

# Staff Report

for the Board of Directors' Meeting of February 24, 2021

**TO:** Board of Directors

**FROM:** Keane Sommers, P.E., Hydroelectric Manager *KSS*

**DATE:** February 17, 2021

**SUBJECT:** South Sutter Water District – Hydroelectric Support

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## ***HYDROELECTRIC***

### **RECOMMENDATION:**

Review and discuss a proposal to provide support for South Sutter Water District hydroelectric operations and provide direction as appropriate.

### **BACKGROUND:**

In 1981 South Sutter Water District (SSWD) signed an agreement with Sacramento Municipal Utility District (SMUD) for construction of a 7 Megawatt power plant at Camp Far West Reservoir. Power production started in the spring of 1985. Since that time, SMUD has provided regulatory support, operations, and maintenance of the powerhouse. The SSWD/SMUD contract is coming to an end, and SSWD is looking for options for the long term support with plant operations and maintenance.

As a part of their due diligence, SSWD reached out to Nevada Irrigation District (NID or District) for advice on potential options. During those discussions, the concept of NID operating and potentially providing maintenance and administrative services was developed.

At the December 1, 2020 Administrative Practices Committee (APC) meeting a potential contract was discussed at a high level and the APC directed staff to continue discussions with SSWD to determine if a contract was feasible and in the best interest of the District. Following that meeting staff toured the Camp Far West facility and had several phone calls with SSWD staff.

Staff found the facility to be clean and well maintained however, it lacks the capital investment typical of District facilities. At the site visit and during the follow up phone calls SSWD staff indicated that rather than an agreement where the District is fully responsible for powerhouse operations they would prefer an as-needed type contract with an hourly rate for services.

At the January 5, 2021 APC meeting staff provided the Committee with a draft Term Sheet that did not include pricing information. The Committee reviewed the draft Term Sheet and gave direction to staff regarding pricing, equipment usage, and further negotiations.

Following that meeting staff presented an updated Term Sheet dated January 15, 2021 to SSWD (Attachment 2). Since that time staff has had multiple meetings with SSWD staff and their consultants to discuss a potential contract. Staff believes that negotiations have progressed to the point that this item should be brought to the full Board for discussion.

#### Term Sheet

The Term Sheet identifies key provisions that could be used to develop a binding contract. Assuming the Board recommends continuing to move forward with negotiations, staff will work with SSWD to construct a contract which will be brought to the Board for review and final approval.

The Term Sheet contemplates a cost structure that includes a fixed monthly fee and an hourly fee for any services provided. The rates presented are based on the sum of salary, benefits, overhead, and a reserve-building component. The reserve-building component is a percentage of the sum of the first three components as recommended by the APC.

The Term Sheet includes charging SSWD the cost associated with the use of District equipment with a value greater than \$5,000. Equipment rates will help to reimburse the District for a portion of the cost used to purchase the equipment.

#### Expected Level of Commitment

The Term Sheet makes it clear that operations and maintenance of NID's facilities will be the District's first priority. If at any time staff are needed for NID business they will be diverted from SSWD. Staff currently envisions a level of commitment as follows:

- Operations: 16 hours per month with tasks including routine inspections and flow changes. Limited emergency call out estimated at two to three times per year.
- Maintenance: 16 hours monthly with tasks split between electrical and mechanical/civil crews.
- Compliance, Dam Safety and Administrative: Limited. SSWD expects to handle the majority of these responsibilities.

### Potential Non-Financial Benefits

Staff has identified several District benefits of a potential contract with SSWD beyond the financial benefits contemplated by the Term Sheet.

#### **In Depth Introduction to SMUD Operations and Maintenance**

Working at the facility will allow District staff to review and analyze the manner in which SMUD operates its facilities. During the site visit District staff found the facility to be well maintained. Staff believes the District can benefit from reviewing SMUD's practices at the Camp Far West Powerhouse potentially implementing them at District facilities.

Additionally, staff will be able to further develop our relationship with SMUD personnel which will allow for exchange of ideas which may prove beneficial to the District.

#### **Maximization of District Labor and Physical Resources**

As a matter of best practice for a utility, a certain percentage of staff time is expected to be allocated for emergency or other emergent work. During the times when this work is limited, staff time can be maximized for hire at the Camp Far West Powerhouse and would allow the District the ability to utilize its labor resources in the most cost effective way possible.

