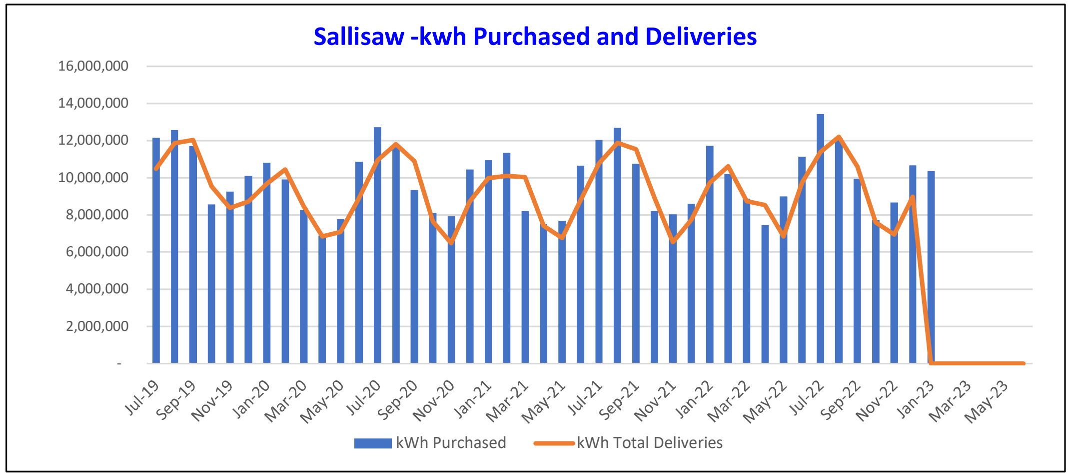
- March 2023 PCA: $0.03746
- February 2023 PCA: $0.03822
- January 2023 PCA: $0.03806 per kWh.
- December 2022 PCA: $0.03693 per kWh.
- GRDA's PCA rate trends in conjunction with the natural gas index. The cost of natural gas continues to be a main factor in the GRDA PCA costs pasted on to GRDA customers.
- The excess cost of the PCA, not included in the city base rates, is calculated and passed on to our customers as the Cost of Power Base Adjustment (CPBA) charge.

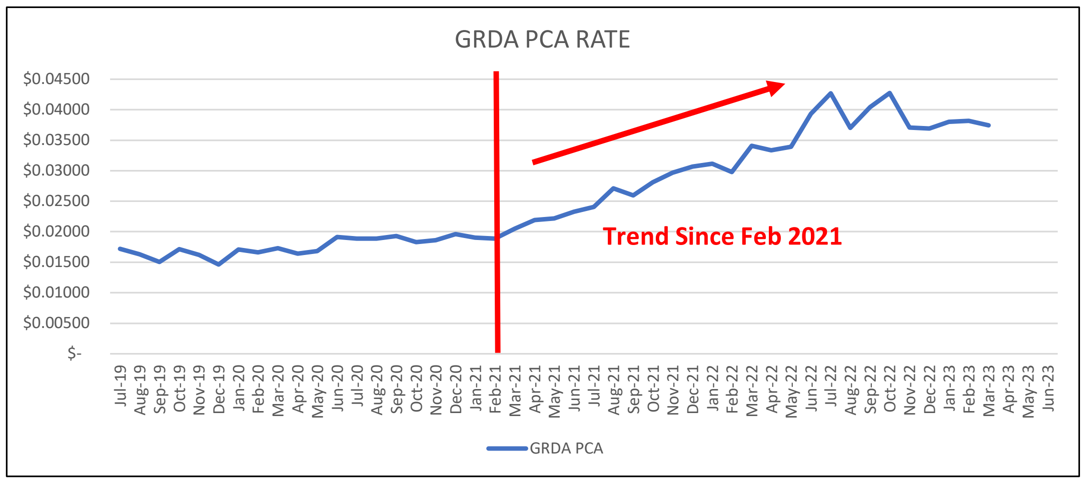
FUNDING SOURCE: NA

RECOMMENDATION: Receive updates and provide guidance to staff as needed.

