

COUNCIL ACTION FORM

**SUBJECT: ASSET MANAGEMENT AGREEMENT / PIPELINE SERVICES FOR
POWER PLANT**

BACKGROUND:

Electric Services is in the process of converting both of the Power Plant's coal fired generators to use natural gas. Once the units are converted, the Power Plant will typically burn 12,000 MMBtu of natural gas daily to consume refuse derived fuel and generate electricity.

This contract is to hire a firm to provide asset management services that will be responsible to manage the City's natural gas purchases and gas pipeline transportation contracts. The company will serve as a bridge between the natural gas commodity already under contract and the delivery services already under contract.

This contract is to provide Asset Management Agreement (AMA)/Pipeline Services for the period from January 1, 2016 through December 31, 2016. The contract includes a provision that would allow the City to renew the contract for up to four additional one-year terms.

On June 1, 2015, a Request for Proposal (RFP) was issued to twelve firms for proposals. The RFP was advertised on the Current Bid Opportunities section of the Purchasing webpage, and was also sent to one plan room. On June 19, proposals were received from five firms. Copies of each proposal were delivered to members of a select committee for evaluation. The committee members independently evaluated and scored the proposals in two separate steps.

STEP 1:

In the first step, all five proposals were evaluated and scored considering the following criteria:

- Each firm's experience in the electric generation arena
- Hours of operation
- 24 hour desk
- Limit for adjustments
- Assets to provide services
- AMA terms
- Cost to provide base services
- Cost to provide over base services

Overall there were 100 possible points available cumulatively for each firm, with overall weighted scores being a function of the aforementioned evaluation factors. Based on the results of the committee members' evaluations, the averaged scores for Step 1 are as follows:

Offerors	Averaged Scores
Tenaska Omaha, NE	68
BP Canada Energy Marketing Corp Omaha, NE	60
US Energy Plymouth, MN	41
Alliant Energy Madison, WI	38
Rainbow Energy Marketing Jacksonville, FL	37

STEP 2:

The evaluation team next invited the top four firms from Step 1 to come to Ames and make oral presentations. Each company brought as many key members of their teams (especially the team leader or project manager) as possible to the presentation.

The presentations were evaluated and scored utilizing the following criteria:

- Knowledge and relevant experience of the team
- Commitment and enthusiasm for the project
- Comprehension of the scope of work
- Quality and thoroughness of the presentation

Based on the results of the committee members' evaluations, the scores for Step 2 are as shown in the table below:

Offerors	Averaged Scores
BP Canada Energy Marketing Corp Omaha, NE	82
Tenaska Omaha, NE	80
US Energy Plymouth, MN	76
Alliant Energy Madison, WI	62

Scores were assigned following the same process and formula described for the previous phase, with a maximum possible cumulative score of 100 points.

Based on the averaged scores and a unanimous decision by the evaluation committee, staff is recommending that the contract be awarded to BP Canada Energy Marketing Corp, Omaha, NE (BP).

To accomplish the City's needs, BP has provided three separate agreements, each providing a different service. These are (1) an Asset Management Agreement Addendum (AMA), (2) an AMA Transaction Confirmation, and (3) a Transaction Confirmation. Each agreement is attached and is described in further detail below.

Asset Management Agreement Addendum (AMA)

The basic services are included in Attachment #1 entitled The AMA Addendum. This is an addendum to the North American Energy Standards Board (NAESB) agreement the City of Ames and BP have already signed. This agreement manages (1) the pipeline capacity the City has under contract with Northern Natural Gas Company, (2) the natural gas supply the City purchased from Macquarie, and (3) the scheduling and balancing of our natural gas. "Balancing" involves matching the amount scheduled with the amount consumed. BP will charge the City of Ames \$30,000 per year for the basic services.

AMA Transaction Confirmation

This agreement outlines the terms and conditions when the actual amount of natural gas burned in a day is less than 12,000 dekatherms. This can typically occur at times when Unit #8 is down for maintenance. For these events, BP will sell or store the excess gas on behalf of the City and credit the City the revenue. This agreement also outlines the terms and conditions when the actual amount of natural gas burned in a day is greater than 12,000 dekatherms but less than 14,000 dekatherms. For these events, BP will purchase additional natural gas on behalf of the City and charge the City for the gas plus their fee. It should be noted that no additional pipeline transportation is needed because the City has contracted for capacity up to 14,000 dekatherms.

Transaction Confirmation

This agreement outlines the terms and conditions when the actual amount of natural gas burned in a day is greater than 14,000 dekatherms. For these events, BP will purchase both additional natural gas **and additional natural gas transport service** on behalf of the City and charge the City for the gas plus their adder. This can typically occur at peak times in the summer when Unit #8 is operated at higher generation levels or when both Unit #7 and Unit #8 are operating at the same time.

Under the AMA Transaction Confirmation and Transaction Confirmation agreements, services are charged based on the price of the natural gas at the time of purchase plus a fee. It is unclear at this time how much of these services will be required each day. Therefore, staff is requesting that an amount not to exceed \$3,000,000 be approved so that staff, together with BP, can manage the daily gas needs over the coming year. If the net purchases of additional gas approach this limit, staff will return to City Council for additional purchasing approval at that time.

The approved FY 2015/16 operating budget currently includes \$6,000,000 for the purchase of natural gas to operate the power plant. It should be noted that this contract crosses two budget years. The FY16/17 Electric Services budget will include appropriate funding to cover this contract.

ALTERNATIVES:

1. Award the three contracts described above to BP Canada Energy Marketing Corp., Omaha, NE, for AMA/Pipeline Services for the City of Ames in an amount not to exceed \$30,000 for the base services. In addition, authorize an amount not to exceed \$3,000,000 for the purchase of additional natural gas plus delivery as needed to manage the day-to-day fuel needs of the power plant.

This contract includes a provision that would allow the City to renew the contract for up to four additional one-year terms at stated rates.

