



# City of Grand Island

Tuesday, August 24, 2021

Council Session

## Item G-7

**#2021-205 - Approving Amendment to the Transmission Planning Services Agreement with GDS Associates, Inc.**

Staff Contact: Tim Luchsinger, Stacy Nonhof

# **Council Agenda Memo**

**From:** Tim Luchsinger, Utilities Director  
Stacy Nonhof, Interim City Attorney

**Meeting:** August 24, 2021

**Subject:** Consulting Services Agreement with GDS Associates, Inc., for Transmission Planning Services  
– Amendment #1

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

## **Background**

The Grand Island Utilities Department (GIUD) utilizes a 115,000 Volt transmission loop around the City to connect the substations together as well as provide interconnections with Nebraska Public Power District (NPPD) in five locations. These transmission facilities are required to comply with several federal regulatory standards.

Midwest Reliability Organization (MRO), the regional compliance enforcement agency, informed GIUD that it would require registration as a Transmission Planner. The Transmission Planner requirements involved engineering analysis, identification and evaluation of necessary upgrades, and attending regular meetings. GDS Associates, Inc., was contracted to for consulting services to provide related services by Council Resolution 2019-292 on September 24, 2019.

## **Discussion**

GIUD plans to pursue qualifying its Transmission Facilities to be incorporated into the SPP Transmission System. This would allow the Utilities Department to receive annual financial reimbursement for having its 115,000 volt transmission loop utilized by the SPP Transmission System. It is recommended to amend Exhibit A in the existing Consulting Services Agreement with GDS Associates, Inc., to include consulting services for SPP Zonal Placement and FERC approval. The amount proposed to perform this additional work is \$127,000.00.

## **Alternatives**

It appears that the Council has 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 Amendment #1 to the Consulting Services Agreement with GDS Associates, Inc., for Transmission Planning Services with a not to exceed amount of \$127,000.00.

### **Sample Motion**

Move to approve Amendment #1 to the Consulting Services Agreement with GDS Associates, Inc., for Transmission Planning Services with a not to exceed amount of \$127,000.00.

**AMENDMENT NO. 1 TO CONTRACT FOR CONSULTING SERVICES (RESOLUTION 219-292)**

**CONSULTING SERVICES AGREEMENT BETWEEN GDS ASSOCIATES, INC. & THE CITY OF GRAND ISLAND, NEBRASKA**

**ISSUE DATE:** AUGUST 24, 2021

**AMENDMENT NO. 1:**

- **MODIFY EXHIBIT 'A' OF THE AGREEMENT (PER ATTACHMENT A)**
- **ADD EXHIBIT 'C' TO THE AGREEMENT (PER ATTACHMENT B)**

**ACKNOWLEDGMENT OF RECEIPT OF AMENDMENT NO. 1**

**GDS ASSOCIATES, INC.**

**Acknowledged By:** \_\_\_\_\_  
Signature

**Date:** August 16, 2021

**Print Name:** SETH W. BROWN

**Title:** VICE PRESIDENT

**CITY OF GRAND ISLAND, NEBRASKA**

**Acknowledged By:** \_\_\_\_\_  
Signature

**Date:** \_\_\_\_\_

**Print Name:** ROGER STEELE

**Title:** MAYOR

**Attest:** \_\_\_\_\_  
City Clerk

**The Contract is in due form according to law and hereby approved.**

**Acknowledged By:** \_\_\_\_\_  
Signature

**Date:** \_\_\_\_\_

**Print Name:** STACY NONHOF

**Title:** ATTORNEY FOR THE CITY

# **ATTACHMENT A**

#### Exhibit A: Project Scope

GDS will perform the Transmission Planner (TP) NERC tasks for the City of Grand Island (GIUD). GIUD will register as the TP with NERC and GDS will perform the TP tasks. GDS and GIUD will meet and determine the contacts, timelines, and create the action plan to manage the tasks. The base tasks include the following:

1. Modeling Data Requirements (MOD-032)
2. Annual Planning Assessment and Modeling (TPL-001-4)
3. Reliability Coordinator Conflict Resolution (IRO-017)
4. Develop and/or update TP Planning Criteria
5. Develop SOL<sub>s</sub> (FAC-014)
6. Model Validation for the generation models (MOD-026/-07)
7. Generator Capabilities (MOD-025)
8. Capacity Benefit Margin (MOD-004)

GDS will work with GIUD to gather needed information to perform the tasks. Documentation will be created to demonstrate compliance with NERC Standards and Requirements for each task. All findings, reports, and supporting documentation that is produced as part of this project will be treated as confidential and will only be shared with the GDS and the GIUD team. If the time required to perform the tasks change due to SPP processes or other issues arise, GDS will identify these and discuss and additional costs that may need to be considered with GIUD.

