

CITY COUNCIL  
Mayor Bill Stankiewicz  
Reginald Jackson, Post 1  
Marichal Price, Post 2  
Fred Higgins, Post 3  
George Bailey, Post 4  
Theresa Strickland, Post 5

# City of Hogansville



David Milliron, City Manager  
Lisa Kelly, City Clerk  
Jeff Todd, City Attorney

400 E Main St  
Hogansville GA 30230-1196  
706-637-8629 | cityofhogansville.org

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## COUNCIL ACTION FORM

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**MEETING DATE:** August 6, 2018

**SUBMITTED BY:** City Manager

**AGENDA TITLE:** Southeastern Power Administration (SEPA) Agreement

**CLASSIFICATION** (City Attorney must approve all ordinances, resolutions and contracts as to form)

- |   |  |  |   |
|---|--|--|---|
| <input type="checkbox"/> Ordinance (No. _____)  | <input checked="" type="checkbox"/> Contract | <input type="checkbox"/> Information Only  | <input type="checkbox"/> Public Hearing |
| <input type="checkbox"/> Resolution (No. _____) | <input type="checkbox"/> Ceremonial          | <input type="checkbox"/> Discussion/Action | <input type="checkbox"/> Other          |

**BACKGROUND** (Includes description, background, and justification)

Effective October 1, 1996, Hogansville and other MEAG cities entered into 20-year contracts with SEPA under which they are entitled to receive capacity and energy allocations of hydroelectric generation. Each contract remains in effect after September 30, 2016 until termination notice is given by either the Participant (with 25 months' notice) or SEPA (with 24 months' notice).

**BUDGETING & FINANCIAL IMPACT** (Includes project costs and funding sources)

Hogansville, not MEAG, is responsible for making payments to SEPA. Traditionally, SEPA power has been cheap but it isn't the bargain it used to be given low market conditions. With Hogansville long on capacity, and with Vogtle 3&4 coming online in a few years, this represents an opportunity to get out from under the SEPA costs in 25 months when the additional nuclear costs take effect. Opting out will stand to reduce the Vogtle 3&4 incurred costs by approximately \$171,550.

**STAFF RECOMMENDATION** (Include possible options for consideration)

As of July 17, 2018, Evergreen (Alabama), Sylvania, Washington, Adel, and Blakely have all now given official notice to withdraw from SEPA ... and according to MEAG, Acworth and Calhoun have verbally stated they'll be withdrawing, too. This is a recommendation that the Council authorize the Mayor and City Manager to initiate an opt-out letter to get Hogansville in line. As of last week, there were 14 megawatts of SEPA available and nobody opted for such, so the longer Hogansville stands on the sidelines, the greater its overall cost as others opt out.

LEWIS, TAYLOR & TODD, P.C.

ATTORNEYS AT LAW

SUITE 3

205 NORTH LEWIS STREET

POST OFFICE DRAWER 1027

LAGRANGE, GEORGIA 30241

JOHN M. TAYLOR  
JEFFREY M. TODD

JAMES R. LEWIS  
(1928-1996)  
GEORGE E. SIMS, JR.  
(1917-1967)  
FAX (706) 882-4905  
TELEPHONE (706) 882-2501

July 18, 2018

VIA EMAIL

Mayor and Council  
City of Hogansville  
400 E. Main Street  
Hogansville, Georgia 30230

RE: Southeastern Power Administration (SEPA) Recommendation

Dear Mayor and Council:

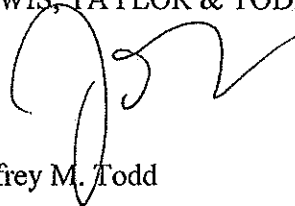
At the meeting of July 17, 2018, I was asked to review the recommendation of Mr. Milliron regarding the City's SEPA hydropower allocation to determine whether there are any legal issues which should be addressed. As a result, Mr. Milliron provided me with various materials he received from MEAG, and it became quickly obvious to me that this is a business decision which is lawful under the existing contracts, and thus within the discretion of the governing authority.

From my perspective as city attorney, either choice of the council would be a perfectly lawful option under the relevant agreement.

