



City of Grand Island

Tuesday, May 24, 2022

Council Session

Item G-19

#2022-150 - Approving Amendment No. 5 to Energy Management Agreement with Tenaska

Staff Contact: Tim Luchsinger, Stacy Nonhof

Council Agenda Memo

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

Meeting: May 24, 2022

Subject: Amendment No. 5 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. On March 24, 2020, the second amendment to the agreement was approved to allow Tenaska to market excess ARR/TCR's on a commission basis.

Discussion

Tenaska has proposed an amendment to the original Marketing Agreement ARR/TCR Services. ARR (Auction Revenue Rights) and TCR (Transmission Congestion Rights) are components of our electric transmission transactions that we must regularly conduct to receive energy from our participation in generating facilities outside of Grand Island, and currently, our excess ARR/TCR's are not used. The Southwest Power Pool Transmission Congestion Rights Markets (TCR Markets) provide financial rights that can be used to hedge against the Day-Ahead Market transmission congestion between two settlement locations. The SPP TCR Markets process uses two forms of rights. First, the TCR is used to distribute the Day-Ahead congestion rents that occur each hour. Second, the Auction Revenue Rights (ARRs) are used for the distribution of the revenue generated in the auctioning and awarding of TCRs. TCRs and ARRs are source-to-sink (point-to-point) instruments that are awarded in 0.1 MW increments. The SPP TCR Markets process consists of an annual process followed by monthly processes to award Long-Term Congestion Rights (LTCRs) and On-Peak and Off-Peak ARRs and TCRs. The annual ARR and TCR process includes 14 distinct products, one product for each unique combination of On-Peak or Off-Peak Time of Use across the seven different periods that make up the TCR year (June through the following May). Those seven periods are: June, July, August, September, fall, winter and spring. The seasonal products are separated into monthly products before the applicable SPP TCR Markets monthly

process. These are speculative markets and therefore can be monetary losses and our staff does not have the expertise to analyze these markets, nor do we want to be in a position where we are incurring avoidable risk.

Via the Second Amendment to the original Contract, Tenaska was given the authority to participate in the ARR/TCR annual market with Grand Island's excess ARR/TCR's on a commission basis based on their acceptance of all risk and any financial loss. The proposed amendment herein will, additionally, give Tenaska the authority to participate in the ARR/TCR monthly market with our excess ARR/TCR's on a commission basis while continuing to accept all risk.

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 Fifth Amendment to the Tenaska SPP Marketing Agreement.

Sample Motion

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

RESOLUTION 2022-150

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, Auction Revenue Rights (ARR) and Transmission Congestion Rights (TCR) are components of our electric transmission transactions that we must regularly conduct to receive energy from our participation in generating facilities outside of Grand Island, and currently, our excess ARR/TCR's are not used; and

WHEREAS, at the March 24, 2020 meeting, Council approved Amendment #2 to the original Marketing Agreement to allow Tenaska the ability to participate in the annual ARR/TCR market with our excess ARR/TCR's on a commission basis based on their acceptance of all risk and financial loss; and

WHEREAS, Tenaska proposes under the terms of Amendment #5 to also participate in the monthly ARR/TCR markets with our excess ARR/TCR's on a commission basis based on their acceptance of all risk and financial loss.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that Amendment #5 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, May 24, 2022.

Roger G. Steele, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
May 23, 2022	☐ City Attorney