



## Oklahoma Municipal Power

### Authority

#### A Historical Review

The Oklahoma Municipal Power Authority was established by the Oklahoma Legislature on June 2, 1981. Why? What forces caused the creation of this joint action agency? What did the participants expect the Authority to accomplish that was beyond their reach as individual cities? Basically, OMPA was formed to provide an adequate, economical and reliable source of electric power for cities who owned their municipal electric system on the date of "The Act."

With this proven joint action approach, the participants could both enjoy the financial benefits of a large utility while obtaining control of their own wholesale electric utility. This allows for additional benefits for the locally owned and controlled electric system.

Conditions in the late 1970's and early 1980's had become harsh for publicly owned utilities. Many were faced with the choice of selling their systems or becoming full requirements customers of investor-owned utilities. Wholesale rates were prohibitive, at times even higher than comparable retail, and future supplies of power were uncertain. Specific concerns differed with each city, but ultimately the cities realized that by working together through a joint action agency their common goals could be realized: a solution to the problem of rapidly increasing power costs, control of their wholesale electric supply, and the desire to preserve public power in Oklahoma.

Through efforts of the Municipal Electric Systems of Oklahoma (MESO), legislation was drafted, "The Act" passed and 43 cities declared their intention to participate with OMPA to develop power supply resources.

"The Act," as the legislation is referred to, stipulated the following:

- The Authority was created for the purpose of providing adequate, reliable and economic sources of electric power and energy to Oklahoma municipalities and public trusts operating municipal electric systems on June 2, 1981.
- As a governmental agency of the State of Oklahoma, the Authority can (1) acquire, construct and operate generation and transmission facilities, (2) purchase, sell, exchange, and transmit electric energy within and without the State of Oklahoma and (3) issue its obligations, including the Bonds to carry out any of its corporate purposes and power. The Authority cannot participate in any nuclear powered generating plant or any plant with an investor-owned utility which was not "existing" on May 10, 1981.

- The Authority can exercise power of eminent domain in the purchase of certain property.
- The Authority is exempt from property taxes.
- The Authority does not have taxing power.
- The Authority does not receive appropriated moneys from the State of Oklahoma.

Faced with this charge of providing a dependable, low cost source of power on a long-term, cooperative basis, the Board of Directors developed a three phase plan. In Phase I, R.W. Beck and Associates was commissioned to study the technical and economic aspects of OMPA becoming a bulk power supplier to its member cities. The results of the reconnaissance power supply study indicated a potential for significant savings between 1982 and 1995 for the 33 participants included in the study.

The savings indicated in the study were based on economic conditions as they existed in 1982. Some of these factors were high interest rates, high natural gas costs and high inflation factors.

An initial step of the reconnaissance power supply study involved R.W. Beck and Associates projecting the future electric needs of the participants. R.W. Beck then developed a series of eight different plans of development of power supply resources to meet the OMPA peak demand. The cost of power supply to each participant was determined by projecting the cost of OMPA's power supply under each plan, considering all of the cost required to deliver the power to each city.

In a similar manner, the projected cost to each participant under its present power supply arrangement was developed by projecting the rate of the present power suppliers utilizing the same techniques and assumptions which were used to project OMPA's cost.

The results of these projections indicated that the participants of OMPA pay more during the early years, but could expect to realize savings beginning in the third year under this plan with savings increasing each year as time goes on. Upon receiving these favorable conclusions from the study, the Board set Phase II into motion.

Phase II was the actual negotiation of the power supply plan, final feasibility study and a presentation to the participants of a power supply plan, which was to include the estimated costs of this plan compared to continuation of existing arrangements. Thus began 2 1/2 years of negotiations, hard work and unflagging commitment by the OMPA Board of Directors, limited staff and the consultant team.