2. Reject all proposals and direct staff to coordinate the nominating and balancing of the natural gas.

MANAGER'S RECOMMENDED ACTION:

These three contracts provide Electric Services with a crucial service that will manage the natural gas needed to operate the power plant and burn refuse derived fuel.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as stated above.

ASSET MANAGEMENT AGREEMENT ADDENDUM

This Asset Management Agreement Addendum (the “Addendum”) is made and entered into effective as of October 13, 2015, (the “Effective Date”), by and between BP Canada Energy Marketing Corp. (“BPCEMC”), a Delaware company, and City of Ames, Iowa (“COA”). BPCEMC and COA are referred to hereinafter individually as a “Party” and collectively as the “Parties”.

WHEREAS BPCEMC and COA are parties to a Base Contract for the Sale and Purchase of Natural Gas dated October 13, 2015;

WHEREAS, the Parties desire to provide for BPCEMC’s provision of asset management services to COA, which will require COA’s release of FERC regulated transportation capacity to BPCEMC and BPCEMC will supply COA’s Gas requirements.

NOW, THEREFORE, in consideration of the mutual premises and agreements set forth hereinafter, the sufficiency of such consideration being acknowledged by the Parties, the Parties hereby agree as follows:

ARTICLE I. DEFINITIONS AND INTERPRETATION

1.1 Definitions. The following terms when used herein shall have the meanings set forth below.

“Alternate Receipt Point(s)” shall mean those receipt points on the Northern Natural Gas Company system known as the Northern, Ventura receipt point or the Northern, Demarcation receipt point, as applicable, that are not the Primary Receipt Point under the Released Capacity (as set forth in Article III) which points may be nominated as alternate or secondary receipt points under the Released Capacity.

“AMA Consideration” shall mean a payment in the amount of \$2,500/Month that COA shall to BPCEMC for the services that BPCEMC provides to COA under the AMA.

“AMA Transaction” shall have the meaning set forth in Section 3.2 of this Addendum which shall be documented in an AMA Transaction Confirmation.

“AMA Transaction Confirmation” means a Transaction Confirmation for an AMA Transaction.

“Commodity Charges” shall mean all commodity charges, ACA surcharges, GRI surcharges and other tariff charges assessed by a Pipeline pursuant to the approved tariff or governing documents of such Pipeline as a result of the actual transportation of Gas.

“Demand Charges” shall mean any and all demand/reservation charges assessed by a Pipeline pursuant to the approved tariff of such Pipeline.

“Fuel” means the quantity of Gas consumed by a Pipeline in transporting Gas and includes any provision by such Pipeline for lost and unaccounted for Gas, as determined in accordance with the approved tariff or governing documents of such Pipeline.

“Modernization Charges” shall mean any FERC-approved Pipeline charges, whether recovered in a Demand or Commodity Charge, for costs related to modernizing Pipeline facilities and infrastructure to enhance the efficiency and safe operation of the Pipeline systems including but not limited to reduction of greenhouse gases, as set forth by the FERC pursuant to its proposed policy statement in Docket No. PL15-1-000, Cost Recovery Mechanisms for Modernization of Natural Gas Facilities or any other FERC proceeding or pipeline tariff.

“Optimization Gas Quantity” shall mean the amount of Released Capacity minus the nominated Gas, for service to COA’s Delivery Points, calculated on a daily basis. Such capacity shall be subject to the Primary Receipt and Delivery Points in the applicable Transportation Agreement. Optimization Gas Quantity shall be limited to the actual Gas quantity scheduled and confirmed by the Pipeline.

“Pipeline(s)” means any pipeline(s) on which BPCEMC has acquired released capacity from COA under the terms of this Addendum.

“Primary Delivery Point(s)” means the delivery point(s) designated in the Transportation Agreement where BPCEMC delivers Gas on the Released Capacity to COA.

“Primary Receipt Point(s)” means the primary receipt point(s) designated in the Transportation Agreement where BPCEMC receives Gas for transport on the Released Capacity to the Primary Delivery Point(s).

“Released Capacity” means the capacity on the applicable Pipeline that has been released from COA to BPCEMC under the terms of this Addendum.

“Surcharges” shall mean all surcharges including Modernization Charges, if any, assessed by a Pipeline pursuant to the FERC-approved tariff or governing documents of such Pipeline as a result of the actual transportation of Gas.

“Transportation Agreement” means a contract for transportation or storage service entered into by and between BPCEMC and the Pipeline(s) in order to accommodate the release of the capacity made the subject of this Addendum from COA to BPCEMC.

ARTICLE II. TERM

The Addendum shall be effective for the Released Capacity from January 1, 2016 through December 31, 2016 (the “Term”), unless (i) it is terminated as a result of the Contract or AMA Transaction (as defined in Section 3.2 below) being terminated prior to the end of the Term, or (ii) the Parties otherwise mutually agree in writing to terminate the Contract or AMA Transaction prior to the end of the Term., or (iii) the Addendum and AMA are terminated due to Government Requirements. The Term of this Addendum shall automatically renew for an additional twelve (12) Month period on the End Date set forth in the terms of the capacity release set forth in Section 3.3 of this Addendum or the applicable End Date thereafter unless either Party notifies the other Party in writing with at least sixty (60) Days notice prior to the applicable End Date that it wishes to terminate the AMA. Each Party’s obligations regarding payment and indemnification arising under this Addendum shall survive the termination of this Addendum for a period of time equal to the time for which the applicable statute of limitations applies.

ARTICLE III. CAPACITY RELEASE

3.1 Intent of Parties. It is the intention of the Parties that this Addendum, together with the applicable provisions, if any, of the Pipeline’s FERC-approved tariff, as may be amended from time to time, contains all of the terms and conditions governing the Buyer's release to BPCEMC of its firm transportation capacity described herein.