2/9/2023

	GRDA PCA	PCA Cost	kWh Purchased	kWh Total Deliveries	Meters Served
Jul-19	$ 0.01718	$208,702	12,147,980	10,492,537	4,350
Aug-19	$ 0.01629	$204,726	12,567,603	11,858,333	4,338
Sep-19	$ 0.01509	$176,448	11,693,074	12,039,380	4,324
Oct-19	$ 0.01716	$146,808	8,555,261	9,531,369	4,346
Nov-19	$ 0.01624	$150,210	9,249,393	8,376,100	4,314
Dec-19	$ 0.01462	$147,525	10,090,655	8,724,102	4,322
Jan-20	$ 0.01710	$184,983	10,817,729	9,684,041	4,332
Feb-20	$ 0.01659	$164,350	9,906,580	10,436,933	4,336
Mar-20	$ 0.01730	$142,876	8,258,704	8,463,168	4,352
Apr-20	$ 0.01643	$113,403	6,902,218	6,844,911	4,325
May-20	$ 0.01683	$130,788	7,771,118	7,075,457	4,354
Jun-20	$ 0.01914	$207,913	10,862,726	8,912,216	4,369
Jul-20	$ 0.01890	$240,397	12,719,420	10,948,403	4,378
Aug-20	$ 0.01888	$220,549	11,681,639	11,804,237	4,384
Sep-20	$ 0.01929	$180,303	9,346,979	10,893,526	4,348
Oct-20	$ 0.01829	$148,112	8,097,951	7,630,330	4,336
Nov-20	$ 0.01863	$147,815	7,934,240	6,469,889	4,349
Dec-20	$ 0.01962	$204,735	10,435,034	8,718,069	4,354
Jan-21	$ 0.01905	$208,612	10,950,787	9,979,645	4,361
Feb-21	$ 0.01892	$214,521	11,338,318	10,095,860	4,357
Mar-21	$ 0.02052	$168,358	8,204,584	10,033,051	4,371
Apr-21	$ 0.02194	$164,798	7,511,319	7,405,128	4,361
May-21	$ 0.02219	$170,728	7,693,935	6,750,389	4,374
Jun-21	$ 0.02328	$248,047	10,654,926	8,811,978	4,372
Jul-21	$ 0.02409	$289,789	12,029,444	10,771,812	4,378
Aug-21	$ 0.02712	$344,217	12,692,356	11,873,689	4,369
Sep-21	$ 0.02594	$ 278,838	10,749,359	11,537,245	4,384
Oct-21	$ 0.02811	$ 230,488	8,199,488	8,949,667	4,383
Nov-21	$ 0.02972	$ 238,556	8,026,771	6,531,846	4,412
Dec-21	$ 0.03070	$ 264,018	8,599,934	7,746,884	4,405
Jan-22	$ 0.03118	$ 365,522	11,722,977	9,719,508	4,407
Feb-22	$ 0.02983	$ 304,170	10,196,767	10,617,183	4,387
Mar-22	$ 0.03409	$ 302,546	8,874,926	8,736,106	4,409
Apr-22	$ 0.03337	$ 248,169	7,436,898	8,518,512	4,388
May-22	$ 0.03391	$ 305,151	8,998,862	6,849,400	4,407
Jun-22	$ 0.03933	$ 437,657	11,127,822	9,743,166	4,411
Jul-22	$ 0.04272	$ 573,711	13,429,576	11,372,762	4,408
Aug-22	$ 0.03703	$449,206	12,130,874	12,201,970	4,444
Sep-22	$ 0.04045	$402,208	9,943,344	10,602,894	4,415
Oct-22	$ 0.04277	$329,994	7,715,547	7,600,494	4,393
Nov-22	$ 0.03712	$321,559	8,662,690	6,934,922	4,408
Dec-22	$ 0.03693	$ 394,377	10,679,039	8,975,470	4,430
Jan-23	$ 0.03806	$ 394,341	10,361,025		
Feb-23	$ 0.03822				
Mar-23	$ 0.03746				
Apr-23					
May-23					
Jun-23					





