



# Design Review Committee Briefing #32

**Subject:** Primary Power Ownership Update

**Date:** December 16, 2019

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## The Issue

The City of Nampa (City) Wastewater Treatment Plant (WWTP) currently does not own the primary power infrastructure onsite. The City currently rents the electrical infrastructure from Idaho Power Company (IPC), who charges the City a “Facilities Charge” that is similar to a rental payment. This cost will increase when the City adds electrical infrastructure to support Phase II Upgrades. The City investigated the potential for purchasing primary power infrastructure and taking ownership of this system, instead of continuing to pay IPC for renting the infrastructure.

## Background and Analysis

The Technical Team performed a business case evaluation (BCE) earlier this year to consider the option of owning the primary power infrastructure (see DRC Briefing #23). The Primary Power BCE considered the following alternatives:

- **Alternative 1.A: Continue Renting with Centralized Standby Power Generation.** Alternative 1.A assumed that at the end of Phase II Upgrades, the City would continue renting primary power infrastructure from IPC. The City would construct an additional standby power generation facility and follow a centralized generation scheme.
- **Alternative 1.B: Continue Renting with Distributed Standby Power Generation.** Alternative 1.B was the status quo approach for primary power ownership (i.e. IPC owns and operates the system) and assumed that the City adds on to the current distributed standby power system. This distributed standby power approach would locate a generator at each facility that needs it.
- **Alternative 2: Purchase Primary Power with Centralized Standby Power Generation.** Alternative 2 assumed that the City negotiates the purchase of primary power infrastructure from IPC. There are three components to Alternative 2, 1) purchase primary power from IPC, 2) install primary power infrastructure for Phase II Upgrades, and 3) install standby power generation facilities.

The results of the Primary Power BCE indicated Alternative 2: Purchase Primary Power with Centralized Standby Power Generation had the lowest cost of asset ownership. This result was driven by the significant savings (i.e. greater than \$6.5M) savings in the O&M costs due to the elimination of the monthly Facilities Charges. The Technical Team had originally assumed a purchase price for the primary power system of approximately \$1.2M. In DRC Meeting #9 the DRC approved the recommendation to proceed with this alternative and begin negotiating with Idaho Power to establish the purchase price of the assets.

The City of Nampa and Technical Team followed the recommendation and reached out to Idaho Power to begin negotiations. Following an initial meeting, Idaho Power supplied an Asset Purchase and Transfer of Title Agreement to the City of Nampa. This Asset Purchase agreement set a price of \$821,253 to purchase the primary power infrastructure from Idaho Power. This capital cost is less than the estimated capital expenditure assumed in the Primary Power BCE. This only further reinforces the results of the BCE presented in DRC Briefing #23.

## Potential Consequences

The following consequences are for DRC's consideration:

- The original budget for the Phase II Upgrades did not include the primary power purchase. Therefore, the purchase would have to be done with savings from other projects throughout Phase II Upgrades or by using contingency funds.
- If the City decides to pursue the primary power purchase the next step would be to sign the draft agreement. Once the agreement is signed Idaho Power has to get it approved by the Idaho Public Utilities Commission and the Oregon Public Utilities Commission. This process is expected to take up to 6 months.
- The configuration of primary power will impact the approach to upgrades for other unit processes. Therefore, direction is needed from the DRC as to whether the opportunity to purchase the primary power system should be pursued.

## Recommendation

The Technical Team recommends pursuing the purchase of the primary power system from Idaho Power Co. This represents cost savings to the City over through reduced ongoing costs.