



Legislation Text

File #: 17-678, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Adopt the Resolution Authorizing Execution and Approval of New Parallel Operation and Energy Purchase Agreement Between City of Naperville Department of Public Utilities-Electric and Nalco Company LLC

DEPARTMENT: Electric Utility

SUBMITTED BY: Mark Curran, Electric Utility Director

BOARD/COMMISSION REVIEW:

Discussed with Public Utilities Advisory Board (PUAB) in conjunction with Primary and Transmission Standby Rates.

BACKGROUND:

The City of Naperville and Nalco Company LLC entered into an original parallel operation and energy purchase agreement on August 27, 1985. The Nalco facility was a Qualifying Facility as defined in the federal Public Utility Regulatory Policies Act (PURPA) of 1978. This legislation was passed to promote increased efficiency in the utilization of energy resources and authorized non-utility entities to enter the business of generating electricity. The thermal energy from the cogeneration plant is used for building heating and to drive chiller equipment. The city has been required to purchase electric energy generated above that required for the Nalco facility. The two parties entered the original agreement to define the requirements and parameters, which allowed Nalco to install and operate the cogeneration facility in parallel with the city's electrical system. BP is the only other electric utility customer within the city that operates a cogeneration facility.

DISCUSSION:

The Nalco facility continues to be a Qualifying Facility under the PURPA of 1978 and the Energy Policy Act of 2005. The facility is interconnected with the Electric Utility system at a voltage of 12.47kV and served by a dedicated 12.47kV utility feeder. The agreement outlines the interconnection, maintenance, operating, billing and insurance requirements to allow parallel operation of the cogeneration facility with the city's electric system.

The agreement requires Nalco to pay a monthly Standby Capacity Charge to recover Electric Utility costs incurred to have capacity available to meet customer peak demand when needed. Electricity required for the facility which is not generated by Nalco is purchased from the utility under the utility's Primary Metering tariff rate entitled Standby Primary Metering for all energy (kWh) consumed and demand (kW) coincident with utility's peak billing demand from the Illinois Municipal Electric Agency (IMEA). The Electric Utility purchases electric energy that is generated above that required at the

facility at a rate equal to the average cost of power supplied by the Illinois Municipal Electric Agency (IMEA) during IMEA's immediately preceding fiscal year ending on April 30.

The term of this agreement shall commence on the effective date and shall continue through the termination of the Electric Utility's current IMEA power purchase contract in September 2035. During such term, the agreement may be terminated by either party for any reason, upon sixty (60) days advance written notice of the termination date.

FISCAL IMPACT:

The standby rates are cost-of-service based and designed to allow the Electric Utility to recover costs to provide service to customers.