

# TASK AUTHORIZATION NO. 1

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<b>Task Authorization Description:</b>	Integrated Resource Plan
<b>Effective Date:</b>	September 10, 2014
<b>Client Name and Number:</b>	City of Gillette, Wyoming
<b>Contract No. (if any):</b>	n/a

Consultant and Client agree that this Task Authorization will be governed by the terms and conditions of the Agreement dated September 29, 2014, as amended, unless specifically modified herein.

## Scope of Services

The City of Gillette, Wyoming (“the City” or “the Client”) seeks the services of a consultant to assist it in preparing an Integrated Resource Plan (“IRP”) to comply with the requirements of the Energy Planning and Management Program (“EPAMP”) (10 CFR Part 905) for meeting the objectives of Section 114 of the Energy Policy Act of 1992 (“EPAct”). Specifically, customers of the Western Area Power Administration (“Western”) who purchase firm capacity and/or energy from Western under a long term firm power supply contract are required to prepare an IRP to meet the objectives of Section 114 of the EPAct<sup>1</sup>. To fulfill this requirement, the City must prepare an IRP which describes the City’s planning process for energy resources and which evaluates a range of resource alternatives that can provide adequate and reliable service to the City’s electric consumers at the lowest system cost. The process must also consider necessary features for system operation, such as diversity, reliability, dispatchability, and other factors while integrating demand and supply resources. Given its size and limited staff and resources, the City believes a plan using Western’s standard IRP forms will fulfill this requirement for its municipal electric system.

In response, Leidos Engineering, LLC (“Leidos”) is proposing to assist the City in preparing an IRP that will fulfill the planning and reporting requirements of the regulations. In doing so, Leidos is proposing to assist the City by completing the following steps:

- Review the City’s peak demand, energy forecast and forecasting process. A critical component to the entire planning process is the projection of future demand and energy requirements of the City. Leidos will review the forecasting process to better understand the primary drivers of the forecast and whether there are risks or other uncertainties that may need to be included in the IRP process. Risks such as large customer uncertainty or the threat of self-generation will be further investigated and addressed in the IRP.
- Analyze and summarize the existing supply-side and demand-side resources that are currently available to the City for meeting resource requirements. As part of this assessment, Leidos will work with the City to understand and qualify any risks associated with each resource that may impact future resource adequacy and reliability. This information will be evaluated as part of the process and reported in the plan.

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<sup>1</sup> 10 CFR Part 905

- Forecast future resource requirements over the forecast period. Assessing future resource needs and timing is an important part of the IRP. Understanding the full range of options available to the City for meeting resource requirements will be fundamental to determining the overall direction of the IRP process.
- Assist in identifying and evaluating feasible future resource options that are available to the City. In evaluating these options, their size, cost, and impacts to customer costs and reliability will be considered and discussed. As required by Western, Leidos will describe the resource options that were chosen for implementation or chosen for further consideration, while demonstrating that the decisions were based on a reasonable analysis of the options.
- Prepare updated market price projections for the Rockies region using Leidos' proprietary Stochastic-Econometric Regional Forecast (SERF) model of the WECC interconnect. Simulate Gillette's existing load and resources in the SERF model to provide a baseline of expected costs and risks. Add the proposed generation resource to Gillette's resource mix and re-run the SERF model to evaluate changes in expected costs and risks.
- Under the requirements of EPAMP, the City is required, to the extent possible, to minimize adverse environmental effects of new resource acquisitions and document these efforts in the IRP. To meet this requirement, Leidos will discuss and describe how the planning and resource selection process was developed to minimize adverse environmental impacts.
- An important component of the IRP process is the requirement to include the participation of stakeholders in the development of the IRP. Typically, this involves a process to solicit input and participation for the electric customers in the IRP process. Leidos will assist the City in developing materials for potential public outreach. Specific approaches to meet this planning objective can be discussed during the kickoff meeting.
- The final part of the IRP is the development of an action plan. The action plan will describe the goals and objectives that will be met by the implementation of the IRP over the planning period. Depending on the projected future resource needs of the City, Leidos will work with the City to develop milestones to measure and evaluate the progress and accomplishments of the plan for meeting its goals.
- Additional Task: Further to the IRP development and related modeling, Leidos proposes to support the City in reviewing and power supply proposals and/or agreements on an as needed basis.

The resulting IRP process will be designed to document the planning process, describe the requirements and resource options, and provide an action plan for the next 10-years. In preparing the plan, Leidos will clearly identify the requirement and discuss how the City's resource planning process fulfills the objectives of Section 114 of the EPAct.

Leidos will share a draft report with the City prior to submitting a final deliverable. Leidos will host a conference call with the City to discuss any comments on the draft deliverable. The date of this conference call will be discussed with the City during the project kick off call.

Based on our experience in this area, we believe there are additional areas where the planning process can be expanded to include a more comprehensive process should the City want to further analyze its existing and future options. Although not included in the proposed scope or budget, Leidos has the capabilities to build on this planning framework to develop a process that is more robust and comprehensive than required under EPAMP. For example, Leidos staff is well prepared to quantify and analyze the uncertainties in the planning process using stochastic tools, assess the potential impacts and consequences of EPA's recently proposed Clean Power Plan, and assess distributed generation technologies for enhancing reliability and backstop resource uncertainties. Furthermore, Leidos has considerable experience in IRP-related stakeholder engagement and can provide facilitation and communication services to the City beyond what is described in this scope of work. We would be happy to discuss how we could build on this IRP framework for developing a planning process that goes beyond the process required under the EPAct. If the City is interested, Leidos can conduct a workshop or facilitate a meeting to discuss where we see additional opportunities to enhance the planning process.

### **Schedule**

Estimated schedule for providing services related to preparing the IRP is estimated to be approximately 2 months. However, this is dependent on several factors such as the availability of customer data for forecasting future energy requirements and the timing and duration assumed for public participation.

### **Fee for Services**

The total fee for the services under this Task Authorization will not exceed a maximum of \$65,000, on the basis of the Scope of Services outlined in this Task Authorization. This budget includes a kickoff meeting to be held at the City's offices, our participation at the public participation meeting, and, if the City is interested, the workshop to discuss how we can enhance the planning process to exceed the planning requirements under EPAMP. The budget does not include fees associated with the Additional Task, which will be discussed with the City prior to commencement of work and will be conducted on a time and materials basis.

Leidos' fees will be equal to the actual number of hours worked multiplied by our standard billing rates, plus actual travel expenses incurred. Leidos acknowledges that estimate is not meant to constitute a fixed fee or a limitation under which all of the included services must be completed. The fee for the services for this engagement will not exceed the estimated budget without obtaining the prior written authorization of the City's authorized representative. Leidos will not be required to furnish services or incur expenses for work above the budget maximum without such written authorization (including email) from the City.

Services provided in addition to those described in the Scope of Work, or that fall outside the assumptions and qualifications provided below, will be considered Additional Services that will be undertaken only upon authorization from the City and billed on a time-and-materials basis.

IN WITNESS WHEREOF, the Parties have signed this Task Authorization as of the date first written above.

**CITY OF GILLETTE, WYOMING**

**LEIDOS ENGINEERING, LLC**



Signature

Signature

Name

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Name

Fred Wellington

Title

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Title

Managing Director