With best regards, I am

Very truly yours,

LEWIS, TAYLOR & TODD, P.C.

  
Jeffrey M. Todd

JT/ksc

Cc: David Milliron  
Lisa Kelly

# MP

**To: Participants**  
**From: Roger Brand**  
**Date: May 8, 2018**  
**Subject: SEPA Supplemental Allocation Letter**

Over the past few months, three Southeastern Power Administration (SEPA) customers have requested a termination of their contracts. Two of the customers are MEAG Participants and the third one is located in Alabama. SEPA's goal is to remarket the forfeited capacity and energy as soon as possible in order to allow the contracts to be terminated sooner than the 25 month notification period and will be sending out a letter in the next week requesting input from the existing preference customers as to their interest in acquiring this power.

From the responses to their letter, SEPA will be compiling a list of customers to work with to obtain proposals for supplemental allocations from the current excess as well as any additional amounts that are released in the near future. SEPA has indicated that they intend to allocate the power only to the customers who express an interest during this process however the initial requests will be non-binding and further negotiations will occur. The allocation method will be determined following the responses since SEPA will attempt to keep the associated costs and administrative effort as low as possible by attempting to allocate the power within the same region it was released. By keeping the power in the same regions transmission contracts will not need to be altered or repriced. If your City has any interest in an additional SEPA allocation, MEAG staff would recommend a non-binding expression of interest to allow additional time for you to review this option.

Please feel free to contact either SEPA or me directly if you have any questions about the process.

City of Hogsansville - 2018/2019 Budget

| MW/h | Cost/MW/h       | Totals       |
|------|-----------------|--------------|
| MEAG | 25,225 \$ 80.55 | \$ 2,031,874 |
| SEPA | 2,291 \$ 74.88  | \$ 171,550   |
|      | 27,516 155 \$   | 2,203,424 \$ |

80.08 Average Cost per MW/h

MW/h

|  |   |
|--|---|
| Actual MW/h Obligations - MEAG & SEPA      | 34,718  |
| Surplus Energy                             | 7,202   |
| MEAG Surplus Market Sales for Hogsansville | 7,390 \$ 31.11                                      |
|  | \$ 229,903  |
| 13.19% Line Loss - Retail Sales            | 3,628   |
| Line Losses                                | 23,888  |
| Cost of Losses                             | \$ 177,676  |
|  | Includes Market Sales                               |
| Assume a Carrying Cost of 10% - 1/2 losses | \$ 888,381  |
|  | Maximum Capital Investment to Reduce Losses to 6.6% |
| Assume a Carrying Cost of 5% - 1/2 losses  | \$ 1,480,636  |
|  | Maximum Capital Investment to Reduce Losses to 6.6% |

23,888,199 kWh Sales  
13.19% Line Losses

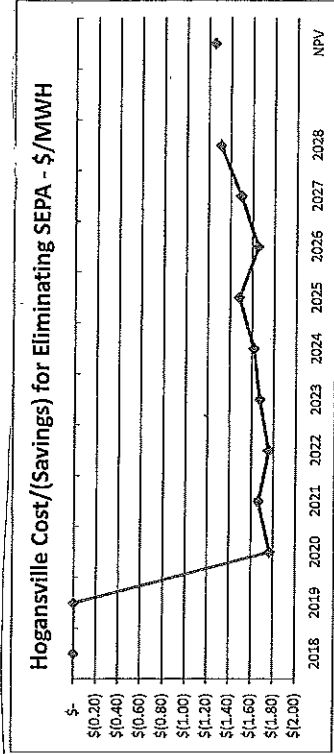
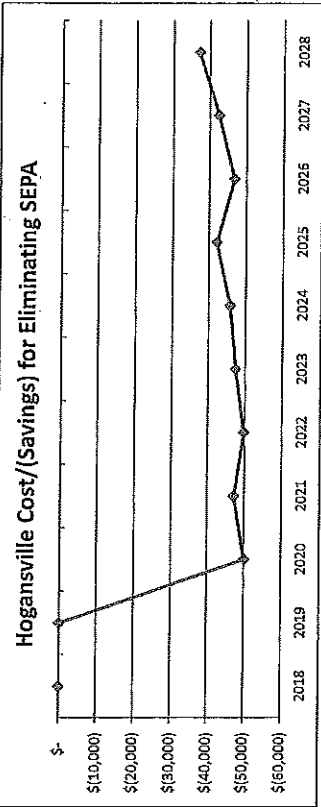
Vogtle Obligation - Approximately 1.5 MW (2021-2022 is .5 MW)