It is important to note that OMPA's power supply program was formed around assumptions of high inflation, expectations of continued inflation, high demand growth rates caused by the superheated Oklahoma economy, and cost concerns where investor-owned utilities wholesale costs were at times higher than comparable retail cost. This non-competitive wholesale pricing environment created a need to pool resources to maximize efficiencies in load demand and delivery. The higher costs were caused by generation expansion coming on line, high fuel inflation in both gas and coal and the desire by investor-owned utilities to get out of the wholesale business.

The projections in the 1984 final feasibility study showed losses for any city signing the power sales contract for the first three to five years. These cities would experience savings after five years. The study projected minimal savings for Southwestern Power Administration (SWPA) customers.

SWPA is a federal agency headquartered in Tulsa, which markets hydroelectric power generated at federal dams located in Oklahoma, Missouri, Arkansas and Texas. These dams are operated by the U.S. Army Corps of Engineers.

OMPA serves as a secondary supplier to those cities who are Southwestern Power Administration customers, and provides them with thermal power if they should exceed their SWPA allocation or if not enough water is available for hydroelectric generation.

Attesting to the strong commitment of joint action, the essential need of a long-term solution to power supply, and the desire to maintain local control of their electric utility, 26 cities signed Power Sales Contracts by December of 1984. And so began Phase II whereby ownership agreements were executed and transmission and power sales agreements were finalized.

On July 1, 1985, OMPA came into existence as a full fledged all requirements (except for the original 12 SWPA cities) supplier for its 26 member cities. The success of the first year led to six more cities joining in July of 1986 and in 1989 the 33rd member, Fairview, joined the agency's power supply program. On December 20, 1993, Perry signed a Power Sales Agreement becoming the 34th participant in OMPA's power supply program.

The Town of Manitou became the 35th participant when the Authority started supplying the town with power on July 1, 1995. In addition, the City of Winfield, Kansas approved a unit and supplemental power sales contract on December 4, 1995. OMPA began supplying the City of Winfield with power and energy on April 1, 1996. The Winfield contract is a five-year term and shows the flexibility inherent in OMPA's power supply plan in meeting the needs of municipal systems.

In April of 1996, OMPA and Brownsville, Texas established a Public Power Pool and the first transaction began on May 1, 1996. Other states have indicated an interest in the pool and the Power Pool will be expanding during 1996.

In order to supply this power efficiently, dependably and reasonably, OMPA acquired ownership interests in Oklaunion #1 (78 MW), Dolet Hills #1 (25 MW), Pirkey #1 (15 MW) and GRDA #2 (25 MW Life of Unit) generating plants. In September of 1989, construction was completed on the Kaw Hydroelectric Plant (25 MW) of which OMPA is the sole owner.

Through an agreement signed in October of 1990 with the Ponca City Utilities Authority, OMPA started the repowering of the Ponca City Steam Plant Unit #1. Construction of the \$42 million repowering project was essentially completed October 1, 1995, five months ahead of schedule and approximately 20 percent under budget. OMPA and Ponca City held an open house at the project site on October 1, 1995. The combined cycle capacity of the project without duct firing is approximately 52 MW, with duct firing it is approximately 60 MW.

Additionally, power purchase agreements with Oklahoma Gas & Electric, Western Resources

**Inc., Western Farmers Electric Cooperative, Public Service Company of Oklahoma and Southwestern Power Administration were all in effect by August of 1986.**

**Also, five member cities maintained ownership of small generating plants (Fairview, Kingfisher, Mangum, Pawhuska and Ponca City). In accordance with the Capacity Purchase Agreements, the Authority schedules and buys their generated power and the fuel required to generate.**

**In 1987 the Supervisory Control and Data Acquisition (SCADA) System became fully operational and allowed OMPA to monitor the total power supply system. With the ability to follow the actual system load hour by hour, the Operations Center is able to match system demand with economical delivery of resources. By doing so, costs of operation can be held down by scheduling resources as actually needed and through opportunity purchases off-system.**

**As OMPA has gone through the different stages of development, it has, by and large, met the challenges set forth by those cities who initially formed OMPA. That is, the provision of an adequate, reliable and affordable power supply controlled by the cities.**