3.2 Capacity Release. COA will release the Released Capacity to BPCEMC for the referenced Term above in accordance with the terms and conditions hereof. The transaction for the sale and purchase of Gas connected to the Released Capacity described in this Article III has been structured to qualify as an Asset Management Agreement (“AMA”) as defined in FERC Order Nos. 712 et al. and its implementing regulations 18 C.F.R. § 284.8 (“AMA Transaction”). Accordingly, capacity released hereunder shall conform to the FERC’s definition of an AMA, including the required conditions and delivery obligations shall be non-biddable, pre-arranged releases, and shall be made in a manner consistent with (a) the FERC’s capacity release regulations and (b) the Pipeline’s Tariff. COA will for the Term, release to BPCEMC the Released Capacity referenced in this Article III. COA acknowledges that the Released Capacity will be adequate to transport the MDQ referenced in that certain Transaction Confirmation dated on or about the date hereof (the “AMA Transaction”) on each Day. COA will continue to be responsible for all Demand Charges related to the Released Capacity, and shall continue to make payment for such Demand Charges directly to the applicable Pipeline in accordance with COA’s transportation agreement with the applicable Pipeline and such Pipeline’s tariff. The Parties shall execute any further documents required to effect the release of transportation service in accordance with this Addendum.

3.3 Release Terms. COA shall release or cause to be released to BPCEMC, the following:

Pipeline:	Northern Natural Gas Company (“NNG”)
Contract Number:	129565
Rate Schedule:	TFX
Releasing Shipper:	City of Ames, IA
Term of Release:	Start Date: January 1, 2016 End Date: December 31, 2016
Condition of Recall:	Upon the termination of the Contract or AMA Transaction, or upon the written mutual agreement of the Parties.
Maximum Daily Quantity (MMBtu/Day):	14,000
Release Rate:	Zero release rate (\$0.00/MMBtu)
Demand Charges:	COA shall be responsible for paying Demand Charges and shall reimburse BPCEMC for any Demand Charges that BPCEMC actually pays.
Modernization Charges:	COA shall be responsible for paying Modernization Charges that BPCEMC actually pays and for which recovery is permitted by then applicable FERC order or regulation.
Commodity Charges:	BPCEMC shall be responsible for paying Commodity Charges necessary to

	transport the Gas from the Primary receipt Point to the Primary Delivery Point.
Fuel Charges:	BPCEMC shall be responsible for paying Fuel Charges necessary to transport the Gas from the Primary receipt Point to the Primary Delivery Point.
Primary Receipt Point:	NBPL/NNG Grundy Center
Secondary Receipt Point:	All market area receipt points
Primary Delivery Point	NNG Story City # 2– TBS DRN # 79227
Secondary Delivery Point:	none
Electronic Bulletin Board Posting of Capacity Release:	BPCEMC shall make the posting on the Pipeline electronic bulletin board for the Released Capacity and such posting shall contain a statement that the Released Capacity is being released to BPCEMC as an asset manager under an AMA between the parties that requires BPCEMC to be able to deliver a quantity of Gas up to the MDQ on the Released Capacity on each Day during the Term if requested to do so by COA.

3.4 Contract with the Pipeline(s). BPCEMC shall execute a Transportation Agreement for the Released Capacity with the Pipeline(s) in order to satisfy the Pipeline(s) requirements, in addition to taking any and all other actions required by the Pipeline(s) as a condition to taking the Released Capacity. If BPCEMC is unable to execute the Transportation Agreement with the Pipeline(s), the Contract and this Addendum shall terminate with no further performance obligation (save and except for payments due and owing as a result of past performance) being owed by either Party.

3.5 Receipt and Delivery Points. The Pipeline(s)’s tariff may permit BPCEMC to change primary receipt and delivery points under the Transportation Agreement. Notwithstanding any tariff provisions permitting such a change, BPCEMC shall not change primary receipt or delivery points under the Transportation Agreement without the prior written consent of COA.

ARTICLE IV. PERFORMANCE OBLIGATIONS

Each of the following obligations set forth below shall be material obligations under this Addendum.

- 4.1 Supply of Information.** COA shall use commercially reasonable efforts to provide timely information to BPCEMC to facilitate BPCEMC’s nomination and scheduling of Gas made the subject of the AMA Transaction for delivery at the Delivery Point(s). COA shall also provide any relevant information in a timely manner in respect of the AMA Transaction to BPCEMC to ensure that Imbalance Charges will not occur, including any operational changes or circumstances, if applicable, that may impact COA’s Gas requirements.
- 4.2 COA Obligations with Pipeline.** COA shall take any action required by the Pipeline(s) or under this Addendum related to the Released Capacity which to enable BPCEMC to utilize the Released Capacity on any Day.
- 4.3 BPCEMC Delivery Obligation.** Subject to the terms of the AMA Transaction, on any Day during the Term, BPCEMC will deliver to COA a volume of Gas up to the MDQ of the Released Capacity. Accordingly, BPCEMC and COA acknowledge and agree that the MDQ under the AMA Transaction will equal the MDQ under the Released Capacity.
- 4.4 Timely Instructions.** The timeliness of the instructions provided by COA (or by the party responsible for conveying any such instructions under the Gas Supply Contracts) for purposes of Section 4.1 shall be determined by ascertaining whether BPCEMC was given a commercially reasonable amount of time from BPCEMC’s receipt of the nomination and scheduling instructions from COA (or the responsible party) prior to the nominating and scheduling deadlines established by the applicable Pipeline, unless express deadlines are otherwise set forth in the AMA Transaction or this Addendum.

