

Hawley Street Substation - Stemilt Agreements

MAY 13, 2019

Requested board action today



Why we are here

- Background
- Description of Agreements for Approval
- Next steps

Background

- District substation capacity inadequate to serve customer request (Diamond Foundry)
- Diamond Foundry to be located in Stemilt building
- Property owner (Stemilt) proposed customer-built substation
- City, Stemilt and PUD recognized long-term benefits to the consolidation of electrical stations near existing infrastructure

Agreements required for PUD to proceed

Three Stemilt Agreements

1. Design and Construct Agreement for Hawley Substation
2. Lease of District's Hawley St. property to Stemilt
3. Lease of Stemilt's Miller St. property to the District

Stemilt Design and Construct Agreement

- Station capacity of 28 MW, allocated to Stemilt tenants for a term of years based on estimated life of assets
- Stemilt designs and constructs substation
- Stemilt responsible for permitting and procurement obligations and construction costs
- District reviews designs and work for major elements and at major milestones
- District responsible for testing and energization
- Stemilt may transfer ownership of substation to District if District accepts

Stemilt Design and Construct Agreement

- 19 MW of 28 MW total expected to serve Diamond Foundry
- New tenants (other than Stemilt) will require power service agreements to secure capacity allocation
- Distribution charge to cover O&M costs not collected through power rates when demand is below capacity
- Transmission studied 20 MW of load, service to future tenants requires additional transmission study
- If load over 20 MW requires transmission improvements, Stemilt has option to pay cost or to allow District to buyback stranded capacity

Lease Agreements

- Cross Leases (in lieu of rent):
 - District leases property to Stemilt for substation location
 - Stemilt leases property to District for storage of equipment
- Terms of leases run concurrent with substation agreement
- Lease to Stemilt to terminate if District assumes ownership of substation
- Lease to District terminates at same time, subject to District's option to extend (at FMV rent) until alternate storage location available
- Waiting on property boundary description to complete leases

Coordination and Review Process

- Coordination process to promptly identify and address issues that might impede acceptance
- Flexibility and collaboration will be important given timeline
- Stemilt retains authority for design and construction
- District retains discretion to accept or reject completed substation
- Develop a coordination agreement/process with Stemilt

Next steps

- Requesting resolution approval following this presentation
- Staff to develop a coordination agreement/process with Stemilt
- Targeting June 30 to vacate area for construction
- Targeting July 1 Stemilt to begin station construction



Questions?

Stemilt Diamond Foundry Station

PUD Hawley Street Facilities



Proposed New Substation Location



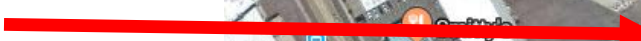
Future location of equipment



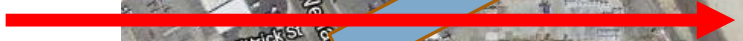
McKittrick Street Extension



Railroad Underpass



Original Substation Proposed Location, Temporary PUD Storage



Challenges

- Recently notified by Stemilt that transformers have been ordered and are scheduled for delivery Sept. 1
- Desired Customer energization date of March 2020 (10 months from projected date of signed agreements)
- Typically takes 18 months for Chelan PUD to energize a substation once transformers are ordered.
- Construction would have to begin this summer
- Other District work would be significantly impacted in order to meet desired energization date now being studied.
- Not sure schedule can be met; will require significant teamwork with Stemilt

Necessary District Activities

- Agreements to be developed, reviewed and approved (target May 13)
- Schedule approvals (once submittals received)
- Design approvals (once submittals received)
- Relocate materials and remove Hawley Street storage buildings for site prep
- Procurement and construction of transmission system modifications
- Construction inspection, testing, and provisioning
- Coordination with customer and contractors