**The conditions existing when the Authority was formed did not continue and the projections in the 1984 Beck study did not materialize. The 15 current SWPA/OMPA cities have saved a significant amount under the OMPA power supply program, in direct contradiction to the study. Inflation has gone down significantly, growth rates, which went negative when the Oklahoma economy sagged, are recovering and the price squeeze has disappeared because of the competitive nature in the wholesale market caused by OMPA. The investor-owned utilities' costs are down significantly, due to fuel costs and the 1986 Tax Reduction Act.**

**With lower power requirements, existing capacity was adequate and cost pressures, driven by plant construction, have been removed from investor-owned utilities. OMPA's successful entry into the wholesale arena together with the conditions mentioned previously have stimulated the intense competitive activity that exists today. Public Power has reinforced what has been seen on the national level as the "yardstick" of competition.**

**Since 1985 OMPA's overall cost of kilowatt-hour has remained relatively constant while investor-owned utilities have re-emerged in the marketplace as aggressive competitors at the wholesale level and have offered incentives to help lower their wholesale costs. We can no longer be classified as among the lowest cost power providers in the state; others have repositioned themselves by following our leadership in this area.**

**As a result, our wholesale costs are now competitive. OMPA has been and will continue to be a leader in this competitive environment.**

**The foundation on which the Authority was formed remains the same. Through joint action, the cities are assured of adequate and reliable power at the lowest possible cost, services to allow them to enjoy full benefits of municipal ownership and control of their locally owned electric systems.**

**If OMPA had not been formed, it is doubtful the wholesale market would have undergone such dramatic change. The switching of wholesale power service, reduction in rates and intense**

competition for wholesale load would probably not have occurred. The Authority is proud to have played a major role in the changing wholesale environment.

## **Highlights of The Oklahoma Municipal Power Authority**

### **1981**

- Legislation passed and signed into law by Governor George Nigh, June 2, 1981 creating OMPA.
- First Annual Meeting held September 2, 1981 with selection of original Board of Directors consisting of 11 Directors.
- R.W. Beck and Associates hired in November of 1981 to undertake a Reconnaissance Power Supply Study. Cities vote to assess themselves to pay for the study, approximately \$130,000.00.

### **1982**

- Reconnaissance Power Supply Study Report presented to OMPA members in June 1982. Decision to press on made by September 1982 by those who wished to participate, 33 cities. These cities passed resolutions to secure \$2 1/2 million loan from Fidelity Bank, Oklahoma City in December 1982 to finance initial start up.
- November of 1982, Roland H. Dawson hired as General Manager, assumed duties in January of 1983.

### **1983**

- July 1983, OMPA borrows \$380,000 from Fidelity Bank for its part of the developmental cost of the Kaw Hydro Project. Loan secured by Ponca City Utility Authority and Stillwater Utilities Authority. KAMO is partner in the project, OMPA owns 49.9 percent, KAMO 50.1 percent.
- Negotiations with Power Suppliers during 1983 and 1984. Initial Power Supply Study presented to membership on August 30, 1984.

**1984**

- **September of 1984, statewide meetings held with member cities. Proposed contract reviewed between OMPA and cities.**
- **October 2, 1984, Ryan first city to sign contract. October 16, 1984, Edmond first large city to approve contract. Altus voters approve contract 9 to 1 on November 20, 1984, the last of the original 26 cities to join the power supply program.**

**1985**

- **June of 1985, first financing with Morgan Bank of New York.**
- **June of 1985, general cities meeting held. Cities refunded funds provided for R.W. Beck & Associates study.**
- **July 1, 1985, midnight, OMPA becomes newest power supplier in the State. July 9, 1985, Henry S. Pirkey plant (15 MW) enters OMPA system service, first OMPA owner source.**
- **August 1, 1985, OMPA assumes ownership of seven substations purchased from Oklahoma Gas and Electric (OG&E).**