ARTICLE V. Consideration and Taxes

5.1. AMA Consideration. City of Ames shall pay the AMA Consideration to BPCEMC. In the event BPCEMC is the full requirements Gas supplier to the City of Ames, BPCEMC shall waive the AMA Consideration. BPCEMC shall invoice COA for the AMA Consideration in the Monthly invoice for the Month following the Month of Gas delivery. Notwithstanding the foregoing, on any Day on which BPCEMC, in its sole discretion, is able to optimize the receipt point location for the Gas to be supplied to COA, BPCEMC shall share sixty percent of the value derived from such receipt point optimization (the “Released Capacity Consideration”) provided that service at/from the Alternate Receipt Point(s) is not interrupted or curtailed on such Day. BPCEMC shall account for the payment of the Released Capacity Consideration to COA on the Monthly invoice in the Month following the Month of Gas delivery. If COA is in breach of the Contract and as a result performance under this Addendum is (i) suspended or terminated or (ii) BPCEMC is prevented from exercising its rights to suspend or terminate for any reason, BPCEMC shall not be required to pay to COA the Released Capacity

Consideration, in whole or in part.

5.2 Taxes. Each Party is responsible for paying Taxes on the economic benefits and burdens related to the specific activities entered into under this Addendum, including but not limited to the Released Capacity Consideration and/or the payment of any sums owed under Section 5.2. Nothing herein shall in any manner modify the terms and conditions of the Base Contract with respect to the payment of Taxes pertaining to the purchase and sale of Gas under the AMA Transaction. Further, with respect to the payment of Taxes related to the specific activities under this Addendum, each Party shall indemnify, defend and hold the other Party harmless as to any costs or liabilities incurred by such other Party in connection with claims for Taxes made by third parties or entities, including governmental entities. References to “costs” under this section shall include all reasonable and necessary attorneys’ fees and expenses, consultants’ fees, travel expenses, and court costs, including costs incurred to enforce the indemnity obligations.

ARTICLE VI. DEFAULT AND REMEDIES

6.1 Events of Default. The following actions or inactions by a Party under this Addendum shall constitute an “Event of Default” under the Contract:

(a) breach of any material obligation under this Addendum (save and except for any breach addressed hereinafter in other subsections) , if such breach is not cured by the Party in breach within five (5) Business Days after written notice of such breach from the Non-defaulting Party; or

(b) COA takes or fails to take any action required by the Pipeline(s) or under this Addendum related to the Released Capacity which results in BPCEMC’s inability, in whole or in part, to utilize the Released Capacity on any Day.

6.2 Remedies. If an Event of Default has occurred and is continuing, the Non-defaulting Party may exercise any and all rights and remedies afforded to it under the Contract, in addition to all rights and remedies available under applicable law or in equity. To the extent that the Non-Defaulting Party elects to liquidate and terminate all transactions under the Contract on the Early Termination Date, necessarily including the AMA Transaction, this Addendum shall also terminate and the Released Capacity shall be automatically recalled.

ARTICLE VII. MISCELLANEOUS

7.1 Compliance with Governmental Requirements. BPCEMC’s provision of asset management services under this AMA Addendum shall be subject to local, state, or Federal laws, rules, and regulations, particularly Federal Energy Regulatory Commission (“FERC”) Order No. 712, as amended, for which BPCEMC is acting as “asset manager” as defined in 18 C.F.R. § 284.8(h)(3), permitting BPCEMC to call upon COA to deliver up to 100 percent of the daily contract demand of the released transportation capacity every Day during the Delivery Period. BPCEMC’s purchase obligation under the AMA Transaction meets the minimum purchase obligation required under 18 C.F.R. § 284.8(h)(3)(ii) (all of the foregoing, collectively, the “Governmental Requirements”). The Parties agree to comply with all Governmental Requirements applicable to this Addendum, and COA agrees that it shall not require or request BPCEMC to perform any action, or to omit to perform any action that BPCEMC reasonably believes is required under applicable Governmental Requirements. Without limiting the generality of the foregoing, if during the term of this Addendum any governmental agency of competent jurisdiction should determine that the obligations and duties contemplated in this Addendum cannot be performed in accordance with applicable Governmental Requirements, wholly or in part, the Parties shall immediately suspend performance under this Addendum, and shall suspend the corresponding obligations to deliver Gas under the AMA Transaction. BPCEMC and COA shall, within ten (10) Days of such a determination, meet to determine whether this Addendum can be revised so that the services contemplated herein can be performed fully in accordance with applicable Governmental Requirements while preserving the economic benefits afforded to both Parties under the current structure as closely as possible. In the absence of a superseding written agreement entered into between the Parties within thirty (30) Days following such meeting, this Addendum shall terminate, along with the AMA Transaction on the next Business Day (such Day being the “Early Termination Date” for the purposes of this section), with (a) no damages being owed by either Party as a result of the termination of this Addendum, such as but not limited to the loss of optimization activities/management services, (b) no affect occurring under the Contract with respect to transactions unrelated to the Addendum and (c) damages being calculated for the AMA Transaction as a result of its liquidation and termination on such Early Termination Date. On such Early Termination Date, BPCEMC shall determine damages for the AMA Transaction in accordance with Section 10 of the Contract; provided however, that for purposes of determining the amounts owed with respect to the liquidation and termination of the transactions, any and all Costs otherwise allowed under Section 10.3.1. shall be excluded from the calculation, and provided further that for purposes of determining the resulting amount(s) owed for the termination and liquidation of the AMA Transaction the Market Value for such Terminated Transaction shall be determined by using the mid-point, as it may be estimated, between the bid price and the ask price for such Terminated Transaction to reflect that neither Party is a Defaulting Party and accordingly the intent of the Parties is not to ascertain liquidated damages from a Non-defaulting Party’s perspective. The respective Parties shall

have the same rights and remedies related to the calculation and dispute of the resulting Net Settlement Amount(s) owed with respect to the termination and liquidation of the AMA Transaction as those set forth in Section 10.

