

General Manager
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TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Karl R. Amylon, General Manager

DATE: June 12, 2019

RE: **Authorizing Additional Operation of Rental Diesel Generators with Associated Expenditures Up to \$527,000 and Preparation of Requisite Budget Amendment**

At its meeting of December 6, 2018, the City Council adopted a motion approving Resolution No. 18-2721 amending the 2018 Ketchikan Public Utilities Operating and Capital Budget to provide a supplemental appropriation for the Electric Division in the amount of \$2,570,044. As the City Council will recall, \$264,000 of the supplemental appropriation was directed to the rental of two 1.6 MW generators to offset the loss of local hydroelectric generation due to extended low lake levels. At its meetings of March 7 and April 4, 2019, the City Council authorized additional funding of \$400,000 for two additional rental units and other associated operating costs. At its meeting of June 6, 2019, the City Council authorized additional funding in the amount of \$200,000 for expenses incurred through June 21, 2019.

The motion detailed below was prepared at the request of Electric Division System Engineering Manager Jeremy Bynum, who asked that it be placed before the City Council for consideration at its meeting of June 20, 2019. If adopted, the motion provides for authorizing additional operation of the rental diesel generators with associated expenditures up to \$527,000 and preparation of the requisite budget amendment to be submitted to the City Council for formal consideration and approval. The rationale for the increased operation of the rental units is detailed in Mr. Bynum's transmittal memorandum and requires little elaboration on the part of my office. The additional funding should cover all rental diesel generator related costs through October 18, 2019. The requested funding is a prerequisite to the division's operations plan through September 30, 2019 [see agenda statement 9b(2)].

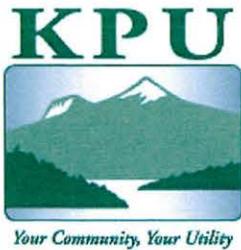
The Electric Division Manager and System Engineering Manager will be attending the City Council meeting of June 20, 2019, in order to address any questions and/or concerns that Councilmembers may have.

A motion has been prepared for City Council consideration.

RECOMMENDATION

It is recommended the City Council adopt the motion authorizing additional operation of the rental diesel generators with associated expenditures up to \$527,000 as detailed in the Electric Division System Engineering Manager's report dated June 11, 2019 and preparation of the requisite budget amendment to be submitted to the City Council for formal consideration and approval.

Recommended Motion: I move the City Council authorize additional operation of the rental diesel generators with associated expenditures up to \$527,000 as detailed in the Electric Division System Engineering Manager's report dated June 11, 2019 and preparation of the requisite budget amendment to be submitted to the City Council for formal consideration and approval.



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TRANSMITTAL MEMORANDUM

TO: Karl Amylon, KPU General Manager
Lacey Simpson, Assistant KPU General Manager

FROM: Jeremy T. Bynum PE, Electric System Engineering Manager

DATE: June 11, 2019

SUBJECT: KPU Rental Generators and Funding

On the meeting of October 18, 2018, the City Council was notified that KPU Electric would be seeking additional generation capacity through the use of a Rental Generator Program. Initial funding of \$264,000 was approved in Resolution No. 18-2721 on December 6, 2018. On March 7, 2019, the City Council approved additional funding in the amount of \$200,000 for a total of \$464,000 to cover estimated costs through April 30, 2019. On April 4, 2019, the City Council approved additional funding in the amount of \$200,000 for a total of \$664,000 to cover estimated costs through June 7, 2019. On June 6, 2019, the City Council approved additional funding in the amount of \$200,000 for a total of \$864,000 to cover estimated costs through June 21, 2019

Electric Division has been continuously evaluating the requirements for additional generation. Through planning and tracking generation, Electric Division forecast a continued need for the four (4) rental generators and equipment into October of 2019; this evaluation will be an ongoing activity and requirements may change as weather conditions improve or deteriorate.

