



OKLAHOMA PUBLIC POWER

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Taking the Lead: Protecting the Tax-Exempt Status of Municipal Bonds

If you've been following budget discussions from Washington, D. C., you're probably aware of talk regarding removing the tax-exempt status of municipal bonds as a way for the federal government to raise revenue. The discussion has come from the administration's side of budget talks as a, and I want to emphasize, possible form of additional revenue.

Cities and towns are not waiting to see where these talks may go. Rather, collectively through the various municipal-focused organizations that represent cities and town and their interests, a pro-active push against changing the tax-exempt status of municipal bonds is in full swing. During American Public Power Association (APPA)'s Legislative Rally, March 11 – 14 in Washington, MESO staff visited with Okla-

homa's Congressional delegates and staff requesting their support to maintain the bonds' tax-exempt status.

On the House of Representatives side, our Congressional delegates were encouraged to co-sponsor a House Resolution supporting the tax-exempt status of municipal bonds. While resolutions are not law, support for and passage of such a resolution sends a clear message to the President that changing the tax status of municipal bonds is unacceptable and will face stiff opposition. We're waiting to see if the delegates will co-sponsor, or at least vote for the resolution.

But, it's not enough for MESO staff to talk about the importance of maintaining the tax-exempt status of municipal bonds. Oklahoma's Senators and House

members need to hear directly from municipal and utility officials.

The easiest way is to simply write a letter to your Representative and our Senators. Your letter should cover how your municipality or utility relies on municipal bonds to build and improve infrastructure. The tax-exempt status makes municipal bonds and attractive investment option for anyone who wants a safe, dividend yielding investment in today's economy. In fact, according to a study commissioned by APPA, it was noted that 50.2 percent of all municipal bonds are held by households directly. The remaining bonds are divided among entities such as commercial banks, insurance companies and mutual funds.

Why is this important? For the simple fact that changing the tax-exempt status of municipal bonds has a direct impact on the wallet of your neighbors and friends,

(see BONDS, page 13)

It's Not Too Late

The 2013 Public Power Conference is just weeks away, but it's not too late to register.

This year's conference promises to be the biggest one yet with over 100 registered attendees and 43 sponsors and exhibitors. Participants will have the opportunity to attend a variety of timely breakout sessions as well as network with peers.

Our conference kicks off with Mark Crisson, American Public Power Association's president. Mark brings 35 years of public

power experience to APPA and has a keen insight into issues that public power will face, and must address, on the national level.

To register for the conference, go to www.meso.org and click on the "Announcements" line entitled "Register Now for the 2013 Public Power Conference" on the left hand side of the page.

For more information, or if you have questions, contact Palma Lough at plough@ompa.com or Deborah Miner at Deborah@meso.org.

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STB Rejects Railroads' Petition to Consider Indirect Competition in Coal Rate Cases

By Robert Varela, APPA

Siding with shippers, the Surface Transportation Board has rejected a petition by railroads to reintroduce indirect competition (from other products such as natural gas) and geographic competition (shipments from a different origin) as factors in market dominance analyses for coal rate cases. In a March 19 decision, the board said the Association of American Railroads "has not presented evidence of rail rates that have been constrained by indirect competition or even offered a workable process for presenting and analyzing evidence of indirect competition."

AAR had cited competition from abundant, low-cost natural gas as

a primary reason for reintroducing indirect competition. "Merely asserting that rail transportation of coal is subject to indirect competition by demonstrating that some coal-fired generation has been displaced by gas-fired generation in certain circumstances is not sufficient to determine whether effective indirect competition exists," the STB said.

APPA, the Edison Electric Institute, and National Rural Electric Cooperative Association jointly opposed AAR's petition. They said AAR failed to offer any specific evidence of indirect competition that has reduced even a single rail rate. They also said the railroad group's proposed "simple" approach to determining if indirect competition exists would likely

result in costly, protracted litigation that would entail substantial discovery and complex analysis of non-transportation matters. Consumers United for Rail Equity noted that many of its members have experienced an increase in rail rates, despite AAR's allegations of increased indirect competition.