SEPA Obligation - Approximately 1.5 MW

SEPA/Vogtle Evaluation

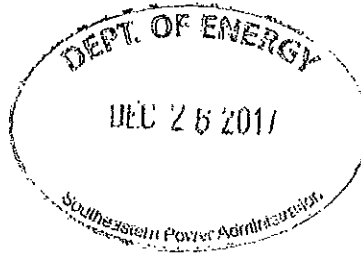
|                                     |                  |                                |
|-------------------------------------|------------------|--------------------------------|
| SEPA                                | 2,291 \$ (74.88) | \$ (171,550)                   |
| Vogtle 3 & 4                        | 4,000 \$ 139.00  | \$ 556,000                     |
| Less Mkt.                           | 1,709 \$ (31.11) | \$ (53,167)                    |
| Net Cost of Vogtle eliminating SEPA |                  | \$ 331,283                     |
| Increase of Vogtle on Retail Sales  |                  | \$ 91.30 per MW/h              |
| Wholesale Power Costs with Vogtle   |                  | \$ 2,363,157                   |
|                                     |                  | \$ 85.88 Average Cost per MW/h |

|                  | 2018      | 2019      | 2020       | 2021       | 2022       | 2023       | 2024       | 2025       | 2026       | 2027       | 2028       | 2029       | 2030       |
|------------------|-----------|-----------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| MEAG Payments    | \$ 76,081 | \$ 95,310 | \$ 118,529 | \$ 146,331 | \$ 179,683 | \$ 219,600 | \$ 752,057 | \$ 745,643 | \$ 745,643 | \$ 745,643 | \$ 745,643 | \$ 745,643 | \$ 745,643 |
| Cost/MW/h Sold   | \$ 3.18   | \$ 3.99   | \$ 4.96    | \$ 6.13    | \$ 7.52    | \$ 9.19    | \$ 31.48   | \$ 31.21   | \$ 31.21   | \$ 31.21   | \$ 31.21   | \$ 31.21   | \$ 31.21   |
| Vogtle/MW/h Sold | \$ 3.18   | \$ 3.99   | \$ 4.96    | \$ 6.13    | \$ 5.61    | \$ 11.22   | \$ 11.22   | \$ 11.22   | \$ 11.22   | \$ 11.22   | \$ 11.22   | \$ 11.22   | \$ 11.22   |
| Total Impact     | \$ 3.18   | \$ 3.99   | \$ 4.96    | \$ 6.13    | \$ 13.13   | \$ 20.42   | \$ 42.71   | \$ 42.44   | \$ 42.44   | \$ 42.44   | \$ 42.44   | \$ 42.44   | \$ 42.44   |



# City of Sylvania

THE AZALEA AND DOGWOOD CITY  
104 SOUTH MAIN STREET  
SYLVANIA, GEORGIA 30467



December 21, 2017

US Department of Energy  
Southeastern Power Administration  
1166 Athens Tech Road FM-148  
Elberton, GA 30635-6711

Re: Contract 89-00-1501-974

To Whom It May Concern:

This letter is to serve as the official notice for termination of the City of Sylvania, Georgia's contract with Southeastern Power Administration, Contract No. 89-00-1501-974, dated 1/8/1997.

The City is aware, as per the contract terms in Section 2 which states that the contract may be "terminated by the Purchased upon written notice given to the Government not less than twenty-five (25) months in advance of the date of termination." This is to serve as our 25 months notice of termination to be effective January 2020. If there are any questions please contact Stacy Mathis 912-564-7411.

Thank you,

CITY OF SYLVANIA,

*Stacy Mathis*  
Stacy F. Mathis,  
City Manager

*Preston Dees*  
Preston Dees,  
Mayor

*EXAMPLE  
OPT Out  
Letter*