**1986**

- **January of 1986, discussion on the possibility of OMPA taking over Kaw Hydroelectric Project from KAMO begins.**
- **April of 1986, Dolet Hills Power Station goes on line. OMPA owns 25 MW share.**
- **May of 1986, OMPA assumes 99.5 percent ownership of Kaw Hydroelectric and Construction Manager of project.**
- **July of 1986, six more cities join Power Supply program bringing the total to 32 cities.**
- **July of 1986, OMPA builds first transmission**

**line, two miles of 138 kV in Stephens County to improve reliability for the Duncan System.**

**· July of 1986, first year's savings to 24 of the 26 original members projected to be \$4,542,000. Actual savings \$5,868,000 to the members.**

**· July of 1986, OMPA builds first substation in Kingfisher. City purchases station from OMPA.**

**· December 24, 1986, Oklaunion Power Station begins operation. OMPA owns 78 MW share.**

### 1987

**· OMPA built 9 ½ miles of 138 kV transmission line to serve two new substations in Edmond in 1987.**

**· February of 1987, Supervisory Control Data Acquisition System (SCADA) becomes operational.**

**· August 29, 1987, ground broken for Kaw Hydroelectric Plant.**

### 1989

**· June 1, 1989, Fairview becomes the 33rd member of the Power Supply Program.**

**· August 29, 1989, Kaw Hydroelectric Plant is synchronized.**

**· September 26, 1989, Kaw Hydroelectric Plant is commercial.**

### 1990

**· August 13, 1990, W.I.S.E. (Ways I Save Electricity) Energy Services Program started.**

**· August 30, 1990, W.I.S.E. Energy Services Committee, comprised of member city representatives appointed by the OMPA Board of Directors, meets for the first time.**

**· October 25, 1990, Ponca City Utility Authority and OMPA sign a repowering agreement for**

**Steam Unit #1 in the Ponca City Steam Plant.**

- **September 1990, Kaw Hydroelectric Plant passes its first year of commercial operation generating 110.7 gigawatt-hours of electricity, six percent above projected generation.**
- **December 19, 1990, Board authorizes a refunding bond issue in the amount of \$71,020,000 to lower costs on outstanding debt.**

**1991**

- **During 1991, opinion survey conducted on the 33 member cities that comprise the Authority. Ninety-nine percent of the respondents believe OMPA has lived up to their expectations.**
- **March 14, 1991, Black & Veatch Engineering of Kansas City, Missouri retained for Phases I and II of the repowering project at the Ponca City Steam Plant Unit #1.**
- **September 12, 1991, OMPA celebrates first decade during the 10th Annual Electors Meeting held in Edmond.**

**1992**

- **May 14, 1992, Board authorizes the issuance of \$54 million in revenue bonds to fund the Ponca City repowering project.**
- **July 16, 1992, Board authorizes the issuance of \$166,675,000 in revenue bonds to refinance bonds issued in earlier years at higher interest costs.**

**1993**

- **January 14, 1993, General Manager Roland H. Dawson recognized during the Board meeting for his ten years of service as OMPA's general manager.**
- **February 11, 1993, Board authorizes the purchase of a General Electric LM6000 gas turbine to be used in the repowering of the Ponca City Steam Plant Unit #1.**

- April 15, 1993, Board authorizes the purchase of direct load control monitoring equipment for installation in the summer of 1993.
- May 15-16, 1993, heavy summer rains cause the U.S. Army Corps of Engineers to release a record 60,000 cubic feet of water per second at the Kaw Reservoir on the Arkansas River east of Ponca City. OMPA and its members own 100 percent of the Kaw Hydroelectric Plant located on the Kaw Reservoir. The plant is shut down from May 9th through May 17th due to widespread flooding downstream. The previous water release record was 39,300 cubic feet per second on October 11, 1986.
- July of 1993, direct load control pilot program started in member cities Altus and Edmond. Data gathered from the 48 direct load control units installed in each of these two cities will be used to evaluate the load reduction that can be gained from a system-wide load control program.
- September 7, 1993, Perry City Council Members vote 5-1 to approve a resolution giving notice of their intention to change suppliers of wholesale electricity and authorized work to begin to form a public trust. The resolution authorizes OMPA to negotiate with Oklahoma Gas & Electric (OG&E) regarding the purchase of wholesale electricity.
- November 18, 1993, Board accepts the Demand-Side Management Committee's recommendation with regard to the direct load control pilot project. The Authority will be implementing a full pilot project during the Summer of 1994.
- December 3, 1993, Board adopts a resolution for OMPA to execute a power sales contract with the Perry Municipal Authority.
- December 13, 1993, Board adopts the 11th Supplemental Power Supply System Revenue Bond issue authorizing \$104,420,000 in Power Supply System Revenue Bonds Series 1994A