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Synergies, Interdepartmental Coordination Are Key for Good Management, Currie Tells E&O

By David L. Blaylock, APPA

Finding synergies and strengthening communications between departments is integral to public power utilities continuing to thrive, said Phyllis Currie, APPA board chair and general manager of Pasadena Water & Power in California, at the APPA Engineering and Operations Technical Conference March 25 in Kissimmee, Fla.

"Those of you in the audience representing the engineering and operations side of our industry are the leaders who are making us move the industry forward," she said in the conference's opening general session. "You are making sure that we embrace technological advancements and don't find ourselves behind the expectations of our customers."

She highlighted the coordination between engineering and operations as key to the success of a

utility. "You are creating a synergy where one side has the ideas and the technological knowledge while the other understands how to execute these ideas. It's like building a house where you need to have an architect and a contractor who understand each other. Without these synergies, the final product is at risk."

In the same way this connection between engineering and operations is built on common understanding of the utility, the staff as a whole needs to put communication front and center, she said.

"Kill the acronyms, the utility lingo, break the things we talk about in the industry down to something you can have a conversation about with customer," she said, "because one day you probably will need to have a conversation about these things with customers."

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Edmond Crews Represent City/State Well at APPA Lineworkers Rodeo

Two Journeymen crews and one Apprentice lineman represented Edmond Electric and Oklahoma at the 2013 APPA Lineworkers Rodeo, March 23 in Kissimmee, Florida. In addition to the competitors, Edmond provided two competition judges, Brett Griffin and Jeff Dan.

The two journeymen team members consisting of Wes Bennett, Shannon Dodd and Ed Drake on one team and Sean Simmons, Mark Wagner and Jason Smith on the second team competed against 57 other teams from across the country. The five events making up the competition for journeymen were,

- Two-phase Horizontal Cut-Out Change-Out
- Cross Arm Change-Out
- Hurtman Rescue
- Suspension Bell Change-Out
- URD – Underground Residential Distribution

Additionally, all the Apprentice contestants had to complete a written test. Brett Griffin was the chief judge for the Apprentice written test. Jeff Dan was a judge on the Hurtman Rescue event.

Lineworker Rodeos are an excellent opportunity for electric distribution professionals to practice safe work skills, improve their skills and test themselves against their peers. MESO's Lineworkers' Rodeo is set for Thursday, September 26 and will be held at the Edmond Electric Training Field. The events for this year's rodeo are,

- Mutual Aid – Downed Primary
- Team Event – Double Arm Installation
- Hurtman Rescue – Apprentice and Journeyman
- Fuse Change Out – 3 phase – Apprentice and Journeyman
- Obstacle Course – Street light, knot tying, and pin insulator –

Apprentice only

To prepare people to compete in the Rodeo, as well as practice and improve these critical work skills, MESO will be conducting training on each of the events in the coming months. Whether an

individual wants to compete or not, these training sessions will be an excellent opportunity to ensure essential skills are done safely and correctly. More information about the training and the rodeo will be forthcoming.



Edmond Electric competitors, from left to right, Mark Wagner, Jason Smith, Shannon Dodd, Sean Simmons, Apprentice Ryan Behmes, Wes Bennett and Ed Drake.



Competitors in action.



Ryan Behmes competes in the cross arm relocation event.



Mark Wagner, Sean Simmons.



Team 2 competes in the cross arm change-out.



From left to right, Wes Bennett and Shannon Dodd. Ed Drake kneeling.



Wes Bennett, Shannon Dodd

Rehabilitation Work Ongoing at GRDA's Robert S. Kerr Dam

Locust Grove - When the Grand River Dam Authority completed construction of the Pensacola Dam (Grand Lake) in 1940, a new era began in Oklahoma. As the state's first hydroelectric facility, Pensacola harnessed the waters of the Grand River to produce abundant electricity even at a time when, for most Oklahomans, it was still considered more of a luxury than necessity.

However, just two decades later, GRDA expanded its hydroelectric portfolio with the completion of the Robert S. Kerr Dam in 1962. Located just north of Locust Grove, the dam was the third hydroelectric facility built on the Grand River (the United States Army Corps of Engineers completed the Fort Gibson Dam in 1953).

