

**A RESOLUTION OF THE CITY OF WAYNESVILLE TO SUPPORT A
LETTER OF INTENT WITH SHOW-ME POWER ELECTRIC COOPERATIVE
FOR A FACILITIES USE AGREEMENT**

WHEREAS, the City Council has caused a review to be conducted by City personnel of the costs associated with facility use and operational fees charged in order to provide electric service to the City's customers; and

WHEREAS, after review, the City Council determined that a more cost-effective solution regarding facility use and operational fees was needed;

WHEREAS, Show-Me Power Electric Cooperative has presented the City Council with a Letter of Intent detailing reduced charges on both facility use and operational fees; and

WHEREAS, the City Council accepts the Letter of Intent from Show-Me Power Electric Cooperative for a Facilities Use and Operating Agreement regarding electric service for the City of Waynesville.

NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WAYNESVILLE, THAT

A Letter of Intent with Show-Me Power Electric Cooperative for a Facilities Use and Operational Agreement for Electric Service is hereby approved.

The Letter of Intent is attached hereto as Exhibit "A" and made a part of this resolution.

The City Council also agrees that the Mayor and/or City Administrator is authorized to execute any and all documents on behalf of the City of Waynesville relating to this project.

PASSED AND RESOLVED BY THE CITY COUNCIL OF THE CITY OF WAYNESVILLE THIS 24th DAY OF March, 2021.

By: Dr. Jerry W. Brown
Dr. Jerry Brown

ATTEST:

Tracey York
Tracey York, Deputy City Clerk





Sho-Me Power Electric Cooperative

A Touchstone Energy® Cooperative 

LETTER OF INTENT

City of Waynesville, Missouri Joint Municipal Electric Utility Commission & Sho-Me Power Electric Cooperative

The City of Waynesville (the "City") was an "all requirements" electric customer of Sho-Me Power Corporation, and its successor, Sho-Me Power Electric Cooperative (both now referred to as Sho-Me), for decades. Due to the close proximity of the City to a Rural Electric Cooperative (REC) member of Sho-Me, a distribution substation was built by Sho-Me to be able to serve both customers (Laclede REC & City) out of the same substation. This method enabled Sho-Me to serve both customers far more economically than by constructing dedicated facilities for each customer. Even though the City no longer buys the actual power from Sho-Me, the City's Power Supplier (MJMEUC) contracts with Sho-Me to deliver the needed power to the City.

When the Waynesville substation serving the City was originally constructed, it was interconnected to Sho-Me's 69,000 volt (69 kV) transmission system. Several years ago Sho-Me upgraded the 69 kV line serving Waynesville to 161 kV, therefore providing Waynesville an opportunity to connect directly to Associated Electric Cooperative, Inc. (AECI). AECI does not own the line serving the Waynesville substation, but they do have contractual rights to the use of all Sho-Me transmission lines operated at 161 kV.

In 2019 Sho-Me prepared various options available to the City to make the method of power delivery to the City more economical. One of the challenges of communicating with the City is that the City currently has no direct contractual relationship with Sho-Me. The City contracts with MJMEUC for power and transmission service and MJMEUC contracts with both AECI & Sho-Me for transmission service. Options that were identified that could reduce the City's costs from Sho-Me included the City building its own substation and connecting to AECI directly, performing an engineering study to establish a new method of allocating wheeling costs to Sho-Me wheeling customers, or changing the contractual relationships whereby the City could contract directly with Sho-Me to provide the facilities necessary for the City to connect to AECI (Facilities Use Agreement) and an Operating Agreement whereby Sho-Me would continue to operate the facilities serving the city.

A meeting was held on the morning of February 17, 2021 including representatives from Sho-Me, AECI, City of Waynesville, and MJMEUC, whereby the concept of entering into a Facilities Use Agreement and an Operating Agreement was discussed. The purpose of this Letter of Intent is to establish a general framework that each party can agree upon that can then be formally documented and adopted by the City Council of Waynesville and Sho-Me's Board of Directors by May 20, 2021.

A draft of this Letter of Intent was shared on February 18th with all of the representatives from the previous day's meeting. A follow up meeting was then held on February 23rd to discuss the term of these proposed Agreements, the need to include a requirement for a Committee to review operations annually, and the Committee to include members from the City, Sho-Me, MJMEUC, AECI and the City's consulting engineer. An additional topic was a method to plan for a transformer upgrade for the benefit of the City and an upgrade to the bus tie that currently exists between the City and the REC bus (collectively "Substation Upgrades").

