



Meeting Date: June 6, 2016

Report No. SUA-16-29

Agenda Item No. 5-a

Status: General Orders

Purpose: Stillwater Energy Center (SEC) Project Update

Background Summary: The SEC project includes the construction of: a power generation building, which will house three 25,000 horsepower natural gas fired reciprocating combined engine/generation units capable of producing a total output of 56 Megawatts of electricity; an operations and administration complex, which includes a centralized control room, administration offices, and maintenance facilities; a new electrical transmission and distribution substation. The total project cost is estimated at just under \$70,000,000. Funding for the project was provided through the sale of revenue bonds from the SUA.

Construction of the SEC began on July 13, 2015 and it is projected to be commercially operational in mid-July dependent upon the timely commissioning of the engine/generators. The commissioning is scheduled to begin this month, followed by performance testing. After the performance guarantees have been met and the testing is completed, the SEC will become commercially operational.

When the construction project began, the Commercial Operation Date (COD) target was set at June 30, 2016; however since then the schedule has been impacted by weather, equipment delivery and construction delays.

During the design phase of the project, the original targeted COD was set for mid-July 2016. Staff compressed the schedule to June 30th when Grand River Dam Authority (GRDA) advised that they could only offer the generation resources into the Southwest Power Pool market on a monthly basis. GRDA planned to use the SEC to help make up for the loss of capacity from their Unit #1 (coal) because of mandates by the Environmental Protection Agency (EPA). Since then, GRDA has received EPA approval to keep their Unit #1 on line, so they do not need the SEC to meet their reserve obligations for July. The compression of the schedule to June 30th was to ensure that the SUA would receive a capacity payment for July. GRDA has agreed to offer the SEC into the market on July 1st and put it in an outage state until ready. This will allow the SUA to receive a partial capacity payment for July when it becomes operational.

While the project is slightly behind the compressed schedule, it remains on budget. The projected cost of the project is \$69,816,395. There have been 51 individual contracts put in place and approximately \$59,000,000 has been paid out to date. At this time, it is anticipated that the project will be completed

on or slightly under budget. Any remaining project funds will be used for minor projects related to the SEC or to purchase spare parts for the engines and auxiliary equipment.

Budget Impact: This is a status report and has no budgetary impact.

Prior Council Action or Part of an Approved Project: Yes

Related Items: [SEC Project Approval SUA 14-31](#)

Prepared by: Loren Smith, Electric Director

Reviewed by: Dan Blankenship, Deputy City Manager

Submitted by: Norman McNickle, City Manager