#### **BUDGETARY IMPACT:**

To be determined

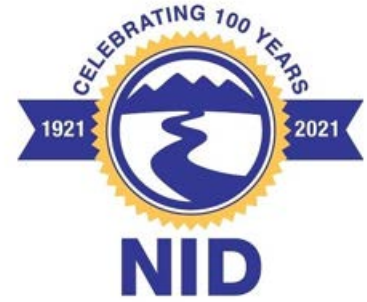
Attachments: (2)

PowerPoint presentation

Term Sheet Dated January 15, 2021

KSS

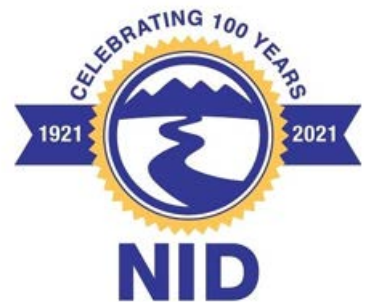
# South Sutter Water District Hydroelectric Support



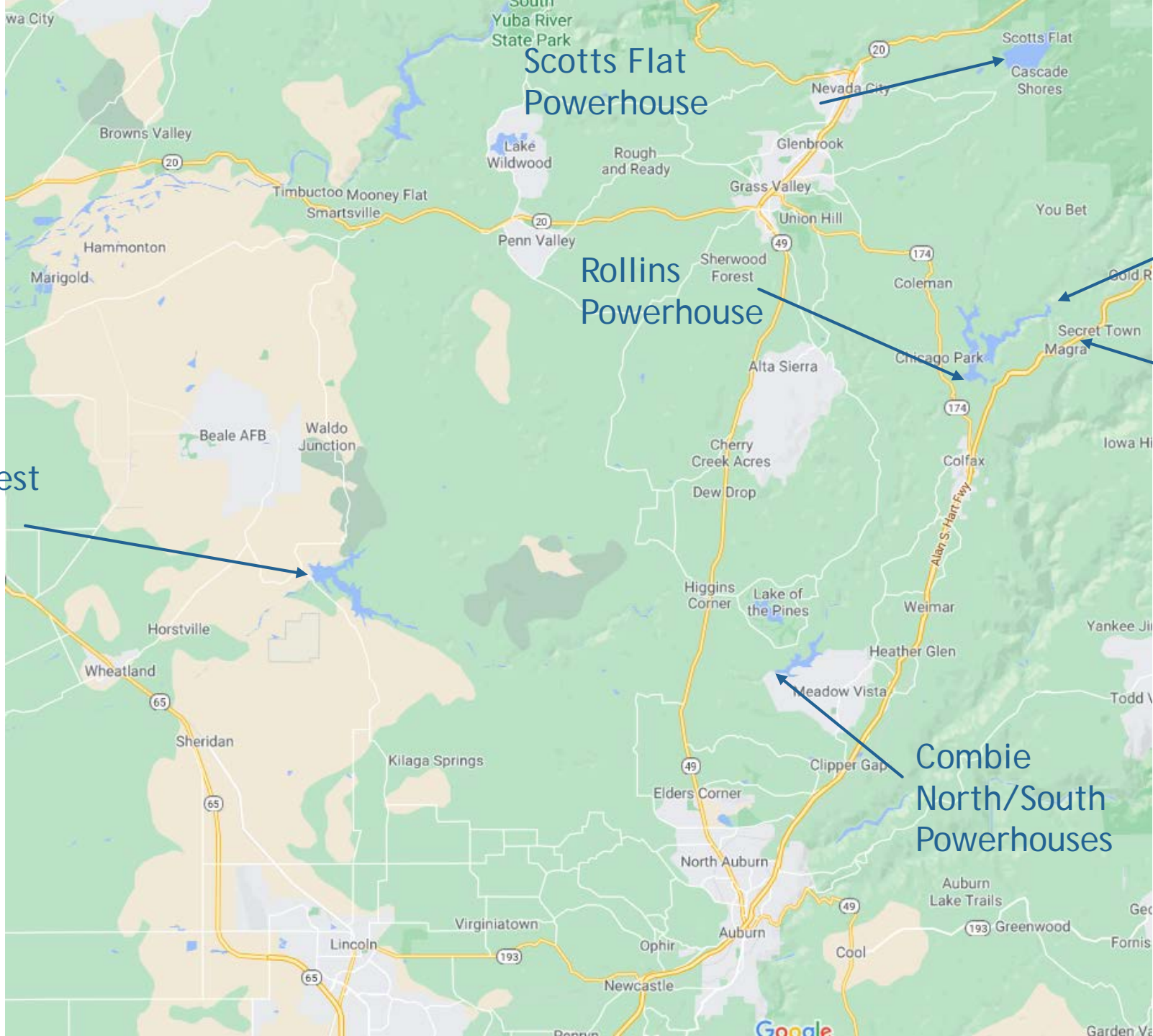
Presented to the Board of Directors  
February 24, 2021