The principles of the Facilities Use Agreement will include the fact that the Waynesville substation was designed to utilize certain equipment that would serve both the City and the REC (Dual Use Equipment), the equipment dedicated to the City was designed to serve a City load no larger than 22 megawatts (MW), and will include the Substation Upgrades in which the size of the transformer primarily serving the City will be upgraded to 37 MVA. The Facilities Use Agreement would specify an initial annual cost of \$150,000.00 ("Facility Use Charge"), with the term extending for twenty-five years, with a provision to allow either party to terminate the Facilities Use Agreement so long as the terminating party provides notice to the other party of said intent within two years of a designated termination date ("Term 1"). There will be a triggering mechanism within the initial Facilities Use Agreement that when the Substation Upgrades described above are completed and the City reaches a peak load



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equal to or greater than 19.3 MW, the Facility Use Charge will increase to \$285,000¹ for 35 years ("Term 2"). The Facilities Use Agreement will then automatically renew for three additional ten year extensions with a provision to allow either party to terminate the Facilities Use Agreement so long as the terminating party provides notice to the other party of said intent within five years of the expiration of Term 2 or subsequent term extensions. If the City were to request an additional upgrade beyond the Substation Upgrade, Sho-Me will coordinate with the City on such upgrade discussions. All engineering plans would be shared with the City to review, and the parties agree to be able to amend the Facilities Use Agreement at any time during the initial or subsequent Terms of the Agreement. The Facilities Use Agreement will specify that any equipment that falls that is within the Waynesville substation will be replaced by Sho-Me, and the City will only be responsible for reimbursing Sho-Me for labor related for such replacements as outlined in the Operating Agreement.

The Operating Agreement that is associated with the Facilities Use Agreement will include two types of Ancillary Services: shared monitoring services and direct services. Shared monitoring services refer to the costs of providing constant monitoring through a Supervisory Control and Data Acquisition (SCADA) system and a separate physical security system that is also monitored 24 hours per day. The estimated cost of providing this service in 2019 was \$2,000 per month, and this would be the beginning charge for the shared monitoring services. This fee is subject to a 3% annual escalation clause. The direct labor costs related to the normal operations and maintenance of the equipment dedicated to the use of the City will be paid by the City through the Operating Agreement. The cost of material that is replaced and the use of any Sho-Me equipment used is included within the Facilities Use charge, however the hourly labor charge included within Sho-Me's Work for Others Policy and Procedure will be applied (currently \$150 per hour during regular working hours). Sho-Me will only charge the City when field or engineering work is being performed on equipment dedicated to serving the City. All work on equipment serving Laclede or Dual Use Equipment will not be charged to the City. Copies of the Work for Others Information is attached, and any adjustment in price is limited to a 15% increase every five years. A copy of the Substation Inspection and Maintenance Program is also attached. Sho-Me can either bill the City as hours are incurred, or use an estimate of 250 hours per year and "true up" the actual costs annually (a total for both services would currently be \$5,125 per month). The Operating Agreement will specify minimum Power Factor Requirements, the establishment of an Operations Committee that includes representatives from the City (required) and its Electrical Engineer, Sho-Me (required), MJMEUC and AECL, and a requirement that the Operating Committee meets in April of each year, or at other times if agreed upon, to discuss matters of mutual interest.

The signatories below agree that by the City of Waynesville and Sho-Me entering into the two aforementioned Agreements, the City will no longer be subject to a Transmission Service charge through the Sho-Me/MJMEUC Transmission Service Agreement and that MJMEUC and Sho-Me also agree to amend said Transmission Service Agreement to remove Waynesville from it. Further, the parties agree to work in good faith to negotiate and execute the Facilities Use Agreement and Operating Agreement no later than May 21, 2021.

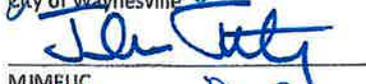
This Letter of Intent shall have no impact on any agreement between MJMEUC and AECL.



City of Waynesville

3/12/21

Date



MJMEUC

3/12/21

Date



Sho-Me Power Electric Cooperative

3/15/21

Date

¹ Incorporates the replacement of the current 22 MVA transformer serving the City with a 37 MVA unit and increasing the bus tie capacity between City and Laclede low side bus work