GRDA PCA	Mar-23	$ 0.03746	
	Feb-21	$ 0.01892	*(Month of Winter Storm URI)*
	Increase	$ 0.01854	
	% Increase	98.0%	

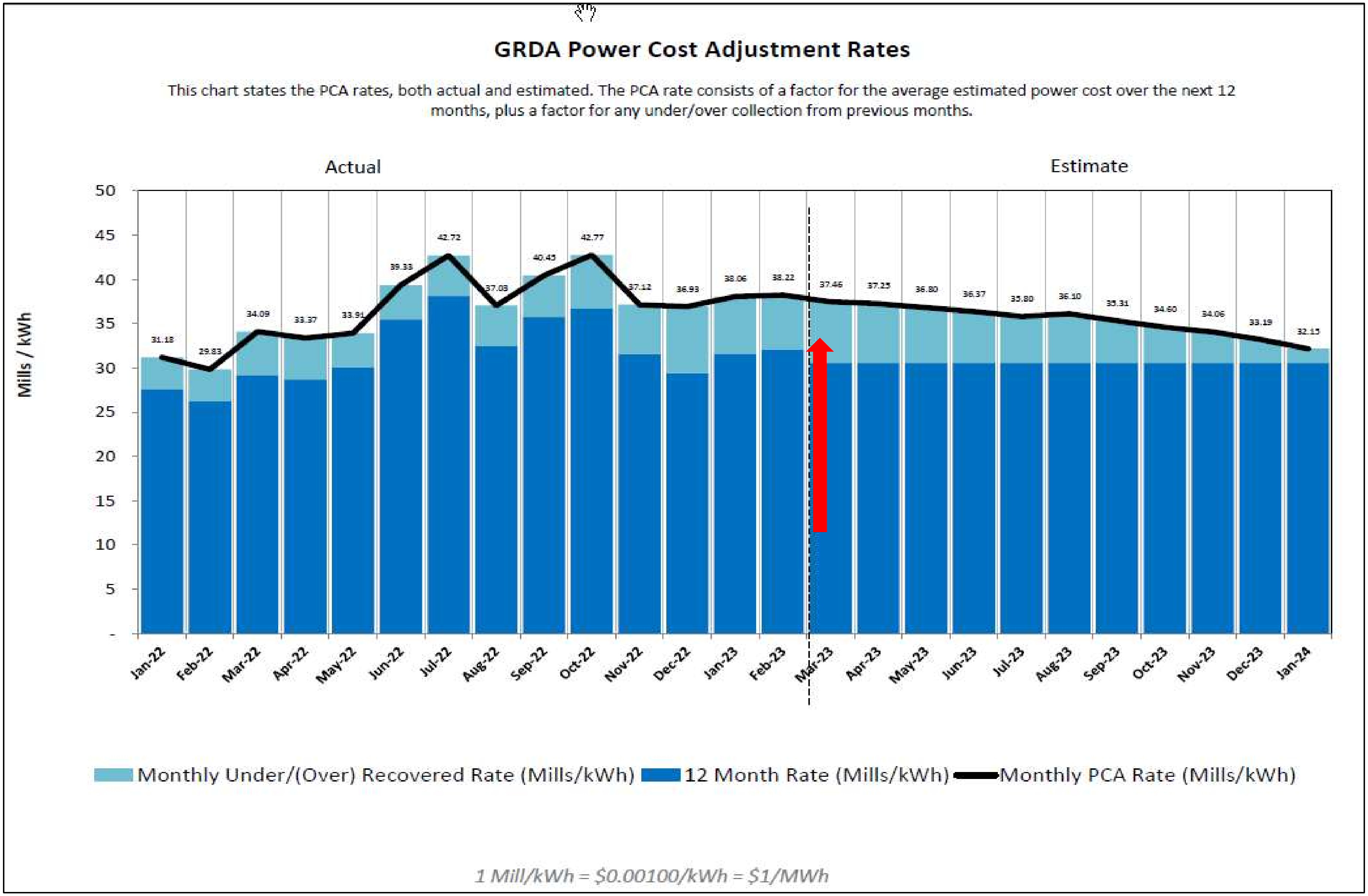
Print Date: 2/9/2023

Source: https://www.cmegroup.com/markets/energy/natural-gas/natural-gas.html

Current Natural Gas Price

Source: https://oilprice.com/oil-price-charts/#Natural-Gas

Source: *Grand River Dam Authority* **Print Date: 2/9/2023**



GRDA Monthly PCA Report

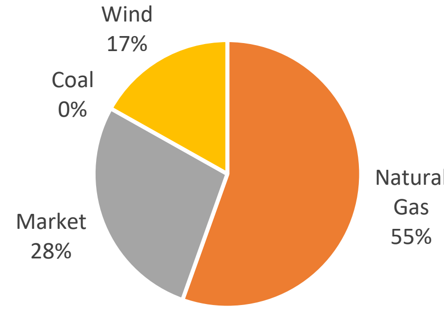
PCA for February 2023	**$0.03806**
PCA approved for March 2023	**$0.03746**