- 7.2 Further Assurances.** The Parties agree to execute and deliver such additional instruments or documents as may be necessary to carry out the purposes of this Addendum.
- 7.3 Authority to Execute.** Each of the Parties to this Addendum represents and warrants that, as of the Effective Date, (i) it has full and complete authority to enter into and perform this Addendum; (ii) the person who executes this Addendum on its behalf has full and complete authority to do so and is empowered to bind it thereby; and (iii) it is not insolvent and has not sought protection from its creditors under the United States Bankruptcy Code, or under any similar laws.
- 7.4 Miscellaneous.** This Addendum may be executed in multiple counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument. The headings and subheadings contained in this Addendum are used solely for convenience and do not constitute a part of this Addendum between the Parties and shall not be used to construe or interpret the provisions of this Addendum. Except as expressly otherwise provided in this Addendum, all covenants, representations, warranties, acknowledgments, agreements, rights and obligations of the Parties under this Addendum, that are capable of having effect after the termination of this Addendum for any reason, shall survive and remain in full force and effect beyond, and not be affected by, the termination of this Addendum.
- 7.5 Entirety and Amendments.** This Addendum constitutes the entire agreement between the Parties regarding the asset management services to be provided under this Addendum, and supersedes and replaces any prior and contemporaneous communications, understandings and agreements between COA and BPCMC related to such subject matter, whether written or verbal, express or implied. No modification, amendment, supplementation or alteration of the terms and provisions of this Addendum shall be or become effective except by written amendment executed by the duly authorized representative of the Parties. Except as set forth herein, the Contract shall remain unchanged.
- 7.6 Assignment.** Notwithstanding anything in the Contract to the contrary, neither party may assign the Contract, including this Addendum, or the AMA Transaction without the prior written consent of the other party, which consent shall not be unreasonably withheld; however, in order to be effective, any consent to such assignment must also be permitted by applicable law, including without limitation FERC regulations concerning asset management arrangements and capacity release rules.
- 7.7 One Agreement.** The Parties agree and acknowledge that this Addendum is part and parcel to the Contract, and accordingly the Contract and this Addendum shall be deemed to constitute one integrated agreement for all purposes.
- 7.8 Defined Terms:** Any capitalized terms set forth herein that are not otherwise defined herein shall have the meaning set forth in the Contract or the AMA Transaction.

[Signature page follows.]

IN WITNESS WHEREOF, and with the intent to be legally bound, the Parties hereto have caused this Addendum to be executed by their duly authorized officers or representatives as of the Effective Date.

City of Ames, Iowa

BP CANADA ENERGY MARKETING CORP.

By: _____

By: _____

Name:

Name: Mark R. Tillwick

Title:

Title: Attorney-In-Fact

Date: October 13, 2015

Date: October 13, 2015

[Asset Management Agreement Addendum dated October 13, 2015]

AMA TRANSACTION CONFIRMATION

CONFIRMATION DATE: October 13, 2015

CONTRACT #: CONTRACT DATE: October 13, 2015

SELLER: BP Canada Energy Marketing Corp. ("Seller")

BUYER: City of Ames, IA. ("Buyer")

PHONE #: 402.505.8800 FAX #: 713.323.1633

BUYER: City of Ames, IA

PHONE #: 515.239.5126 FAX #:

This Transaction Confirmation (the "AMA TC") is entered into effective as of the Confirmation Date and serves to confirm our understanding of the following transaction between Buyer and Seller. This AMA Transaction shall be governed by the terms and conditions set forth in the Base Contract for Sale and Purchase of Natural Gas referenced above executed by and between Buyer and Seller on October 13, 2015 (the "Base Contract"), and the Asset Management Agreement Addendum dated October 13, 2015 by and between the Buyer and Seller (the "Addendum"). This transaction for the sale and purchase of Gas connected to the Released Capacity described in this Article III of the Addendum has been structured to qualify as an Asset Management Agreement ("AMA") as defined in FERC Order Nos. 712 et al. and its implementing regulations 18 C.F.R. § 284.8. Accordingly, capacity released hereunder shall conform to the FERC's definition of an AMA, including the required conditions and delivery obligations shall be non-biddable, pre-arranged releases, and shall be made in a manner consistent with (a) the FERC's capacity release regulations and (b) the Pipeline's Tariff.

PERFORMANCE OBLIGATION: Subject to the terms and conditions set forth hereinafter, Seller is obligated under this Contract to sell and deliver and Buyer is obligated to purchase and receive, Firm Swing Gas on a Firm basis and Additional Interruptible Gas on an Interruptible basis, up to a total of 14,000 MMBtu/Day at the Primary Delivery Point as such amount is limited by the respective Transportation Agreement. Seller and Buyer further agree that to the extent that any interruption, curtailment, operational flow order or other event(s) not otherwise a result of any action or inaction by Seller impacts transportation services in a manner that prevents Seller from utilizing the complete NNG Primary Transportation Path on any Day, irrespective of whether NNG declares an event of Force Majeure, as a result of such event, Seller shall be relieved of its obligation to sell a corresponding quantity of Gas to Buyer as appropriate. In addition, Seller shall be reimbursed on a monthly invoice for any Demand Charges and Modernization Charges, if any, that it actually pays in delivering Gas to the Delivery Point under this AMA TC. Notwithstanding the foregoing, during such periods when the complete NNG Primary Transportation Path is not available, Seller shall use commercially reasonable efforts to meet its Gas sale obligation provided that the Gas price paid to Buyer shall reflect the market from which Seller sells such Gas. Any other provision notwithstanding, Seller shall be responsible for any incremental charges resulting from Seller's use of Buyer's primary Firm capacity to sell, buy, deliver and/or receive Gas at points other than the Primary Receipt or Delivery Points under Buyer's Firm transportation contract(s), and in no event shall Buyer have any claim for profit accruing to Seller resulting from Seller's use of Buyer's primary Firm capacity to sell and/or buy gas, and in no event shall Seller have any claim against Buyer for loss accruing to Seller resulting from Seller's use of Buyer's primary Firm capacity to sell and/or buy Gas outside of this AMA TC.

