

# Staff Report

for the Administrative Practices Committee Meeting of January 5, 2021

**TO:** Administrative Practices Committee

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

**DATE:** December 29, 2020

**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.

In response to that request staff developed the attached Draft Term Sheet, requested legal review, and discussed concerns with the District's current insurance provider. The results of this work are presented below. Staff is requesting a review of the information presented and direction on future negotiations.

#### Legal Review

Legal counsel has reviewed the Draft Term Sheet and has no concerns with the District's legal ability to provide the services as discussed. Counsel cautions that the contemplated work would add a new element of risk to District operations and any contract should be carefully reviewed. Counsel has provided terms that are included in the Draft Term Sheet to reduce District risk but points out that no contract can protect the District from any and all risk or costs associated with the defense of a lawsuit.

#### Insurance Review

The District's insurance broker was consulted regarding the potential operations. The broker indicated that there would be no additional cost to the District subject to two contingencies:

1. No staff would be added to complete the work
2. The broker is involved in crafting the insurance provisions of the agreement.

The District's insurance broker provided preliminary insurance concepts which have been included in the Draft Term Sheet.

#### Draft Term Sheet

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

The Draft Term Sheet contemplates a cost structure that includes a fixed monthly fee and an hourly fee for any services provided. Staff is asking the APC for specific guidance on both fees. Staff recommends that the hourly fee be the sum of salary, benefits, overhead, and a reserve-building component. Staff recommends that the reserve-building component be a percentage of the sum of the first three components and is looking for guidance on a percentage that the District would consider appropriate.

The current Draft Term Sheet does not contemplate charging SSWD the cost associated with the use of District equipment beyond a mileage rate for District vehicles. A rate could be developed for all major District equipment used in the completion of work including test equipment, welding/fabrication equipment, and

other large tools used in the completion of the work. This rate would reimburse the District for a portion of the cost used to purchase the equipment. Staff is looking for guidance on this concept as well.

#### Potential Non-Financial Benefits

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

KS

Attachments: (2)

- Presentation for January 5, 2021 APC Meeting
- Draft Term Sheet

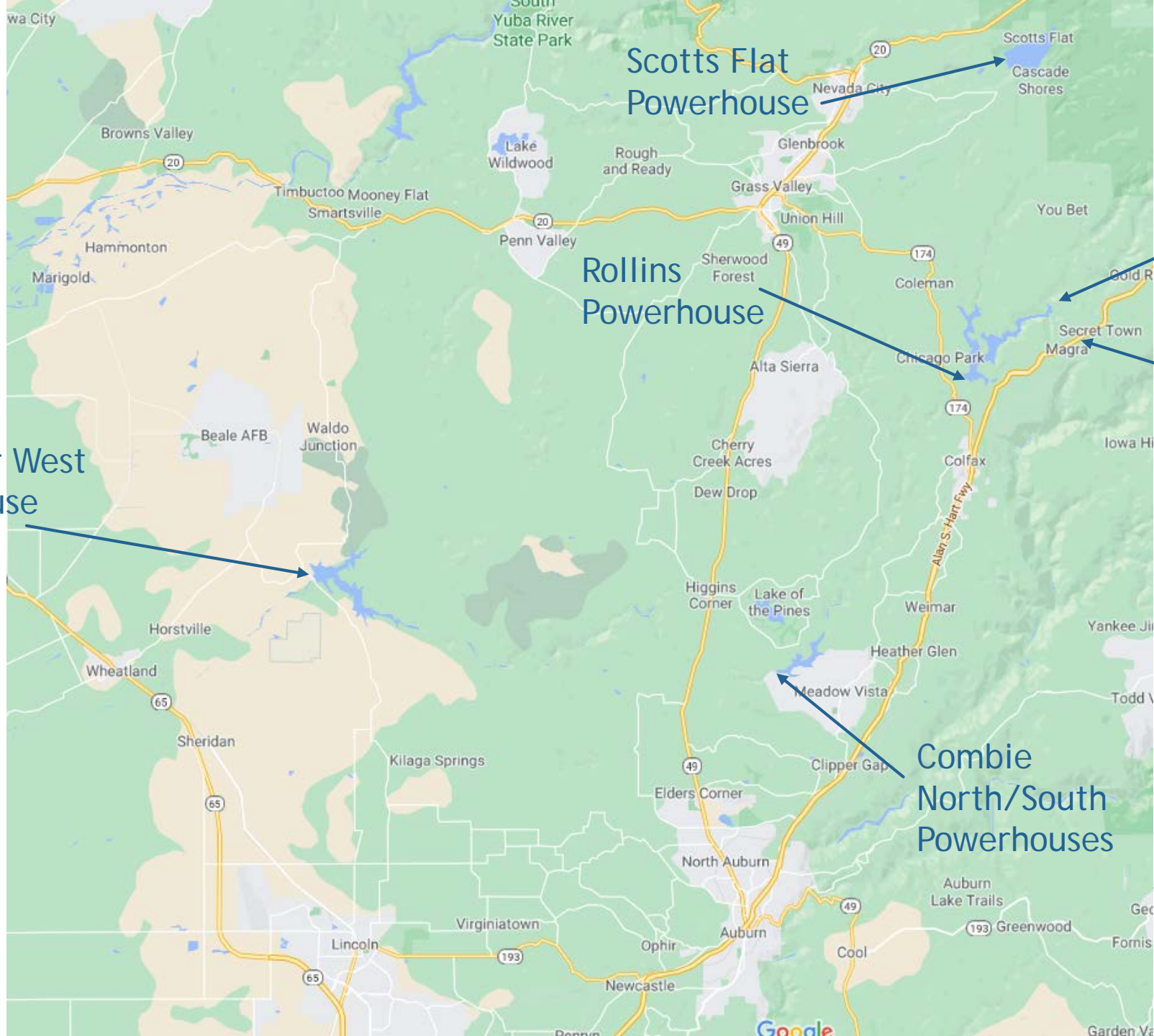
# South Sutter Water District Hydroelectric Support