PCA expected to be for April 2023	**$0.03725**

What does GRDA's monthly PCA recover?

• The PCA includes the direct cost of fuel. For GRDA that includes a mix of fuel sources – coal, natural gas, renewables (hydro and wind). For a more detailed explanation please refer to additional information provided.

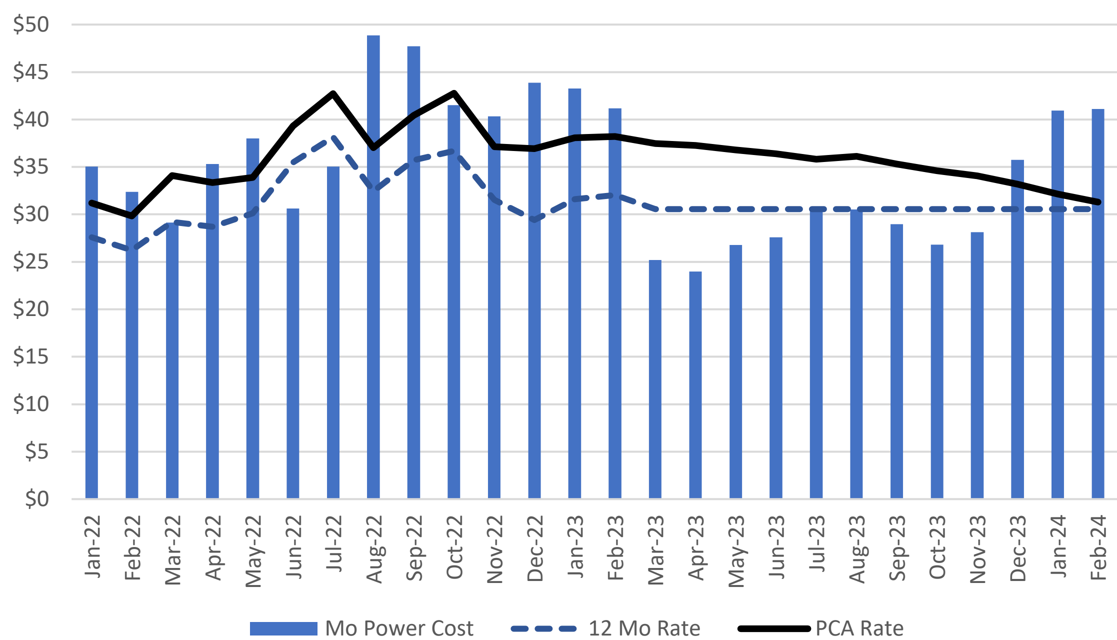
- The current biggest driver of these costs is the cost of natural gas. GRDA uses natural gas to power our generation fleet but it also affects the cost of purchases from the SPP market.