Sometimes referred to as the Markham Ferry Project, the dam forms Lake Hudson, a 12,000-acre, 200-mile shoreline lake, the second in a chain of three lakes along the Grand in Northeast Oklahoma. Important to the overall flood control effort in Northeast Oklahoma, Kerr's 17 floodgates have the potential to discharge 599,000 cubic feet of water per second.

The dam's completion added 114 more megawatts (four units of 28.5 MW each) of hydroelectric generation capacity to the GRDA system by recapturing the water already used to generate at Pensacola Dam. Though the two dams have different design styles, they act in concert to help GRDA produce a portion of its low-cost, reliable electricity for Oklahoma.

After a half century of service to Oklahoma, the units at Kerr Dam are now being upgrade and rehabilitated. Contractors with Alstom Power are on site, working on that rehabilitation effort. When all is

said and done, each unit will have been completely disassembled -- with components being refurbished, re-machined or even replaced -- then reassembled.

At press time, the project was nearing the halfway point, with the work on Units 2 and 4 already completed. The current focus is Unit 3, which is in the reassembling stage and should be ready for start up and testing in mid-April. That phase will be followed by a commissioning process and, by early May, three of four rehabilitated Kerr units should be back in commercial operation. The effort is expected to increase output of each unit by five megawatts.

After that, Kerr's rehabbed units will continue to benefit GRDA customers for years to come as they produce the same low-cost, reliable hydroelectric power that GRDA has been drawing from the Grand River since 1940.



MESO Calendar

| | |
|-------------------------|------------------|
| Level 1 Climbing School | April 9 & 10 |
| Public Power Conference | April 21, 22, 23 |

For Information, go to www.meso.org.



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Mutual Aid Is Not Just for Storms and Disasters

Many people think of Mutual Aid as something that only happens during storms and natural disasters. But it's also essential when the job at hand requires skills, expertise or more hands than exist in one department. This was the case in Cordell March 19.

Cordell has two OMUSA linemen assigned to perform regular maintenance and respond to service calls. When a critical pole replacement project was identified, it was readily apparent that more hands and skills were required.

Tom Dougherty, MESO's director of training and safety, worked closely with the Cordell linemen, Dustin Pool and Chris Landers to identify the problem pole and the circumstances under which the pole had to be replaced. The pole was a 35 foot banded junction pole carrying the principle power lines to the Cordell hospital and nearby car dealership. Because of the customer base on this line, the pole change out would have to be done without shutting off the power.

Once the scope of work was developed, Dougherty contacted Duncan Electric Superintendent David Yeager for assistance. Through a tight coordination of schedules, Duncan Electric was able to send five linemen to Cordell to assist in the change out. Linemen Jim Dial, Jackie Byrd, Tim Hanson, Ricky Bowen and Chris Reyner joined Pool and Landers early March 19th and began the work.

On a project that would normally take two days to complete, the seven linemen, under Dougherty's direction, were able to install a 40 foot pole with double cross arms; install double cross arms on the pole across Highway 183; and, re-install all power lines in 10 hours. And it was all done without disrupting power to the hospital and other businesses.

Joint efforts such as this enable small public power systems to continue to serve their customers effectively. This wouldn't be possible without Mutual Aid.



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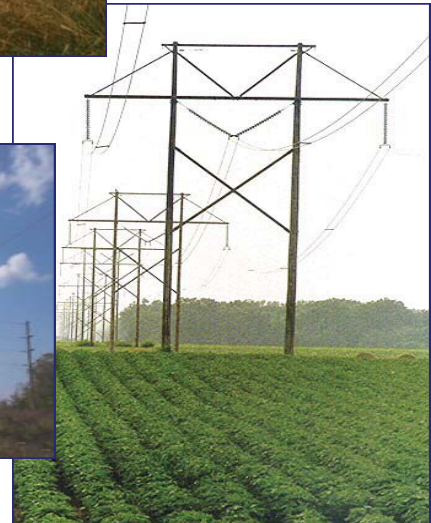
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Boulder Report Finds City Could Dramatically Reduce Greenhouse Gases, Keep Rates flat, by Forming a City-Owned Utility