Administrative Practices Committee  
January 5, 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



Scotts Flat  
Powerhouse

Rollins  
Powerhouse

Chicago Park  
Powerhouse

Camp Far West  
Powerhouse

Combie  
North/South  
Powerhouses

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



# Background

- December 1, 2020 APC
- December 3, 2020 site visit
- Legal review
- Insurance review
- Development of Draft Term Sheet



# 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



# 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



# Discussion and Direction

- Continue with negotiations?
  - General guidance on provisions
  - Cost
    - Monthly fee
    - Hourly rate
    - Equipment

Questions?



## DRAFT Term Sheet

<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 to be determined</li> <li>• Hourly labor at a rate to be determined for the following classifications:             <ul style="list-style-type: none"> <li>○ Operations                 <ul style="list-style-type: none"> <li>▪ Hydroelectric Generation Superintendent</li> <li>▪ Hydroelectric Generation Supervisor</li> <li>▪ Senior Hydroelectric Plant Operator</li> <li>▪ Hydroelectric Plant Operator I/II</li> <li>▪ Hydroelectric Water Systems Operator I/II</li> </ul> </li> <li>○ Compliance                 <ul style="list-style-type: none"> <li>▪ Hydroelectric Compliance Administrator</li> <li>▪ Hydroelectric Compliance Analyst</li> <li>▪ Hydroelectric Compliance Technician I/II</li> </ul> </li> <li>○ Dam Safety                 <ul style="list-style-type: none"> <li>▪ Senior Engineer (Registered) – Dam Safety</li> <li>▪ Assistant Engineer – Associate Engineer (Registered)</li> </ul> </li> <li>○ Maintenance                 <ul style="list-style-type: none"> <li>▪ Hydroelectric Maintenance Superintendent</li> <li>▪ Hydroelectric Maintenance Supervisor</li> <li>▪ Senior Hydroelectric Maintenance Technician</li> <li>▪ Senior Hydroelectric Systems Technician</li> <li>▪ Senior Hydro Electrical Machinist</li> <li>▪ Hydroelectric Maintenance Technician I/II</li> <li>▪ Hydro Electrical Machinist I/II</li> <li>▪ Hydroelectric Communication Technician I/II</li> <li>▪ Utility Worker I/II</li> </ul> </li> <li>○ Administration                 <ul style="list-style-type: none"> <li>▪ Hydroelectric Manager</li> <li>▪ Management Assistant</li> <li>▪ Project Manager</li> </ul> </li> </ul> </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>• Specialty/ Subcontracted services to be provided at cost plus markup not to exceed ten percent.</li> <li>• Rates will be escalated annually to respond to increase labor and benefit costs. Rate increase shall not exceed 5% annually.</li> </ul>
<b>Services NID Available to Provide</b>	<ul style="list-style-type: none"> <li>• “Operations” tasks may include:</li> </ul>

	<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> <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> <li>○ Consultant/contractor management</li> </ul> </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>

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