- The chart to the right shows GRDA resource mix for this fuel recovery period.



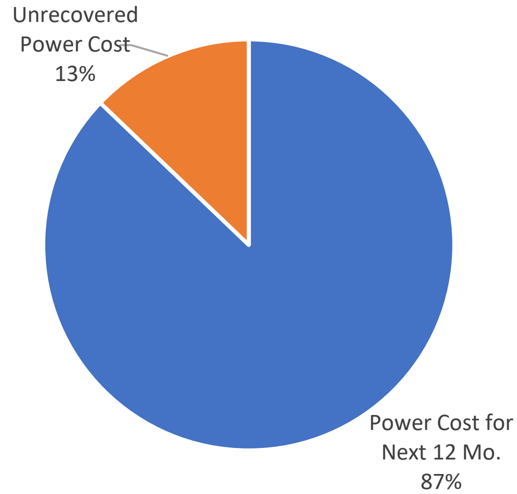
- The cost of fuel can vary widely month to month depending on both the amount of load and the generation used that month to meet those sales.

- To mitigate the fluctuation in those monthly costs, GRDA averages the fuel over a 12-month period.



- The PCA currently includes a large under recovered balance from 2022. Because the cost of natural gas was much higher than the estimates included in the 2022 PCA factors, the PCA was not fully recovering all GRDA power costs during those months. By the end of January 2023 GRDA was under-recovered by $40 million.

- To mitigate the impact on our customers, GRDA will recover the $40 million over the next 12 months. The March factor includes a portion of the under-recovered balance and GRDA will spread the remaining under-recovery balance over the next 12 months.



To this point, we have worked hard to protect our customers from feeling the effects of rising natural gas prices. Unfortunately, external forces continue to put pressure on the costs of fuel which can ultimately impact your electric bill, much like the cost of household items and gasoline.

What is GRDA doing to limit the impact to customers of the high cost of fuel?

• GRDA's existing mix of resources help to mitigate the impact of the current high natural gas prices. By including a mix of resources, GRDA customers do not feel the full impact of the natural gas price increase. The total fuel cost for GRDA includes coal, renewables and natural gas.

- In addition to the GRDA's mix of resources, GRDA also uses Hedging to help mitigate the swings in the natural gas price market.

• GRDA continues to evaluate both the performance of our resources and the SPP market and works to reflect the best strategy in our generation plan for the future. GRDA will continue to add resources that support a diverse resource mix at the lowest reasonable costs.

Additional information

Page 3 PCA Calculation and definition of components

Pages 4-8 PCA packet

PCA Calculation and Definitions of Components

Grand River Dam Authority
Power Cost Adjustment Calculation for the month of March 2023
February 1, 2023