By Jeannine Anderson, APPA

The city of Boulder, Colo., which wants a lower carbon footprint and more renewable energy, is seriously considering forming a municipal electric utility to get those things. According to a Feb. 26 report, the effort would likely pay off, both in the near term and over 20 years. The analysis finds that, under at least some of the scenarios studied by city staff, "a local utility could operate effectively with cost savings and flexibility, creating significant advantages" compared to continuing the current arrangement with investor-owned Xcel Energy. The report goes farther, saying that Boulder could cut its greenhouse gas emissions by 50 percent and could procure half of its energy from renewable sources.

"The opportunity exists for Boulder to transition to a new sustainable, low-carbon emission society, and it is coming much faster than anyone had anticipated just a few years ago," the city said. "The growing differential between the rising costs of fossil fuels and the declining costs of renewable energy technologies is setting the stage for the emergence of a new economic paradigm for the next century. Boulder is poised to drive this process to tackle climate change, secure energy independence, and grow a sustainable 21st century economy all at the same time."

"This is a really exciting night," said Heather Bailey, executive director of energy strategy and electric utility development, at a three-hour work session and public hearing held by the Boulder City Council on Feb. 26. She cautioned, though, that the February report does not decide the question of whether the city should form a municipal electric utility. That question is for the future, she said. The study does say "yes," however, to the preliminary question of whether Boulder could create a city-owned utility and meet the goals it has set for itself if it decides to go down that path, she said.

"We believe the findings demonstrate that a municipal utility could be good for consumers, good for Boulder businesses and good for our planet," Bailey said. "We look forward to an informed conversation over the next couple of months about how best to proceed."

The City Council is scheduled to vote April 16 on whether to continue to pursue municipalization. City leaders have said they also are open to a partnership with Xcel Energy to reach their clean energy goals.

The 38-page report, Boulder's Energy Future Municipalization Exploration, which runs to 287 pages including all attachments, is posted on the city's web-

site, under "Boulder's Energy Future."

The city has taken a slow, methodical approach to its quest for a greener energy supply. In November 2011, residents of Boulder approved two ballot measures on the city's energy future. One of those ballot questions authorized the city to explore the possibility of purchasing Xcel Energy's distribution system and forming a municipal utility, providing that customer rates would be no higher than the rates Xcel Energy is charging at the time of acquisition. The other ballot provided the funding necessary to determine the actual costs of buying Xcel's system and starting a local utility. (See the Nov. 3, 2011 Public Power Daily.)

The November 2011 ballot measures set limiting requirements in the city charter that must be met before City Council could proceed. These included provisions related to rates, revenue sufficiency and reliability, as well as plans to reduce greenhouse gas emissions and increase renewable sources of energy.

A summer 2011 telephone survey found that Boulder voters supported creation of a city-owned electric utility by a wide margin and that residents overwhelmingly wanted a reduction in carbon emissions. Seventy-one percent of survey respondents said they supported municipalization and said they thought the city would be better than Xcel Energy at offering renewable sources of energy and at reducing carbon emissions.

In its latest study, city staff looked at six different scenarios:

1. A baseline option that keeps Xcel as the city's supplier, using current rates;
2. A phased-in approach to municipal power, using a five-year purchased power agreement with Xcel, then allowing the city to enter agreements with other suppliers;
3. A low-cost option that would have 25 percent of the mix be coal-fired power in 2017;
4. A second low-cost generation option that excludes coal;
5. A low-greenhouse-gas option based on power supply purchases; and
6. A low-greenhouse-gas option that would include investment in local energy-efficiency efforts.

One of the surprising findings is that in four of the six scenarios, the city is projected to exceed the greenhouse gas reduction goals set by the Kyoto treaty, said Jonathan Koehn, regional sustainability coordinator. A fifth scenario met and exceeded the

(see BOULDER REPORT, page 14)

OMPA's DEEP Promotes Energy Efficiency, While Reducing Costs

by Tom Willis
OMPA Member Services
Energy Engineer

The Demand and Energy Efficiency Program (DEEP) is one of the energy services programs offered by the Oklahoma Municipal Power Authority (OMPA). This program, started in 2010, is becoming more known and accepted throughout OMPA's 39 member cities. DEEP helps existing customers in the member cities stay in business and be competitive in their particular marketplace with their products and services by lowering their electric utility costs.