As stated in previous communications, the KPU Rental Generator Program is in response to extended drought conditions; additional factors include a need for added generation capacity due to low lake levels, Preapproved Emission Limit (PAEL) permit restrictions, and limited Title V permit hours at Bailey Power Plant. In addition to hourly-rental rates, The Alaska Department of Environmental Conservation (ADEC) permit for rental generator operations, in their current locations, allows for one thousand two hundred fifty-seven (1,257) operating hours for each unit at each site. Currently, KPU has six (6) PAEL permits and will be planning for additional permits depending on rental equipment usage.

After evaluation of operating requirements and maximizing utilization of the rental equipment, the current estimated cost for rental equipment is \$1,324,000 through October 18, 2019. This includes \$166,000.00 for additional shift operations and \$67,000 as five percent (5%) contingency for unplanned expenses.

The current approved funding of \$864,000 provides operation of four (4) rental units and associated equipment through June 21, 2019. KPU Electric is requesting additional funding of \$527,000 to cover continued operations of rental equipment, operating shifts (time), rental equipment maintenance, service calls, and transportation; the additional \$527,000 of funding will cover all rental related costs through October 18, 2019.

With the escalating cost of the Rental Generator Program, it should be noted that the rental rates were thoroughly reviewed in September of 2018 to ensure the rates were competitive with other vendors; making any change in vendors in an attempt to find cost savings at this time is not feasible due to the logistics of transportation, ADEC permitting, available service support, fueling arrangements, and KPU communications configurations.

Electric Division anticipates continuing the Rental Generator Program through the end of the year and potentially beyond, however, this funding request is only through October 18, 2019. Electric Division Management plans to provide a diesel operations update and any potential additional funding request at the City Council Meeting of August 15, 2019 or before if conditions change.

This request is to authorize \$527,000 in additional funds for Account 645.02, Rent and Leases - Machinery and Equipment. KPU Electric will coordinate with Bob Newell, Finance Director, and is requesting that the funds come from appropriated reserves of the KPU Enterprise Fund unless otherwise directed; ultimately these funds will be recovered through the diesel surcharge program. This additional funding will bring the total funding for the Rental Generator Program to \$1,324,000 and provide funding through October 18, 2019.

Cc: Andy Donato, Electric Division Manager
Mark Adams, Operations Manager

December 6, 2018

Councilmember Gage noted this was one of the best contracts and or plans that she has seen. She felt if we stay on top of it, there should not be a problem and would vote in the affirmative.

Motion passed with Bergeron, Coose, Flora, Gage and Zenge voting yea; Isom and Kiffer voting nay.

Award of Contract No. 18-26 - FERC Relicensing Services for the Beaver Falls Hydroelectric Project - Kleinschmidt Associates

Moved by Coose, seconded by Kiffer the City Council authorize the general manager to enter into Contract No. 18-26, FERC Relicensing Services for the Beaver Falls Hydroelectric Project in an initial amount not to exceed \$150,000; and authorize funding from the Electric Division's 2018 Beaver Falls Project Relicensing Capital Account.

Manager Amylon answered questions from the Council.

Motion passed with Bergeron, Coose, Isom, Flora, Gage, Kiffer and Zenge voting yea.

Resolution No. 18-2721 - Amending the 2018 Ketchikan Public Utilities Operating and Capital Budget to Provide a Supplemental Appropriation for the Electric Division in the Amount of \$2,570,044

Moved by Coose, seconded by Kiffer the City Council approve Resolution No. 18-2721 amending the 2018 Ketchikan Public Utilities Operating and Capital Budget to provide a supplemental appropriation for the Electric Division in the amount of \$2,570,044; and establishing an effective date.

Manager Amylon answered questions from the Council regarding the new generators.

Motion passed with Bergeron, Coose, Isom, Flora, Gage, Kiffer and Zenge voting yea.