# Camp Far West Dam and Powerhouse

- 1981 partnership between South Sutter Water District (SSWD) and Sacramento Municipal Utility District (SMUD) to build powerhouse
- Power production began in 1985
- SMUD handled all operations & maintenance
- Contract is nearing end
- SSWD is investigating options for continued O&M



Camp Far West  
Powerhouse



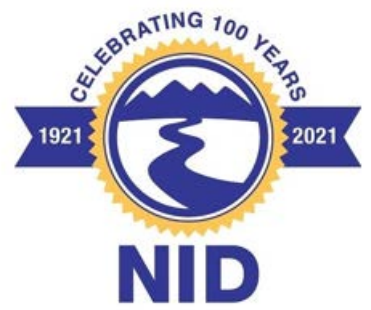
Scotts Flat  
Powerhouse

Rollins  
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Combie  
North/South  
Powerhouses

Chicago Park  
Powerhouse

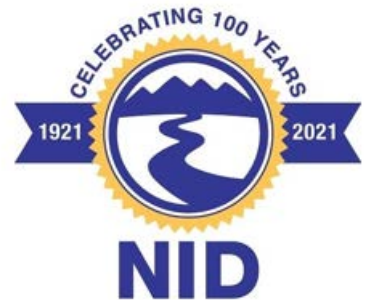
Hydroelectric Field  
Office





# Camp Far West Powerhouse

- Generating capacity: 6.8 MW
  - Turbine: 1 Francis unit
- Camp Far West Dam:
  - Height: 181 feet
  - Type: zoned earth fill
- Outlet:
  - Diameter: 48"
  - Control: Howell-Bunger valve



# Potential Services NID Could Provide

- Operations

- Inspections
- Emergency call out
- Start Up / Shut Down
- Logging

- Compliance

- CAISO
- WREGIS
- CEC

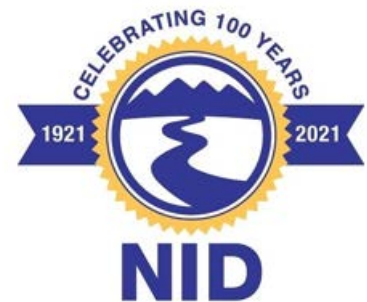
- Maintenance

- Regular / Routine
- Outage

- Dam Safety

- Inspections
- Reporting

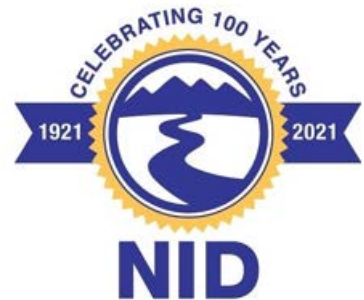
- Administration





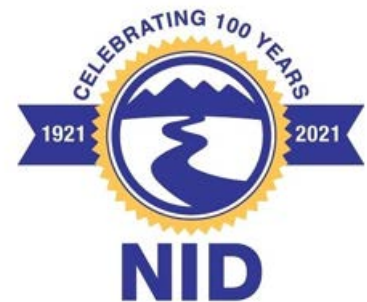
# Previous Activities

- December 1, 2020 APC
- December 3, 2020 site visit
- Legal review
- Insurance review
- Draft Term Sheet
- January 5, 2021 APC
- Term Sheet