Through DEEP, member cities and their qualified customers receive assistance with their efforts to reduce their electric service energy demands and costs. The reduction of these demands helps keep energy rates as low as possible for the member cities and delays the need to add additional generation capacity to the OMPA system.

The range of project types that could qualify for DEEP include replacing motors with NEMA premium motors, inefficient lighting with new fluorescent or LED lights, im-

provements in cooling and heating systems with ground source heat pumps or high-efficiency chillers or replacing old food service equipment. A variety of customers have qualified to receive funds from this program, including large industries, small businesses, schools, and churches.

DEEP provides rebate awards to member cities and their customers who implement energy-saving measures that reduce their summer peak electric demands. Projects are evaluated on a case-by-case basis, and funds available for an individual project are determined through submission of detailed project plans.

In three short years, DEEP has made an impact on energy savings for the customers in member cities. When DEEP started in 2010, four projects were completed for a reduction of 112.4kW demand. The program paid rebate checks in the amount of \$20,210. This resulted in an estimated savings of \$123,629, which is based on \$1,100/kW cost of new generation.



In 2011, because end-use customers had budget dollars to work with, there were 10 projects completed for a load reduction of 1,200.9kW. A total of \$188,429 in rebate checks was paid to customers. This resulted in an estimated savings of \$1,320,957, based on \$1,100/kW cost of new generation.

DEEP set a record in 2012 with 48 projects being completed for a load reduction of 1,606.4kW. The program paid \$262,463 in rebate checks and an estimated savings of \$1,767,051.

As DEEP continues into 2013, I am optimistic that the program will do just as well, if not even better than 2012. Five projects have been completed as of March 22nd and there are 25 future projects currently being developed.

OMPA cities can contact Tom Willis for more information on how they and their customers can benefit from DEEP.

Bonds

(continued from page 1)

perhaps even yourself.

Another opportunity to get the message across is to speak directly with Oklahoma's Congressional delegates, especially when they're holding open house type meetings in the state.

During the week of April 1 – 5, Senator Tom Coburn was scheduled to make ten stops across the state. Opportunities such as these, where local officials can meet face to face with the state's

delegates is a critical avenue for sharing a message.

Being active on behalf of your city, town or utility is something you're already doing. Being proactive and getting our message out in front, informs elected officials of principal concerns and their impact on our service to our customers and citizens.

MESO will continue to follow the discussion of tax-exempt municipal bonds.



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Boulder *(continued from page 12)*

Kyoto goals in year five, he told the Feb. 26 City Council work session. The only scenario that failed to meet the Kyoto greenhouse gas emission goals was the "status quo" option that assumes that the city keeps Xcel Energy as its supplier (with no change in that company's power supply plans).

Even under the low-cost option, "we got a surprising amount of greenhouse gas reduction," said Koehn. "It is astounding to see how much we could reduce emissions."

The city said that under some of the options analyzed, a municipal electric utility would meet the charter metrics and have a high likelihood of being able to:

- Offer all three major customer classes (residential, commercial and industrial) lower rates than what they would pay Xcel, not just on day one, as required by the city charter, but on average over 20 years;
- Maintain or exceed current levels of system reliability and emergency response;
- Reduce greenhouse gas emissions by more than 50 percent from current levels and exceed the Kyoto Protocol target in year one;
- Obtain 54 percent or more of its electricity from renewable resources; and
- Create "a model public electric utility with leading-edge innovations in reliability, energy efficiency, renewable energy, related economic development and

customer service."

