



# City of Grand Island

Tuesday, September 11, 2018

Council Session

## Item G-14

**#2018-266 - Approving Amendment #1 to the Agreement between the City of Grand Island Utilities Department and Tenaska**

Staff Contact: Tim Luchsinger, Jerry Janulewicz

# Council Agenda Memo

**From:** Tim Luchsinger, Utilities Director  
Jerry Janulewicz, City Attorney

**Meeting:** September 11, 2018

**Subject:** First Amendment to Marketing Agreement with Tenaska

**Presenter(s):** Tim Luchsinger, Utilities Director

## Background

At the May 12, 2012 meeting, City Council approved a Marketing Agreement with Tenaska. This agreement provided a means for the Utilities Department to buy and sell power through the regional Southwest Power Pool (SPP) market. Currently, the department, along with many other Tenaska clients, conducts all SPP energy transactions under the Tenaska Market Participant (MP) registration. All transmission related activities are conducted under the City's own MP registration.

Recently, SPP implemented changes to the capacity requirements for each entity that participates in the market. Included in these changes is the ability to impose financial penalties for being under the required capacity threshold. Because these penalties are calculated on a per-entity basis, Tenaska needed to develop a method to ensure the penalties are properly assessed to the entity generating below the capacity threshold. Otherwise, several entities could subsidize the capacity needs of another.

## Discussion

Tenaska recommends an amendment to the original Marketing Agreement to transfer capacity related obligations including any penalties to the City of Grand Island's Market Participation registration. This ensures the City is treated fairly when it comes to capacity requirements.

## Alternatives

It appears that the Council that the following alternatives concerning the issue at hand. The Council may:

1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to a future date
4. Take no action on the issue

## **Recommendation**

City Administration recommends that the Council approve the First Amendment to the Tenaska SPP Marketing Agreement.

## **Sample Motion**

Move to approve the First Amendment to the Tenaska SPP Marketing Agreement.

**FIRST AMENDMENT  
TO THE  
ENERGY MANAGEMENT AND SETTLEMENT SERVICES AGREEMENT**

This First Amendment to the ENERGY MANAGEMENT AND SETTLEMENT SERVICES AGREEMENT (“Amendment”) is entered into as of the 11th day of September, 2018 (the “Effective Date”), by and between The City of Grand Island (“Grand Island”) and Tenaska Power Services Co. (“TPS”). Each of Grand Island and TPS may be referred to herein as a “Party” and collectively as the “Parties” to this Amendment.

WHEREAS, Grand Island and TPS are Parties to that certain Energy Management and Settlement Services Agreement dated as of May 22, 2012 as amended (the “Agreement”); and

WHEREAS, SPP has amended its SPP Tariff at FERC to add a document labeled “Attachment AA” which imposes new obligations on each Load Responsible Entity (“LRE”); and

WHEREAS, Grand Island agrees to take on the obligations imposed on LREs in Attachment AA of the SPP Tariff as approved by FERC; and

WHEREAS, the Parties desire to amend the Agreement to define the obligations of both Parties regarding Attachment AA; and

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by both Parties, Grand Island and TPS hereby agree as follows:

**AMENDMENT**

1. Unless otherwise defined in this Amendment, capitalized terms used in this Amendment shall have the same meaning as that given to such terms in the Agreement.
2. The Parties agree to amend the Agreement to add an additional Section to allocate the Parties’ responsibilities under Attachment AA of the SPP Tariff. The following paragraph shall be inserted as Section 3.10:

“3.10 SPP Tariff Attachment AA.

The Parties acknowledge that FERC has approved SPP’s Tariff amendment filing to add Attachment AA to its Tariff, and has authorized such Tariff amendment to go into effect July 1, 2018. The Parties understand that such Attachment AA requires the Market Participant representing an LRE to pay SPP charges or penalties for an LRE’s failure to acquire and maintain the Capacity quantities required to supply the LRE’s load requirements, as such quantities are determined by SPP. The Parties agree that Grand Island is an LRE, as defined under the SPP Tariff, which currently is being represented within the TPS Market Participant. The Parties further agree that effective as of the date Attachment AA goes into effect, as permitted under Attachment AA of the Tariff, the following assignment will go into effect. TPS assigns the LRE obligations to Grand Island’s Market Participant identified as City of Grand Island in Attachment AH to the SPP Tariff and GRIS. Grand Island hereby accepts assignment of, and the responsibility