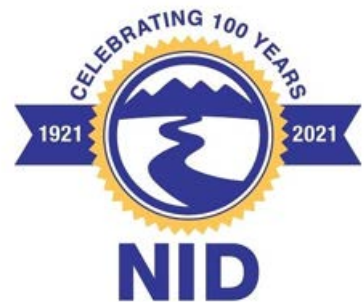
# Draft Term Sheet

- Fixed monthly fee plus hourly rate for services provided
- Access to all job descriptions in NID Hydroelectric Department
- Excludes 24-hour, real-time monitoring and CAISO scheduling
- As-available basis
- Two year term but can be terminated with 60 days notice
- Limits liability - cost limited lesser of fixed monthly fee or the amount paid for services
- Insurance and Indemnity

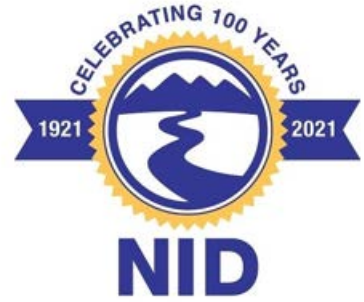


# Expected Staff Commitments

- Operations: 16 hours per month with tasks including routine inspections and flow changes. Limited emergency call out estimated at two to three times per year.
- Maintenance: 16 hours monthly with tasks split between electrical and mechanical/civil crews.
- Compliance, Dam Safety & Administrative: Limited. SSWD expects to handle the majority of these responsibilities.



# Discussion/Questions



## Term Sheet

January 15, 2021

<b>Facilities Subject to Agreement</b>	South Sutter Water District's Camp Far West Powerhouse and Camp Far West Dam (FERC Project No. 2997)
<b>Cost Structure</b>	<ul style="list-style-type: none"><li>• Fixed monthly fee at a rate of five hundred dollars (\$500) per month.</li><li>• Hourly labor at the following rates for the following classifications:<ul style="list-style-type: none"><li>○ Operations<ul style="list-style-type: none"><li>▪ Hydroelectric Generation Superintendent – \$169.00</li><li>▪ Senior Hydroelectric Plant Operator – \$140.00</li><li>▪ Hydroelectric Plant Operator I/II – \$131.00</li><li>▪ Hydroelectric Water Systems Operator I/II – \$108.00</li></ul></li><li>○ Compliance<ul style="list-style-type: none"><li>▪ Hydroelectric Compliance Administrator – \$165.00</li><li>▪ Hydroelectric Compliance Technician I/II – \$111.00</li></ul></li><li>○ Dam Safety<ul style="list-style-type: none"><li>▪ Senior Engineer (Registered) – Dam Safety – \$171.00</li><li>▪ Assistant Engineer – Associate Engineer (Registered) – \$124.00</li></ul></li><li>○ Maintenance<ul style="list-style-type: none"><li>▪ Hydroelectric Maintenance Superintendent – \$169.00</li><li>▪ Hydroelectric Maintenance Supervisor – \$152.00</li><li>▪ Senior Hydroelectric Systems Technician – \$145.00</li><li>▪ Senior Hydro Electrical Machinist – \$145.00</li><li>▪ Hydroelectric Maintenance Technician I/II – \$128.00</li><li>▪ Hydro Electrical Machinist I/II – \$140.00</li><li>▪ Hydroelectric Communication Technician I/II – \$124.00</li><li>▪ Utility Worker I/II – \$101.00</li></ul></li><li>○ Administration<ul style="list-style-type: none"><li>▪ Hydroelectric Manager – \$185.00</li><li>▪ Management Assistant – \$96.00</li><li>▪ Project Manager – \$114.00</li></ul></li></ul></li><li>• Overtime and Emergency Call-Out rates shall be billed at the rate above multiplied by the value indicated in the current Memorandum of Understanding for the appropriate employee</li><li>• Mileage paid at current IRS rate</li><li>• Materials procured by the NID at cost plus markup not to exceed ten percent.</li><li>• Subcontracted services to be provided at cost plus markup not to exceed ten percent.</li></ul>

