



City of Grand Island

Tuesday, May 22, 2012

Council Session

Item G10

#2012-130 - Approving Contract with Tenaska for Southwest Power Pool Participation Services

Staff Contact: Tim Luchsinger

Council Agenda Memo

From: Tim Luchsinger, Utilities Director
Meeting: May 22, 2012
Subject: Marketing Agreement with Tenaska
Item #'s: G-10
Presenter(s): Tim Luchsinger, Utilities Director

Background

Prior to 2009, Nebraska utilities conducted power purchases and sales with each other via bilateral transactions. Bilateral transactions are simply two utilities agreeing on a quantity and price. In 2009, all large Nebraska utilities including Nebraska Public Power District, Omaha Public Power District and Lincoln Electric Systems officially joined Southwest Power Pool (SPP). SPP is a regional transmission operator that, among other things provides a real-time energy market that allows participants to buy and sell power directly into the market and avoid the interaction with multiple companies that come with bilateral transactions. Bilateral transactions still continue and this is the only way that Grand Island currently buys and sells power with other companies.

In 2014, SPP plans to deploy a new market called the Integrated Market. This market increases in complexity and requires utilities to provide next day forecasting and pricing information in an effort to utilize the lowest cost energy for load. It will also have a real-time energy market for correcting imbalances from the day-ahead market. With the onset of the integrated market, bilateral transactions will most likely be phased out entirely, and SPP will serve Grand Island's load requirements and dispatch its generating units as required provide for the system's demand. In order to participate in the integrated market, a party must be registered as a Market Participant, which requires qualified staff and software systems for monitoring the market and recording transactions. Many electric utilities, including NPPD, are using third parties to perform this Market Participant function.

Discussion

Several options were explored on how Grand Island may participate in the upcoming Integrated Market. Due to a need of necessary and qualified staff, it was determined that the best way for Grand Island to participate was via a third party. A Request for Proposal (RFP) was developed and sent out to several known companies. Four proposals were

received. City staff evaluated the proposals and determined that Tenaska had the best proposal that included a very experienced staff and reasonable pricing. Within the agreement, Tenaska receives financial incentives for power sold from Grand Island or lower cost power purchased for Grand Island's load. This will provide incentive for Tenaska to transact as much as possible on behalf of Grand Island. Tenaska will help Grand Island position itself and provide the needed expertise to guide Grand Island's decisions regarding pricing and participation in the power markets. It is recommended that the confidential agreement with Tenaska, furnished under separate cover, be approved.

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 Tenaska SPP Marketing Agreement.

Sample Motion

Move to approve the Tenaska SPP Marketing Agreement.



Jason Eley, Purchasing Agent

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Better Tomorrow, Today*

**REQUEST FOR PROPOSAL
FOR
SOUTHWEST POWER POOL PARTICIPATION SERVICES**

RFP DUE DATE: March 13, 2012 at 4:00 p.m.

DEPARTMENT: Utilities

PUBLICATION DATE: February 15, 2012

NO. POTENTIAL BIDDERS: 3

SUMMARY OF PROPOSALS RECEIVED

NMPP Energy
Lincoln, NE

Tenaska
Arlington, TX

Constellation Energy
Baltimore, MD

The Energy Authority, Inc.
Jacksonville, FL

cc: Tim Luchsinger, Utilities Director
Mary Lou Brown, City Administrator
Jaye Monter, Finance Director
Jason Eley, Purchasing Agent

Bob Smith, Assist. Utilities Director
Pat Gericke, Utilities Admin. Assist.
Travis Burdett, Assist. Utilities Director

P1534

RESOLUTION 2012-130

WHEREAS, Grand Island Utilities Department currently buys and sells power via bilateral transactions; and

WHEREAS, in 2014, a new Integrated Market will be deployed by the regional grid operator, Southwest Power Pool; and

WHEREAS, it was determined that the best way for Grand Island to participate in this integrated market is via a third party; and

WHEREAS, a Request for Proposal was developed and sent out to several companies, and it was determined that Tenaska of Arlington, Texas, offers the best marketing proposal; and

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the proposal submitted by Tenaska for Marketing Services for the Grand Island Utilities Department, is hereby approved.

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Adopted by the City Council of the City of Grand Island, Nebraska, May 22, 2012.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	▣ _____
May 21, 2012	▣ City Attorney