The GIUD Standards table workbook will be kept up to date with any changes in the TP requirements and the documentation for the NERC evidence files. The workbook identifies some of the documentation expected to show that GIUD meets the requirements. GDS will provided all documentation created to support the requirement to GIUD for the NERC files.

GDS will also perform one-time studies as requested. These additional studies will be scoped in coordination with GIUD and GDS and billed at the hourly rate noted in Exhibit B.

GDS will perform one-time service, regarding SPP Zonal Placement and FERC Approval, per the scope and fee noted in the proposal date July 28, 2021, included herein as Exhibit C.

# **ATTACHMENT B**

July 28, 2021

Ryan Schmitz, P.E.  
City of Grand Island Utilities Department  
Assistant Utility Director – Engineering and Business Operations  
Grand Island, NE 68801

***Re Actionable steps and cost estimate for becoming SPP Transmission Owner***

Dear Ryan:

This email is in response to your request for actionable steps and estimated costs to move forward with becoming a Southwest Power Pool (“SPP”) Transmission Owner (“TO”). Summarized below is the preliminary work already completed and the proposed scope of work and estimated costs based on our prior experience in these matters.

To date, GDS has analyzed the Grand Island transmission system and identified the Grand Island facilities qualifying as Transmission Facilities under Attachment AI of the SPP tariff. Transmission Facilities may be placed under SPP functional control and incorporated into the SPP Transmission System. Transmission Owners (“TOs”) in SPP may recover the cost to own and operate the Transmission Facilities included in the SPP Transmission System. Those costs are recovered from SPP customers using the Network Integration Transmission Service (“NITS”). The preliminary Cost of Service (“COS”) study using Grand Island 2019 financial books and records estimate Grand Island’s Annual Transmission Revenue Requirement (“ATRR”) at \$3.6M. In addition, a NITS analysis was completed to estimate the transmission service cost should Grand Island use SPP NITS to serve its load. At this time Grand Island has determined that the current transmission costs to serve its load does not warrant acquiring SPP NITS to serve its load.

Having completed the network analysis and preliminary COS study, Grand Island is prepared to move to the next steps consisting of the SPP Zonal Placement Process and FERC Approval. The Zonal Placement Process and the FERC approval each have timelines and resource requirements.

Regarding the SPP Zonal Placement Process, in recent years the SPP region has expanded and the number of transmission pricing Zones in the SPP Tariff and the number of TOs has grown commensurately. SPP has implemented a zonal placement process developed for when existing facilities are to be transferred to the functional control of SPP. There are four steps in the Zonal Placement Process.

The first step is notifying SPP of Grand Island’s intent to transfer functional control of existing facilities and to initiate a filing with FERC to recover Grand Island’s ATRR through Schedule 9 of the SPP Tariff.

The second step is providing the information necessary for SPP to evaluate the appropriate zonal placement of the facilities which include the data listed below.

1. Data on the integration of facilities, including the number, voltage, and capacity of interconnections with existing SPP Zones and degree to which the facilities are embedded in existing SPP Zones
2. Current integration of planning and operations of the facilities with existing SPP Zones or existing SPP TOs



3. Identification of those facilities the Grand Island intends to transfer to SPP's functional control and include in its transmission rate base under Attachment AI criteria, including any planned facilities for which the Grand Island will have made a financial commitment prior to the expected date of facilities transfer
4. Information that addresses the reliability and comparability of the Transferring Facilities relative to the existing facilities in the Integration Zone(s) and under NERC Reliability Standards, SPP Criteria, and local planning criteria
5. Revenue requirement of the Transferring Facilities and the primary components of that revenue requirement calculation, plus:
  - Projected cost and revenue requirement of any planned upgrade for which a financial commitment will have been made prior to the facilities transfer date and which is not included in the Grand Island's current total revenue requirement
  - Estimated per MW rate effects the facilities transfer would have on the Network Customers served through the Transferring Facilities and on the other Network Customers' load in the Integration Zone(s). These rate impact estimates will not be required initially but will be calculated after the zonal placement analysis has been conducted.
  - Cost effect of termination or modification of any agreement(s) with existing SPP TOs and cost effect of any elimination of rate pancaking as a result of zonal integration
6. Peak load and annual energy usage of the load associated with the Transferring Facilities and identification of any such load and energy in existing SPP Zones
7. Miles of transmission lines at each voltage level and number of substations that the Grand Island intends to include in its ATRR under Schedule 9
8. Geographical service area of the load associated with the Transferring Facilities

Once SPP has acknowledged receipt of the data described in above, SPP has 90 days to complete the zonal placement process, as detailed in step three and step four below.

