



City of Grand Island

Tuesday, December 4, 2012

Council Session

Item I1

**#2012-354 - Approving Power Transaction Authorization Policy
with the Southwest Power Pool (SPP)**

Staff Contact: Tim Luchsinger, Utilities Director

Council Agenda Memo

From: Timothy Luchsinger, Utilities Director

Meeting: December 4, 2012

Subject: Approving Power Transaction Authorization Policy

Item #'s: I-1

Presenter(s): Timothy 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 to provide for the system's demand.

Discussion

The traditional bilateral transactions were normally short-term purchases to supplement load requirements or allow sales of excess generation, and often resulted in a relatively minimal net monetary exchange. With the coming Integrated Market, the daily generation and load transactions will actually be considered separately by SPP, which will result in significant financial obligations on a transaction basis. In order to conduct these transactions, SPP requires a copy of those authorized to conduct a transaction and the financial limit of that authorization. As these transactions were historically done as part

of long working relationships between publicly owned utilities as a mutual benefit to keep the lights on, the Department has not had a formal policy. To comply with SPP requirements, and as a matter of good business practice, the Department staff has developed the attached recommendations for authorized positions term of transaction and financial limits. It is based on cases that City load requirements must be met upon the purchase of power from outside sources either because of the loss of generating sources or because of possible transaction billing methods by SPP. These cases are intended to reflect the normal operations of ensuring power that is available to the City up to a month. Longer term situations or transaction opportunities above these limits would require Council authorization. This would include a catastrophic failure of a generating unit or a long term transaction agreement with another utility.

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 future date
4. Take no action on the issue

Recommendation

City Administration recommends that the Council authorize the Utilities Department Power Transaction Authorization Policy.

Sample Motion

Move to authorize the Utilities Department Power Transaction Authorization Policy.

City of Grand Island Utilities Department

Power Transaction Authorization Policy

Operational Policies and Guidelines

In order to conduct normal operational requirements of the City of Grand Island electric system, power supply transactions and associated financial commitments must be performed by Utilities Department staff with the Regional Transmission Operator and associated electric utilities. The following transaction limits are established to allow the normal business of the electric system activities.

Utilities Staff Position	Transaction Term	Transaction Limit
Dispatcher	Up to 1 day	Up to \$165,000
Sr. Dispatcher or Sr. Engineer	Up to 3 days	Up to \$450,000
Asst. Utilities Director - Transmission	Up to 7 days	Up to \$1,250,000
Utilities Director	Up to 30 days	Up to \$4,500,000

Approval for all transactions greater than the above financial limits or durations shall require City Council approval.

Effective: December 5, 2012

RESOLUTION 2012-354

WHEREAS, with the upcoming Integrated Market, daily generation and load transactions will be considered separately by the Southwest Power Pool (SPP), which will result in significant financial obligations on a transaction basis; and

WHEREAS, in order to conduct these transactions, SPP requires a copy of those authorized to conduct a transaction and the financial limit of that authorization; and

WHEREAS, Utilities Department Staff developed recommendations for authorized positions' term of transaction and financial limits based on cases that City load requirements must be met upon the purchase of power from outside sources either because the loss of generating sources or because of possible transaction billing methods by SPP; and

WHEREAS, in order to conduct normal operational requirements of the City of Grand Island electric system, power supply transactions and associated financial commitments must be performed by Utilities Department staff with the Regional Transmission Operator and associated electric utilities; and

WHEREAS, these cases are intended to reflect the normal operations of ensuring power is available to the City up to a month; and

WHEREAS, approval for all transactions greater than the above financial limits or durations shall require City Council approval.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Utilities Department Power Transaction Authorization Policy dated December 5, 2012 is hereby approved.

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Adopted by the City Council of the City of Grand Island, Nebraska, December 4, 2012.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
November 30, 2012	☐ City Attorney