during a special meeting.

- December 20, 1993, the City of Perry and OMPA sign the Power Sales Agreement. Perry becomes the 34th participant in OMPA's power supply program.

#### 1994

- January 20, 1994, Board approves the 12th Supplemental Power Supply Revenue Bond issue authorizing \$45,710,000 in Power Supply System Revenue Bonds Series 1994B during a special meeting. The bond issue proceeds will prepay some capacity and transmission costs related to Western Resources, Inc. (WRI)/Kansas Gas & Electric (KG&E) contract revision the Authority entered into in 1993.
- April 14, 1994, Board establishes a "Blue Ribbon" Committee that would consider programs that would enhance OMPA's competitive position.
- May 9, 1994, Blue Ribbon Committee consisting of representatives from the member cities holds first meeting at the OMPA offices in Edmond.
- May 12, 1994, Board approves general construction contract with The Industrial Company (TIC) from Steamboat Springs, Colorado for the Ponca City Repowering Project.
- June 9, 1994, ground breaking held for the \$42 million Ponca City Repowering Project. Governor David Walters is the keynote speaker.
- June 30, 1994, OMPA begins radio control air conditioner cycling on 50 monitored units in Edmond. In Edmond and Altus, 200 customers are to be involved in this direct load control pilot project during the summer to determine the value of a direct load control program that could be implemented system-wide by the Authority.
- July 21, 1994, Blue Ribbon Committee

develops a "Service Package for Competitive Readiness" in response to competitive pressures in the electric utility industry.

· August 11, 1994, Board accepts the "Service Package for Competitive Readiness," which was developed by the Blue Ribbon Committee, and directs staff to begin implementation of the programs. Board also approves the appointments to a committee to develop specifications for the Competitive Utility Program (CUP) recommended in the Blue Ribbon Committee report.

· August 11, 1994, OMPA holds a Town Meeting in Ponca City on recent fish kills at Kaw Dam and Dr. Sterling Burk presents his reasons for the fish kills. The Authority commissioned the OSU study of the conditions at Kaw Dam after fish kills were reported in June in the stilling basin.

· September 8, 1994, Board discusses the preliminary report on the direct load control pilot project and recommends continuation of the project for the summer of 1995 to determine customer acceptance. This summer OMPA completed the second year of the project in Altus and Edmond.

· September 19, 1994, General Electric's LM6000 gas turbine, a major component of the Ponca City Repowering Project is set into its foundation.

### 1995

· January 12, 1995, Board approves steering subcommittee's recommendation to adopt the Competitive Utility Program (CUP). The program is designed to assist member electric utilities in providing better service to their customer/citizen owners.

· January 21, 1995, OMPA with the support of the Kaw Lake Association holds its first American Bald Eagle viewing event at the Kaw Hydroelectric Plant near Ponca City.