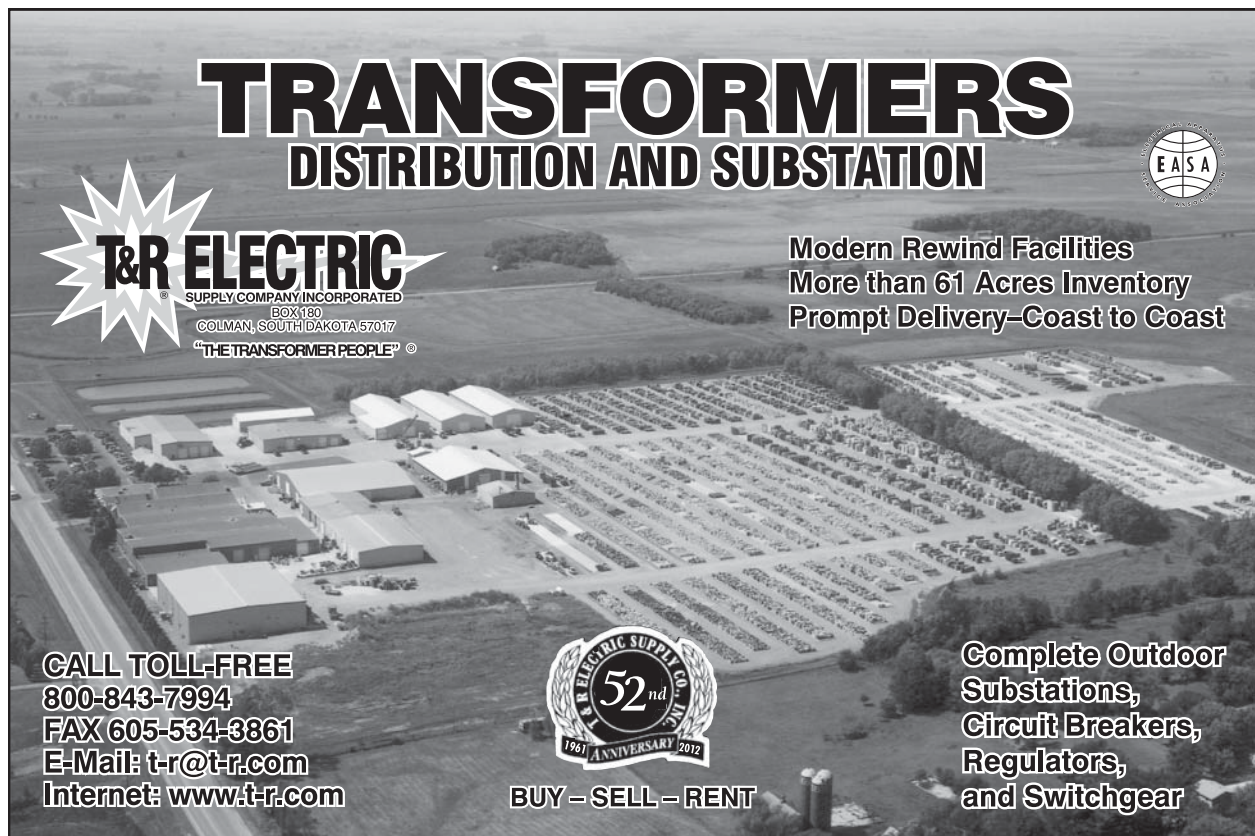
The report also examines the impact that a variety of stranded cost and acquisition cost rulings could have on rates and revenue requirements over 20 years.

"Boulderites always have walked their own path," the city says on its website. "Paddled their own kayak. Marched to the their own music. And they're known for doing it skillfully. Why should it be any different with our electricity supply?"

While the city said it is committed to exploring ways to achieve what it calls "the electric utility of the future," it has also said there might be ways to do so short of creating its own utility – in the form of a new partnership with Xcel Energy.


"What we are looking to do is move beyond a 19th century approach to providing energy and create a forward-looking, innovative and consumer-friendly utility model that reduces our reliance on fossil fuels," Bailey said. "Xcel Energy has served us for decades, and in many ways, done an admirable job. It is possible they could help us meet our objectives. We would welcome their involvement in a meaningful, timely and transparent discussion."

Even if the City Council votes on April 16 to move forward with the pursuit of municipalization, there will be many steps still to come, "and off-ramps will remain available," the city said in its Feb. 26 report.




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