The third step is SPP Integration analysis is the first of two 45 day periods in the Zonal Placement Process. Upon receipt of the requested information and based on preliminary review of the information, SPP will notify TO(s) and Network Customers in Zones that may be affected by the zonal integration. SPP reviews the information provided and conducts a zonal placement analysis to determine whether a new zone should be established, and if not, which existing Zone the facilities are to be placed within. SPP also evaluates the cost shifts resulting from the transfer of facilities and provides the results of the zonal placement and cost shift analysis to Grand Island and to the TO(s) and Network Customers in the Integration Zone(s) (i.e., NPPD). The affected Network Customers are those paying a load ratio share of SPP Tariff Schedule 9 charges in the Integration Zone(s). SPP staff shall provide the zonal placement and cost shift analysis to the affected parties no later than 45 days after receipt of all necessary information. In addition to the zonal placement and cost shift analyses, SPP will conduct an assessment of whether the Transferring Facilities meet the conditions of Attachment AI for classification as transmission.

The fourth step is the second 45 day interval in the Zonal Placement Process and involves negotiation with affected parties. Grand Island and the TO(s) and affected Network Customers are provided an opportunity to discuss the zonal placement decision and any resulting issues, including potential cost shifts. The discussion period will be 45 days unless otherwise agreed by the parties. SPP will be available to facilitate

such discussion if requested. This discussion may lead to a mutually agreed arrangement for addressing cost shifts. Such an agreement can be effectuated by a filing at FERC.

Following the Zonal Placement Process, SPP as the Transmission Provider will make a filing on behalf of Grand Island for recovery of its ATRR. While SPP will make the filing, Grand Island will sponsor all testimony and provide a needed documentation to support the filing. This would include a draft of the transmittal letter, COS testimony including the COS study and supporting documents, technical testimony. The statutory timeline on a FERC ruling is 60 days. If the filing is unopposed, for example all intervening parties' issues were resolved in the Zonal Placement Process, FERC may accept the filing. However, the more likely outcome would be that the filing will be set for Settlement and hearing. While the assigned Administrative Law Judge will facilitate discussion, there is no defined timeline on Settlement negotiations. If the parties fail to reach a settlement, the ALJ will declare an impasse and refer the case to a hearing.

It is anticipated that NPPD will oppose Grand Island filing. If Grand Island is unable to come to an amicable agreement in Step 4 of the Zonal Placement Process, Grand Island may reassess its going forward strategy and may withdraw its notification to SPP. However, GDS is aware of no cases where qualifying Transmission Facilities have been denied recovery in SPP. In some cases, there was a negotiated settlement.

Should the case go to hearing, the judge will set a procedural schedule for discovery, depositions, and submission of testimony.

The expenses associated with an uncontested rate filing can exceed \$127,000. Should the case result in protracted litigation, the costs could exceed six figures. GDS cannot provide a fixed price schedule. The work need in each phase can fluctuate depending on a number of variable factors. GDS works at and under the direction of Grand Island and its services may be terminated at any time. GDS provides its best estimate of its cost for each phase based on the attached billing schedule.

Zonal Placement Process – step 1-3 – correspondence with SPP, assemble data - \$12,500

Zonal Placement Process – step 4 – responses to data requests and meetings with parties - \$15,000

FERC filing - Update COS with 2021 financial data, prepare COS testimony and supporting schedules, prepare technical testimony and supporting schedules, draft transmittal letter, respond to FERC staff inquiries. \$50,000.

FERC filing – Settlement negotiation, data requests, travel expenses (actual expenses when face to face meetings resume). - \$50,000.

FERC filing – Hearing, testimony, discovery, depositions, litigation - TBD.

These estimates are GDS consultant costs only and do not include outside counsel and legal expenses.

Sincerely,

*Alfred Busbee*

Sr. Project Manager  
GDS Associates, Inc

RESOLUTION 2021-205

WHEREAS, at the September 24, 2019, meeting, Council approved a Consulting Services Agreement with GDS Associates, Inc., of Marietta, Georgia, for Transmission Planning Services; and

WHEREAS, Grand Island Utilities plans to pursue qualifying its transmission facilities to be incorporated into the SPP Transmission System; and

WHEREAS, this would allow the Utilities Department to receive annual financial reimbursements for having its 115,000 Volt Transmission Loop utilized by the SPP Transmission System; and

WHEREAS, Grand Island Utilities needs to amend the existing Consulting Services Agreement with GDS Associates, Inc., to include consulting services for SPP Zonal Placement and FERC approval in support of the aforementioned process, and the amount needed to perform this additional work is not to exceed \$127,000.00.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Amendment to the Transmission Planning Services Agreement with GDS Associates is hereby approved, and the Mayor is authorized to sign the Amendment on behalf of the City of Grand Island.

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Adopted by the City Council of the City of Grand Island, Nebraska, August 24, 2021.

\_\_\_\_\_  
Roger G. Steele, Mayor

Attest:

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

Approved as to Form	▣ _____
August 20, 2021	▣ City Attorney