Gas purchases under this AMA Transaction Confirmation and the Transaction Confirmation between the Buyer and Seller dated October 13, 2015 shall constitute the full Gas requirements for the Buyer at the Delivery Point. Buyer shall purchase one hundred percent (100%) of its Gas requirements from Seller except for any Gas purchased by Buyer during a Force Majeure event or as a result of an Event of Default that results in the suspension of performance or the termination of the Addendum and/or the AMA Transaction Confirmation or Transaction Confirmation between the Buyer and Seller dated October 13, 2015. The maximum daily Gas quantity under this AMA Transaction Confirmation shall be 14,000 MMBtu/Day.

CONTRACT QUANTITY:

The maximum daily quantity of Gas that Buyer may purchase from Seller on any Day under this AMA TC during the Delivery Period is 14,000 MMBtu/Day ("MDQ"). Seller's Gas delivery obligations to Buyer on any Day are limited by the quantity of Gas that Seller can receive, transport and deliver on the Released Capacity.

- **Firm Swing Gas:** Buyer may nominate on a daily basis a quantity of Gas for Firm delivery at the Delivery Point on

any Day up the MDQ for that Day (“Firm Swing Gas”). Buyer’s nomination for Firm Swing Gas must be submitted to Seller on or before 7:30 am central prevailing time on the Business Day prior to the Day on which the Gas shall flow and must designate the quantity of Gas that Buyer requests as Firm Swing Gas at the Delivery Point. In addition, for weekend and holiday periods, Buyer’s nomination must be received on or before 7:30 am central prevailing time on the Day before the weekend or holiday period and volumes must be ratable through the weekend or holiday period.

- **Additional Interruptible Gas** - Buyer may request on a daily basis an additional Interruptible quantity of Gas in addition to the Firm Swing Gas (“Additional Interruptible Gas”), provided that the total Gas quantity (Firm Swing Gas plus Additional Interruptible Gas) for the Day does not exceed the MDQ. Such a request shall be made after 7:30 am central prevailing time on the Business Day prior to the flow Day of the Gas. In the event that Buyer makes any requests for Interruptible Gas after 7:30 am central prevailing time on the Business Day prior to the flow Day of the Gas, Buyer understands and acknowledges that Seller shall use commercially reasonable efforts to supply such Interruptible Intraday Gas, but cannot guarantee that such Gas will or can be supplied to Buyer.

CONTRACT PRICE:

Firm Swing Gas: The Firm Swing Gas Contract Price (“Firm Swing Gas Contract Price”) for the periods April-October and November – March for the Delivery Period shall be as follows.

- **April – October:**

The Contract Price in US\$ per MMBtu (“\$/MMBtu) for Firm Swing Gas (“Firm Swing Gas Contract Price_{Apr-Oct}”) shall be the Northern Ventura Daily Index (“NNG Ventura GD”) published by the McGraw-Hill Companies or its successor thereto in *Platt’s Gas Daily* under the heading Northern Natural Gas Co. in the column Ventura plus \$0.015/MMBtu plus the Commodity Charge per the NNG Tariff (“Commodity_{NNG}”) for the NNG Market Area plus applicable Surcharges per the NNG Tariff (“Surcharges_{NNG}”) plus Fuel charges per the NNG Tariff for NNG Market Area unless the Buyer and Seller agree otherwise in writing.

$$\text{Firm Swing Gas Contract Price}_{\text{Apr-Oct}} = [\text{NNG Ventura GD} + \$0.015/\text{MMBtu} + \text{Commodity Charges} + \text{Surcharges}_{\text{NNG}}] \times [1 - \text{Fuel}]$$

- **November – March:**

The Contract Price in US\$ per MMBtu (“\$/MMBtu) for Firm Swing Gas (“Firm Swing Gas Contract Price_{Nov-Mar}”) shall be the Northern Ventura Daily Index (“NNG Ventura GD”) published by the McGraw-Hill Companies or its successor thereto in *Platt’s Gas Daily* under the heading Northern Natural Gas Co. in the column Ventura plus \$0.05/MMBtu plus the Commodity Charge per the NNG Tariff (“Commodity_{NNG}”) for the NNG Market Area plus applicable Surcharges per the NNG Tariff (“Surcharges_{NNG}”) plus Fuel charges per the NNG Tariff for NNG Market Area unless the Buyer and Seller agree otherwise in writing.

$$\text{Firm Swing Gas Contract Price}_{\text{Nov-Mar}} = [\text{NNG Ventura GD} + \$0.05/\text{MMBtu} + \text{Commodity Charges} + \text{Surcharges}_{\text{NNG}}] \times [1 - \text{Fuel}]$$

Additional Interruptible Gas: The Contract Price for Additional Interruptible Gas Contract Price for the periods April-October and November – March for the Delivery Period shall be as follows.

- **April – October**

The Contract Price in US\$ per MMBtu (“\$/MMBtu) for Additional Interruptible Gas (“Additional Interruptible Gas Contract Price_{Apr-Oct}”) shall be the Northern Ventura Daily Index (“NNG Ventura GD”) published by the McGraw-Hill Companies or its successor thereto in *Platt’s Gas Daily* under the heading Northern Natural Gas Co. in the column Ventura plus \$0.20/MMBtu plus the Commodity Charge per the NNG Tariff (“Commodity_{NNG}”) for the NNG Market Area plus applicable Surcharges per the NNG Tariff (“Surcharges_{NNG}”) plus Fuel Charges per the NNG Tariff for NNG Market Area unless the Buyer and Seller agree otherwise in writing.

$$\text{Additional Interruptible Gas Contract Price}_{\text{Apr-Oct}} = [\text{NNG Ventura GD} + \$0.20/\text{MMBtu} + \text{Commodity Charges} + \text{Surcharges}_{\text{NNG}}] \times [1 - \text{Fuel}]$$

- **November – March**

The Contract Price in US\$ per MMBtu (“\$/MMBtu) for Additional Interruptible Gas (“Additional Interruptible Gas Contract Price”) shall be the Northern Ventura Daily Index (“NNG Ventura GD”) published by the McGraw-Hill Companies or its successor thereto in *Platt’s Gas Daily* under the heading Northern Natural Gas Co. in the column Ventura plus \$0.35/MMBtu plus the Commodity Charge per the NNG Tariff (“Commodity_{NNG}”) for the NNG Market

caused by either of the Parties.