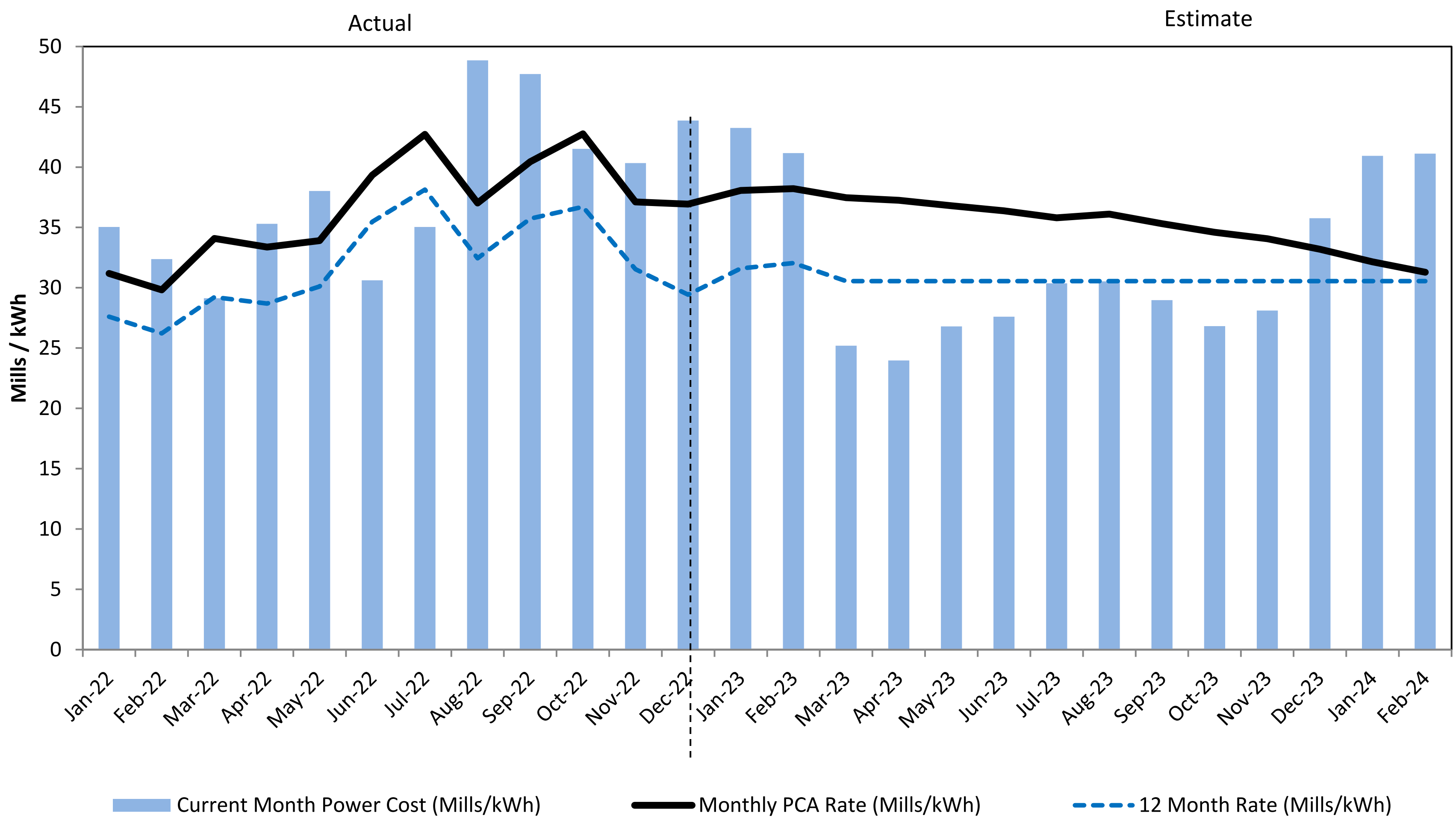
	Estimated Mar-23	Next 12 month Estimated Total	Definition of Costs
Power Cost Expense			
Coal	$0	$60,820,254	The expense of coal burned and the associated coal handling expenses for GRDA's GREC Unit 2.
Gas	$9,867,315	$119,924,110	The expense of gas burned for the commodity, transportation and hedging gains/losses, for GRDA's GREC Unit 2, GREC Unit 3, and GRDA's 36% ownership of Redbud.
Purchased Energy	$6,487,869	$84,580,986	The expense for (i) Energy deemed as purchased from the SPP to meet GRDA load, during hours when GRDA load is greater than GRDA generation. (ii) Wind energy purchases (iii) Other energy purchases including customer-owned generation.
Purchased Capacity	$850,000	$10,200,003	The expense for the capacity purchased from GRDA's customer-owned generation units.
Total Fuel & Purchased Power Expense	$17,205,184	$275,525,353	The total of all fuel related to GRDA-owned resources and all GRDA purchased power expense.
OMPA Unit 2 Net Fuel Expense/Market Revenue	($6,039)	$930,268	The net amount of fuel expense and SPP market revenue associated with an output contract for 3.85% of GRDA's GREC Unit 2.
Spot Energy Sales Revenue	($420,686)	($14,506,032)	The revenue for the energy deemed sold into the SPP Integrated Marketplace, during hours when GRDA generation is greater than GRDA load.
Resource Net Energy Revenue/Expense	$1,015,488	$ 9,469,107	Rider WP-OCA CNER adjustment.
Power Cost Expense Applicable to PCA Sales	**$17,793,948**	**$271,418,696**	**The total PCA expense to be allocated across all PCA kWh sales.**
PCA kWh Sales	705,970,000	8,883,790,000	The total kWh sales under rate schedules subject to the Schedule PCA.
PCA Resource NER kWh Sales	148,800,000	1,766,400,000	The kWh sales associated with the Resource Net Energy Revenue/Expense.
Current Month Power Cost (Mills/kWh)	25.20	30.55	Power Cost Expense Applicable to PCA Sales divided by PCA kWh Sales.
Recovered Power Cost	**$21,568,886**	**$271,418,696**	**The amount recovered for GRDA's next 12 months of power cost expense from the current periods PCA kWh sales.**