APPROVAL OF VOUCHERS - None

CITY MANAGER'S REPORT

Manager Amylon informed the Council the decision that came down regarding the litigation with the cruise ship industry and Juneau did not go in Juneau's favor. He said absent an appeal by Juneau his understanding is that communities will be restricted from using wharfage fees and/or CPV funds relative to upland improvements. He felt sometime in early January Council may want to schedule a work session to discuss how we may want to move forward in light of this decision. He indicated he would email the decision to the Council tomorrow for review.

Manager Amylon referenced the laid on the table regarding the imposter fraud that took place earlier this month. He said a fraudulent billing came through electronically representing itself as one of our contractors. He noted the issue has been turned over to the Police Department for

March 7, 2019

Offer of Employment – Telecommunications Division Network Operations and Engineering Manager

Moved by Isom, seconded by Bergeron the City Council authorize the general manager to offer the position of Telecommunications Division Network Operations and Engineering Manager to Mr. Daniel White of Ketchikan, Alaska based upon a compensation level of Grade 9-88, Step O at an annual salary of \$150,944 and annual vacation accrual of fifteen (15) days per year.

Motion passed with Isom, Coose, Kiffer, Zenge, Flora, Gage and Bergeron voting yea.

Budget Transfer - Additional Costs Associated with Rental Diesel Generators

Moved by Flora, seconded by Zenge the City Council authorize the general manager to transfer \$200,000 from Appropriated Reserves of the KPU Enterprise Fund to the Electric Division's Rent and Leases - Machinery and Equipment Account No. 645.02 to fund an additional eight weeks of generator rental and associated costs.

Mayor Sivertsen informed this additional funding will keep the diesel generators in operation through April 30, 2019. He said the reality is the City will need to run the generators even with any inflow to augment the filling of the reservoirs.

Manager Amylon said based on what the City has experienced during these diesel runs and discussion with Electric Division Manager Donato these are not the units the City wants to buy. He stated the City has provided tender loving care on a daily basis just to keep the units running. He noted they have helped us through the crunch, but they are not something the City would invest in. He said staff is looking into the next diesel capacity units the City would need to acquire. He said according to the National Weather Service the dry weather could last another six months with diesel runs into the fall. He informed the use of diesel is very expensive and earlier this week the City took on 240,000 gallons of diesel at Bailey. He said under current circumstances the City is burning between 18,000 and 20,000 gallons of diesel a day to keep the lights on. He said KPU employees deserve all the credit for the effort they are putting in to keep the generators running. He indicated we are not alone, for the first time anyone could remember Petersburg and Wrangell are also running diesels due to the weather conditions.

Councilmember Bergeron stated his observation on how we are structured within SEAPA and how the City generates power. He said we seem to have a limiting factor on other types of generation resources coming into the system. He felt it was time to take a look at how we are structured and research an alternative energy source like wind. He referenced public comments made tonight regarding the fisheries and how the area is changing. He stated the City needs to look at how we are operating and how we are set up and make some changes. He said after numerous years of discussion regarding wind power, he thought the City should have at least one windmill by now.

Motion passed with Isom, Coose, Kiffer, Zenge, Flora, Gage and Bergeron voting yea.

April 4, 2019

competitive bidding/written quotation requirements of the Ketchikan Municipal Code; authorize the city manager to enter into an agreement for the purchase of such annual software maintenance agreement with Tyler Technologies, Inc. in an amount not to exceed \$81,294; and approve funding from the Finance Department's 2019 Software Maintenance Services Account No. 635.04.

Motion passed with Isom, Bergeron, Gage, Flora, Zenge and Coose voting yea; Kiffer absent.

Liquor License Renewals - Good Fortune Restaurant and Edgewater Inn

Moved by Isom, seconded by Zenge the City Council approve the renewal of liquor licenses: Beverage Dispensary - Edgewater Inn and Restaurant/Eating Place - Good Fortune Restaurant.

Motion passed with Isom, Bergeron, Gage, Flora, Zenge and Coose voting yea; Kiffer absent.