8. **Buyer Representation.** Buyer represents that any Firm Swing Gas or Additional Interruptible Gas that it is unable to purchase and receive and for which it seeks to obtain a credit on its monthly invoice, shall be based on an operational issue(s) related to a reduction in its electricity load that prevents Buyer from utilizing such Gas.

9. **Failure to Deliver or Receive.**

(a) Damages for failure to deliver or failure to receive Gas shall be treated as provided in the Base Contract.

(b) Notwithstanding Special Condition 9(a) above, if Buyer’s representation in Special Condition 8 above applies to Buyer’s failure to purchase and receive Firm Swing Gas or Additional Interruptible Gas, Sections 3.2 and 3.3 of the Base Contract shall not apply and Seller shall credit Buyer for such Gas quantities not received on the monthly invoice for the applicable Gas delivery Month based at the following prices.

Firm Swing Gas:

The credit price in US\$ per MMBtu (“\$/MMBtu) for Firm Swing Gas for the Delivery Period (“Firm Swing Gas Credit Price”) shall be the Northern Ventura Daily Index (“NNG Ventura GD”) published by the McGraw-Hill Companies or its successor thereto in *Platt’s Gas Daily* under the heading Northern Natural Gas Co. in the column Ventura minus \$0.01/MMBtu plus the Commodity Charge per the NNG Tariff (“Commodity_{NNG}”) for the NNG Market Area plus applicable Surcharges per the NNG Tariff (“Surcharges_{NNG}”) plus Fuel Charges per the NNG Tariff for NNG Market Area unless the Buyer and Seller agree otherwise in writing.

$$\text{Firm Swing Gas Credit Price} = [\text{NNG Ventura GD} - \$0.01/\text{MMBtu} + \text{Commodity Charges} + \text{Surcharges}_{\text{NNG}}] \times [1 - \text{Fuel}]$$

Additional Interruptible Gas: The credit price in US\$ per MMBtu (“\$/MMBtu) for Additional Interruptible Gas (“Additional Interruptible Gas Credit Price”) shall be the Northern Ventura Daily Index (“NNG Ventura GD”) published by the McGraw-Hill Companies or its successor thereto in *Platt’s Gas Daily* under the heading Northern Natural Gas Co. in the column Ventura minus \$0.05/MMBtu plus the Commodity Charge per the NNG Tariff (“Commodity_{NNG}”) for the NNG Market Area plus applicable Surcharges per the NNG Tariff (“Surcharges_{NNG}”) plus Fuel Charges per the NNG Tariff for NNG Market Area unless the Buyer and Seller agree otherwise in writing.

$$\text{Additional Interruptible Gas Credit Price} = [\text{NNG Ventura GD} - \$0.05/\text{MMBtu} + \text{Commodity Charges} + \text{Surcharges}_{\text{NNG}}] \times [1 - \text{Fuel}]$$

10. **Defined Terms.** Any capitalized terms set forth herein that are not otherwise defined herein or in the Base Contract shall have the meanings set forth in the AMA Addendum

CITY OF AMES, IOWA

BP CANADA ENERGY MARKETING CORP.

By: _____

By: _____

Name:

Name: Mark R. Tillwick

Title:

Title: Attorney-In-Fact

Date: October 13, 2015

Date: October 13, 2015

TRANSACTION CONFIRMATION

CONFIRMATION DATE: October 13, 2015

CONTRACT #: _____ **CONTRACT DATE: October 13, 2015**

SELLER: BP Canada Energy Marketing Corp. ("Seller")

PHONE #: 402.505.8800 FAX #: 713.323.1633

BUYER: City of Ames, IA ("Buyer")

PHONE #: 515.239.5126 FAX #: _____

This Transaction Confirmation is entered into effective as of the Confirmation Date and serves to confirm our understanding of the following transaction between Buyer and Seller and is governed by the terms and conditions set forth in that certain Base Contract for the Sale and Purchase of Natural Gas dated July 21, 2015 executed by and between Buyer and Seller.

DELIVERY PERIOD: Begin –January 1, 2016 End – December 31, 2016

PERFORMANCE OBLIGATION: Subject to the terms and conditions set forth hereinafter, Seller is obligated under this Contract to sell and deliver and Buyer is obligated to purchase and receive intraday Gas on an Interruptible basis, up to 20,000 MMBtu/Day at the Delivery Point for the Delivery Period.

Gas purchases under this Transaction Confirmation dated October 13, 2015 and the AMA Transaction Confirmation between Buyer and Seller dated October 13, 2015 ("AMA TC") (collectively, the "2016 Transaction Confirmations") shall constitute Buyer's full Gas requirements at the Delivery Point. Buyer shall purchase one hundred percent (100%) of its Gas requirements, up to 34,000 MMBtu/Day, from Seller under these 2016 Transaction Confirmations except for any Gas purchased by Buyer during a (i) Force Majeure event or as a result of an Event of Default that results in the suspension of performance or the termination of this Transaction Confirmation or (ii) a Force Majeure event or an Event of Default including an Event of Default under the Addendum under the AMA TC that results in the suspension of performance or the termination of the AMA TC.

Seller may use capacity under its transportation agreement with the Northern Natural Gas Company ("Capacity") to deliver up to the MDQ under this Transaction Confirmation to the Delivery Point and Buyer shall pay to Seller Commodity Charges, Fuel Charges, applicable and Surcharges including any Modernization Charges if any, that Seller actually incurs in delivering Gas to the Delivery Point on the Capacity.