	<ul style="list-style-type: none"> <li>• Rates will be escalated annually to respond to increase labor and benefit costs. Hourly rate increase shall not exceed 5% annually.</li> <li>• Labor rates include the cost of hand tools with a value less than \$5,000 and other non-capital equipment used during the performance of work as well utility costs, incidental printing and copying, and computer software.</li> <li>• Capital equipment used during the performance of services shall be billed in full day increments at the following rates: <ul style="list-style-type: none"> <li>○ Fabrication Equipment (e.g. mill, lathe, ironworker) - \$382.00/day</li> <li>○ Hydrography Equipment (e.g. flow meters, other measuring equipment) - \$70.00/day</li> <li>○ Welding Equipment (e.g. TIG welder) - \$142.00/day</li> <li>○ General Electrical Test Equipment (e.g. thermal imager, TTR tester, power quality analyzer) - \$119/day <ul style="list-style-type: none"> <li>▪ Specialized Electrical Test Equipment (e.g. Doble High Voltage Substation Analyzer) - \$600/day</li> </ul> </li> <li>○ Remote Operated Vehicles (e.g. Deep Trekker) - \$586/day</li> </ul> </li> <li>• All equipment used during the completion of services must be used by a qualified NID employee and is not available for rent.</li> </ul>
<p style="text-align: center;"><b>Services NID Available to Provide</b></p>	<ul style="list-style-type: none"> <li>• “Operations” tasks may include: <ul style="list-style-type: none"> <li>○ Routine inspection and documentation of Camp Far West Powerhouse and Camp Far West Dam</li> <li>○ Call out (emergency) response to issues at the powerhouse or dam</li> </ul> </li> <li>• “Compliance” tasks may include: <ul style="list-style-type: none"> <li>○ Standard Project documentation and communications with Project regulators.</li> </ul> </li> <li>• “Maintenance” tasks may include: <ul style="list-style-type: none"> <li>○ Equipment troubleshooting</li> <li>○ Preliminary diagnosis of fault/failures</li> <li>○ Recommendations for maintenance and/or replacement schedules</li> </ul> </li> <li>• “Dam Safety” tasks may include: <ul style="list-style-type: none"> <li>○ FERC/DSOD regulations including Owner’s Dam Safety Program, Dam Safety Surveillance Monitoring Program/Report, Emergency Action Plan, etc.</li> <li>○ Review of consultant drawings, technical specifications or other submittals.</li> </ul> </li> <li>• “Administration” tasks may include <ul style="list-style-type: none"> <li>○ Representation at local/regional member groups.</li> <li>○ Operational status reports and staff reports for Board/Committee Meetings.</li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>○ Consultant/contractor management</li> </ul>
<b>Excluded Services</b>	<p>NID shall not provide services relating to:</p> <ul style="list-style-type: none"> <li>● Control room services including 24-hour, real-time monitoring of facilities</li> <li>● CAISO scheduling and associated settlement services</li> </ul>
<b>Services to be Provided on As – Available Basis</b>	<p>NID is obligated to operate, maintain, and repair its own facilities in order to perform its obligations as a California Irrigation District. Should NID determine, at any time, that its own forces are needed for NID business, NID shall have the right to divert personnel from performing any services under this agreement.</p>
<b>Term and Termination</b>	<p>The term of the Agreement shall be for two years.</p> <p>Each party shall be authorized to terminate the Agreement upon 60 days’ written notice to the other.</p>
<b>Limitation of NID’s Liability</b>	<p>The Aggregate liability of NID to any party claiming by or through SSWD by reason of NID’s performance of Services under the Agreement to be the lesser of the amount of the Fixed Monthly Fee, or the Amount actually paid to NID for the performance of the services that gave rise to the claim.</p>
<b>Insurance and Indemnity</b>	<p>SSWD to indemnify and Defend from any liability, loss, or damage arising out of or relating to the performance of tasks contemplated by this Agreement.</p> <p>SSWD to obtain policies of insurance for Project works pursuant to terms and conditions acceptable to NID. Coverage to include loss of revenue. Coverage to waive insurer’s subrogation rights against NID.</p>
<b>Term Sheet Not Binding</b>	<p>This term sheet does not constitute an offer, agreement, commitment, agreement to agree, or contract by either party to consummate any of the transactions contemplated by this term sheet. The effectiveness of the terms discussed herein is conditioned upon the execution of a definitive agreement and each party’s receipt of all required approvals of such agreement by their respective governing bodies.</p>