for the LRE obligations with respect to Grand Island's load requirements, as set forth under the SPP Tariff, as amended by the addition of Attachment AA (the "LRE Obligations Assignment"). This LRE Obligations Assignment shall remain in full force and effect for so long as the Agreement remains in effect. The Parties agree that upon the effectiveness of the LRE Obligations Assignment, which will take effect on the date Attachment AA of the Tariff goes into effect, Grand Island shall assume sole responsibility for (a) acquiring all Capacity amounts required to meet its LRE load requirements as determined by SPP, and (b) identifying for SPP the particular Resources and sources upon which Grand Island will rely in meeting the LRE requirements set by SPP. TPS shall have no obligation to acquire Capacity for, or supply Capacity to Grand Island; provided, however, TPS may from time to time mutually agree with Grand Island on a sale of Shortfall Capacity. For avoidance of doubt, the Parties agree that Grand Island may not call upon TPS to provide Shortfall Capacity to cover a difference between the amount of Capacity which Grand Island has identified to SPP, covering its LRE obligations under Attachment AA, and the amount of Capacity which SPP has designated as required to meet such LRE obligations. After Grand Island has designated for SPP the full amount of Capacity necessary to cover its LRE obligations under Attachment AA, Grand Island may only call upon TPS to supply Shortfall Capacity to cover a temporary outage or shortage in Capacity from Grand Island's designated Capacity Resources."

3. The Parties agree to add the following definitions to Section 1 in alphabetical order:

"Attachment AA" means the section of SPP's Tariff labeled as such as on file with the FERC.

"Export Interchange Transaction" shall have that meaning given that term in the SPP Tariff.

"Load Responsible Entity" or "LRE" shall mean an asset owner represented in the Integrated Marketplace with a registered physical asset that is either (a) load or (b) an Export Interchange Transaction as specified in Attachment AA.

4. Unless expressly changed by this Amendment, all other terms of the Agreement shall remain in full force and effect.
5. This Amendment may be executed in multiple counterparts, including facsimile(s) or emails, each one of which will be considered an original Agreement, but all of which together will constitute one and the same instrument.
6. This Amendment contains the entire agreement between the Parties with respect to the subject matter of this Amendment and supersedes any previous understandings, commitments, or agreements, oral or written, with respect to such subject matter of this Amendment.

WHEREFORE, the Parties acknowledge and agree to this Amendment effective as of the Effective Date.

**TENASKA POWER SERVICES CO.**

**CITY OF GRAND ISLAND**

By: \_\_\_\_\_

By: \_\_\_\_\_

NAME: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

TITLE: \_\_\_\_\_

Signature Page to Second Amendment

RESOLUTION 2018-266

WHEREAS, At the May 22, 2012 meeting, Council approved a Marketing Agreement with Tenaska to provide a means for the Utilities Department to buy and sell power through the regional Southwest Power Pool (SPP) market; and

WHEREAS, recently SPP implemented changes to the capacity requirements for each entity that participates in the market including the ability to impose financial penalties for being under the required capacity threshold; and

WHEREAS, because these penalties are calculated on a per-entity basis, Tenaska needed to develop a method to ensure the penalties are properly assessed to the entity generating below the capacity threshold; and

WHEREAS, Tenaska recommends an amendment to the original Marketing Agreement to transfer capacity related obligations including any penalties to the City of Grand Island's Market Participation registration and this ensures the City is treated fairly when it come to capacity requirements; and

WHEREAS, the Legal Department has reviewed and approved the Amendment between the City of Grand Utilities Department and Tenaska.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that Amendment #1 to the Marketing Agreement with Tenaska is approved, and the Mayor is hereby authorized to sign the agreement on behalf of the City of Grand Island.

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Adopted by the City Council of the City of Grand Island, Nebraska, September 11, 2018.

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Jeremy L. Jensen, Mayor

Attest:

\_\_\_\_\_  
RaNae Edwards, City Clerk

Approved as to Form	☐ _____
September 7, 2018	☐ City Attorney