May 8, 2012
Item: I-7

TO: MAYOR AND CITY COMMISSION

FROM: STEPHANIE A. RICHARDSON, FINANCE DIRECTOR

SUBJECT: AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE A LOAN AGREEMENT WITH CONDON BANK & TRUST-COFFEYVILLE, KANSAS, FOR THE PURPOSE OF ESTABLISHING A LETTER OF CREDIT PAYABLE TO THE SOUTHWEST POWER POOL IN THE AMOUNT NOT TO EXCEED $50,000.

RECOMMENDATION: APPROVE RESOLUTION NO. R-12-52

DISCUSSION:

Coffeyville Municipal Light & Power (CMLP) has received notification from the Southwest Power Pool (SPP) of a Total Potential Exposure in excess of the total credit limit established with that organization. CMLP currently has a line of credit with the SPP in the amount of $250,000 to cover the cost of transmission services for the city's power. According to our agreement, if our charges reach 90% of this line of credit, or $225,000, we are notified of a violation of the contract.

During 2012, all but one of our invoices has triggered a violation notice. As a result, SPP is now requesting we post financial security in the form of a letter of credit in the amount not to exceed $50,000.

Staff contacted Condon Bank & Trust to determine the fee to issue the requested financial security. The letter of credit will cost the electric utility $500 each year (1% of the loan amount). If the letter of credit is ever called upon, the rate would be 1 1/2 % above prime.

Staff feels the $50,000 limit will be sufficient given our current transmission costs. If it appears an increase in the letter of credit amount is ever needed, staff would bring that request back to the commission for authority for the increase.

By approving this resolution, the Mayor and City Clerk will be authorized to execute the loan documents required by Condon Bank & Trust to issue the letter of credit payable to the SPP in the amount not to exceed $50,000.

Staff will answer any questions that you might have regarding this matter.

Stephanie A. Richardson
Finance Director

RESOLUTION NO. R-12-52

A RESOLUTION AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE A LOAN AGREEMENT WITH CONDON BANK & TRUST-COFFEYVILLE, KANSAS, FOR THE PURPOSE OF ESTABLISHING A LETTER OF CREDIT PAYABLE TO THE SOUTHWEST POWER POOL IN THE AMOUNT NOT TO EXCEED $50,000.

WHEREAS, Coffeyville Municipal Light and Power uses the Southwest Power Pool for electric transmission services in accordance with our power supply contract with Grand River Dam Authority; and

WHEREAS, our current line of credit with the Southwest Power Pool is in the amount not to exceed $250,000; and

WHEREAS, Coffeyville Municipal Light and Power's current and future projected transmission usage exceeds the line of credit established with the Southwest Power Pool triggering the need for a letter of credit in an amount not to exceed $50,000.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the City of Coffeyville, Kansas, that the Mayor and City Clerk be and are hereby authorized and directed to execute the loan documents required by Condon Bank & Trust-Coffeyville, KS, for a letter of credit payable to the Southwest Power Pool in an amount not to exceed $50,000.

Adopted this 8th day of May, 2012.

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David George, Mayor

ATTEST:

_____
Cindy Price, City Clerk

APPROVED AS TO FORM AND LEGALITY:

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Paul Kritz, City Attorney