Resolution No. 19-2733 - Honoring the Kayhi Cheer Team and the Kayhi Kings Boys' Basketball Team

Moved by Isom, seconded by Zenge the City Council approve Resolution No. 19-2733 honoring the Kayhi Cheer Team for their Division I Championship and the Kayhi Kings Boys' Basketball Team for their 4A State Basketball Championship; and establishing an effective date.

Motion passed with Isom, Bergeron, Gage, Flora, Zenge and Coose voting yea; Kiffer absent.

Authorizing Budget Transfer - Purchase of Water Division Forklift

Moved by Isom, seconded by Zenge the City Council authorize the general manager to transfer \$1,100 from the Water Division's 2019 Vehicle Maintenance Materials to Account No. 515.01 to the 2019 Warehouse Fork Truck Capital Account to provide sufficient funding to purchase a new forklift from Tyler Rental.

Motion passed with Isom, Bergeron, Gage, Flora, Zenge and Coose voting yea; Kiffer absent.

Resolution No 19-2732 - Amending the 2019 Ketchikan Public Utilities Operating and Capital Budget to Provide a Supplemental Appropriation for the Electric Division in the Amount of \$450,000

Moved by Isom, seconded by Zenge the City Council approve Resolution No. 19-2732 amending the 2019 Ketchikan Public Utilities Operating and Capital Budget to provide a supplemental appropriation for the Electric Division in the amount of \$450,000; and establishing an effective date.

Motion passed with Isom, Bergeron, Gage, Flora, Zenge and Coose voting yea; Kiffer absent.

"UNAPPROVED"

June 6, 2019

Account; approve funding in the amount of \$643,667 from the Streets Division's 2019 Pavement Overlay - Surface Repair Capital Account and \$48,750 from the Cemetery Division's 2019 Paving Improvements Capital Account; and direct the city manager to execute the contract documents on behalf of the City Council.

Motion passed with Flora, Williams, Kiffer, Bergeron, Gage, Coose and Zenge voting yea.

Change Order No. 1 (Final) to Contract No. 18-06 - Grant Street Trestle Extension - BAM, LLC

Moved by Williams, seconded by Kiffer the City Council approve Change Order No. 1 (Final) to Contract No. 18-06, Grant Street Trestle Extension, in the amount of \$38,876, bringing the total contract cost to \$307,511; authorize a budget transfer in the amount of \$12,012 from Appropriated Reserves of the Public Works Sales Tax Fund to the Streets Division's Wall and Abutment Reconstruction & Repair Capital Account; and direct the city manager to execute the change order on behalf of the City Council.

Motion passed with Flora, Williams, Kiffer, Bergeron, Gage, Coose and Zenge voting yea.

Exempting the Procurement of Annual Colocation Services for the Telecommunications Division from the Competitive Bidding/Written Quotation Requirements of the Ketchikan Municipal Code - Green House Data

Moved by Williams, seconded by Kiffer pursuant to subparagraph 6 of Section 3.12.050(a) of the Ketchikan Municipal Code, the City Council exempt the procurement of annual colocation services for the Telecommunications Division from the competitive bidding/written quotation requirements of the Ketchikan Municipal Code; authorize the general manager to enter into an agreement for the acquisition of such annual colocation services with Green House Data in the amount of \$27,645; establish a five percent contingency in the amount of \$1,382; bringing the total procurement cost to \$29,027; and approve funding from the Telecommunications Division's 2019 Rents and Lease - Infrastructure Account No. 645.04.

Motion passed with Flora, Williams, Kiffer, Bergeron, Gage, Coose and Zenge voting yea.

Authorizing Additional Operation of Rental Diesel Generators with Associated Expenditures Up to \$200,000 and Preparation of Requisite Budget Amendment

Moved by Williams, seconded by Kiffer the City Council authorize additional operation of the rental diesel generators with associated expenditures up to \$200,000 as detailed in the electric division system engineering manager's report dated May 29, 2019 and preparation of the requisite budget amendment to be submitted to the City Council for formal consideration and approval.

Motion passed with Flora, Williams, Kiffer, Bergeron, Gage, Coose and Zenge voting yea.