- **February 27, 1995, OMPA holds the first of five regional meetings in Fairview to launch the Competitive Utility Program (CUP).**
- **March 7, 1995, OMPA files a Water Quality Management Plan with the Federal Energy Regulatory Commission (FERC) for the operation of the Kaw Hydroelectric Plant located on Kaw Reservoir, just east of Ponca City.**
- **April 11, 1995, the W.I.S.E. Rebate Program marks its fifth year in providing matching funds to participating member cities. Under the program, qualifying customers are given rebates for installing heat pumps.**
- **April 13-14, 1995, Morgan Stanley representatives present a strategic analysis of OMPA's Financial Plan during the OMPA Board Meeting/Planning Meeting held in Ponca City. This plan represents the most comprehensive analysis of OMPA's financial structure ever undertaken by the Authority.**
- **May 1, 1995, Town of Manitou trustees meet in a special session to take action that will effect the transfer to the OMPA Power Supply Program.**
- **May 3, 1995, the first start-up of the General Electric LM6000 gas turbine at the Ponca City Municipal Power Plant Complex occurs. The gas turbine is part of a \$42 million project by OMPA through an agreement with the City of Ponca City.**
- **July 1, 1995, Town of Manitou transfers to the OMPA Power Supply Program and becomes the 35th member of the Power Supply Program.**
- **August 10, 1995, OMPA celebrates its 10th anniversary as an operating utility. On July 1, 1985, the Authority came into existence as a full fledged all requirements, except for the original 12 SWPA cities, supplier for its 26 member cities.**

- **September 14, 1995, Board adopts modifications to the current rebate standards. The changes adopted become effective on January 1, 1996. These changes include reduction in the dollar amount of matching rebates and installation requirements on the dual-fuel heat pumps.**
- **October 1, 1995, the Ponca City Utility Authority (PCUA) and OMPA hold an Open House for the Repowering Project at the City's Power Plant Complex. Approximately 500 people attended the event held in conjunction with Public Power Week.**
- **October, 1995, OMPA essentially completes installation work of a "slip-stream nozzle" to spray water into the stilling basin below Kaw Dam as part of its proposal submitted to the Federal Energy Regulatory Commission for managing water quality.**
- **October 12, 1995, Board accepts the Demand-Side Management Committee's recommendation to proceed with a survey of participants and then to review the Direct Load Control Program again in the spring of 1996. The Authority completed in the summer of 1995 its third year of research in the direct load control pilot project in member cities Altus and Edmond.**
- **December 4, 1995, the City Council members of Winfield, Kansas approve a unit power and supplemental contract that begins April 1, 1996 (subject to Federal Energy Regulatory Commission (FERC) approval) for 5 ¾ years. The Winfield contract marks a first for OMPA contracting with a municipal electric system outside Oklahoma.**

### 1996

- **January 29, 1996, the City of Edmond submits its application for certification as a Competitive Utility.**
- **March 6-7, 1996, five member cities - Altus, Duncan, Edmond, Perry and Ponca City - and**

**OMPA participate for the first time in the Oklahoma Industrial Show held in Oklahoma City.**

**· March 14, 1996, Board approves the City of Edmond's application for certification as a Competitive Utility. Edmond is the first member city to receive the CUP designation.**

**· March 14, 1996, Board authorizes staff to proceed with the implementation of OMPA's "Best Cities" Economic Development Program.**

**· March 25, 1996, City of Edmond's Mayor Bob Rudkin, on behalf of the city, accepts a plaque and signs indicating that Edmond Electric has met the established criteria for certification as a Competitive Utility.**

**· March 27-28, 1996, OMPA Energy Services holds Commercial Energy Audit Training for the first time at the OMPA office in Edmond.**

**· April 1, 1996, OMPA begins supplying power requirements to the City of Winfield, Kansas.**

**· April, 1996, OMPA and the Public Utilities Board of the City of Brownsville, Texas announce their intent to form a Public Power Pool spanning four states.**

**· April 25, 1996, an agreement among several state agencies for sharing of water releases from Kaw Dam is approved by the Federal Energy Regulatory Commission (FERC).**

**· May 1, 1996, first transaction takes place in the OMPA/Brownsville, Texas Public Power Pool.**

**· May 13, 1996, Ponca City Utilities Authority approves modification in Capacity Purchase Lease Agreement and OMPA will become operator of the Ponca City Steam Plant and Diesel Plant on July 1, 1996.**

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[Top of Page](#)