Under/Over Recovered Power Cost for Current Month	$ (3,774,940)	0	The Power Cost Applicable to PCA Sales less the amount of the Recovered Power Cost for future 12-mo period. This amount will be carried forward in the Balance of Under/Over recovered power cost for recovery over the next 12-mo period.
12 Month Rate (Mills/kWh)	**30.55**	**30.55**	**The portion of the PCA rate that will recover the estimated Power Cost Applicable to PCA Sales from the estimated PCA kWh Sales for the next 12-mo period.**
Recovery of Under/(Over) Recovered Power Cost	($4,880,182)	($40,032,601)	The amount recoverable in the current period for recovery of the balance of the Under/(Over) Recovered Power Cost. The recovery of the full balance is projected to take place at the end of the next 12-mo period.
Monthly Under/(Over) Recovered Rate (Mills/kWh)	6.91	4.51	The portion of the PCA rate calculated to collect the amount of the Recovery of Under/(Over) Recovered Power Cost Balance.
Total Recovered Power Cost	**$26,449,068**	**$ 311,451,297**	**The sum of the Recovered Power Cost plus the Recovery of Under/(Over) Recovered Power Cost Balance.**
Monthly PCA Rate (Mills/kWh)	**37.46**	**35.06**	**The sum of the 12 Month Rate and the Monthly Under/(Over) Recovered Rate. The Monthly PCA Rate is applicable to all sales that are subject to Schedule PCA.**
Beginning Balance of Under/(Over) Recovered Power Cost	$40,032,601	$0	The balance carried forward from the previous period.
Under (Over) Recovered Power cost for Current Month	($8,655,122)	$40,031,601	The sum of the Under/(Over) Recovered Power Cost for the Current Month and the Recovery of Under/(Over) Recovered Power Cost Balance.
Ending Balance of Under/(Over) Recovered Power Cost	$31,377,479	$0	Total Under recovery remaining at end of month.

Power Cost Adjustment for the Month of March 2023	0.03746	$/kWh
	37.46	Mills/kWh

The next 12 mo. Power Costs and kWh sales are recalculated each month based on current estimates of costs and sales.
Small variances may occur due to rounding

GRDA Power Cost to be Recovered thru the PCA as Compared to the Actual Monthly Power Cost

This chart illustrates how actual monthly power costs are either under collected or over collected in any given month.
This allows for the monthly PCA rate charged to customers to be more stable and levelized.



1 Mill/kWh = $0.00100/kWh = $1/MWh