CONTRACT QUANTITY

Contract Quantity = 0 - 20,000 MMBtu/Day

Maximum Daily Quantity ("MDQ") = 20,000/Day

- **Interruptible Gas.** Buyer may request on a quantity of Interruptible Gas ("Interruptible Gas") up to the MDQ. Such a request shall be made on or before 7:30 am central prevailing time on the Business Day prior to the flow Day of the Gas. However, in the event that Buyer makes any requests for Interruptible Gas after 7:30 am central prevailing time on the Business Day prior to the flow Day of the Gas, Buyer understands and acknowledges that Seller shall use commercially reasonable efforts to supply such Interruptible Gas, but shall not guarantee that such Gas shall be supplied to Buyer.

CONTRACT PRICE:

During all delivery Periods, in the event that Seller actually pays any Modernization Charges for Gas delivered to Buyer for which recovery is permitted by then applicable FERC order or regulation that Seller actually pays shall be reimbursed as a deduction on the applicable monthly invoice.

Interruptible Gas: The Interruptible Gas Contract Price for the periods April-October and November – March for the Delivery Period shall be as follows.

- **April – October**

The Contract Price in US\$ per MMBtu (“\$/MMBtu) for Interruptible Gas (“Interruptible Gas Contract Price_{Apr-Oct}”) shall be the Northern Ventura Daily Index (“NNG Ventura GD”) published by the McGraw-Hill Companies or its successor thereto in *Platt’s Gas Daily* under the heading Northern Natural Gas Co. in the column Ventura, plus \$0.20/MMBtu plus the Commodity Charge per the NNG Tariff (“Commodity_{NNG}”) for the NNG Market Area plus applicable Surcharges per the NNG Tariff (“Surcharges_{NNG}”) plus Fuel charges per the NNG Tariff for NNG Market Area unless the Buyer and Seller agree otherwise in writing.

$$\text{Interruptible Gas Contract Price}_{\text{Apr-Oct}} = [\text{NNG Ventura GD} + \$0.20/\text{MMBtu} \\ + \text{Commodity Charges} + \text{Surcharges}_{\text{NNG}}] \times [1 - \text{Fuel}]$$

- **November – March**

The Contract Price in US\$ per MMBtu (“\$/MMBtu) for Interruptible Gas (“Interruptible Gas Contract Price”) shall be the Northern Ventura Daily Index (“NNG Ventura GD”) published by the McGraw-Hill Companies or its successor thereto in *Platt’s Gas Daily* under the heading Northern Natural Gas Co. in the column Ventura, Iowa plus \$0.35/MMBtu plus the Commodity Charge per the NNG Tariff (“Commodity_{NNG}”) for the NNG Market Area plus applicable Surcharges per the NNG Tariff (“Surcharges_{NNG}”) plus Fuel charges per the NNG Tariff (“ for NNG Market Area unless the Buyer and Seller agree otherwise in writing.

$$\text{Interruptible Gas Contract Price}_{\text{Nov-Mar}} = [\text{NNG Ventura GD} + \$0.35/\text{MMBtu} \\ + \text{Commodity Charges} + \text{Surcharges}_{\text{NNG}}] \times [1 - \text{Fuel}]$$

DELIVERY POINT: NNG Story City # 2 DRN# 79227

SPECIAL TERMS & CONDITIONS:

1. **Capacity Not Available.** In addition to the Force Majeure provisions set forth in the Contract, the Parties also agree that to the extent any interruption, curtailment, operational flow order or other event(s) impacts transportation services that may impair the Seller’s ability to utilize the Capacity, to make Gas deliveries to the Buyer at the Delivery Point, irrespective of whether NNG declares an event of Force Majeure as a result of such event, Seller shall be relieved from its obligation to deliver Gas to Buyer in an amount equivalent to the amount of Capacity impacted by such event. By way of example, to the extent that Seller is unable to deliver Gas to Buyer at , the Delivery Point, on any Day utilizing its Capacity, the Seller’s Gas delivery obligations shall be reduced for such Day in an equivalent amount.
2. **Buyer Representation.** Buyer represents that any Interruptible Gas that it is unable to purchase and receive and for which it seeks to obtain a credit on its monthly invoice, shall be based on an operational issue(s) related to a reduction in its electricity load that prevents Buyer from utilizing such Gas.
3. **Failure to Deliver or Receive.**
 - (a) Damages for failure to deliver or failure to receive Gas shall be treated as provided in Sections 3.2 and 3.3 of the Base Contract.

(b) Notwithstanding Special Condition 3(a) above, if Buyer's representation in Special Condition 2 above applies to Buyer's failure to purchase and receive Interruptible Gas, Section 3.2 of the Base Contract shall not apply and Seller shall credit Buyer for such Gas quantities not received on the monthly invoice for the applicable Gas delivery Month based at the following prices.

- ***Interruptible Gas requested on or before 7:30 am central prevailing time on the Business Day prior to the flow Day of the Gas ("On or Before 7:30 am Interruptible Gas"):***

The credit price in US\$ per MMBtu ("\$/MMBtu) for On or Before 7:30 am Interruptible Gas not received by Buyer ("Gas Credit Price_{On or Before 7:30 am}") shall be the Northern Ventura Daily Index ("NNG Ventura GD") published by the McGraw-Hill Companies or its successor thereto in *Platt's Gas Daily* under the heading Northern Natural Gas Co. in the column Ventura, Iowa minus \$0.10/MMBtu plus the Commodity Charge per the NNG Tariff ("Commodity_{NNG}") for the NNG Market Area plus applicable Surcharges per the NNG Tariff ("Surcharges_{NNG}") plus Fuel charges per the NNG Tariff for NNG Market Area unless the Buyer and Seller agree otherwise in writing.

$$\text{Gas Credit Price}_{\text{On or Before 7:30 am}} = [\text{NNG Ventura GD} - \$0.10/\text{MMBtu} + \text{Commodity Charges} + \text{Surcharges}_{\text{NNG}}] \times [1 - \text{Fuel}]$$

- ***Interruptible Gas requested after 7:30 am central prevailing time on the Business Day prior to the flow Day of the Gas ("Post 7:30 am Interruptible Gas"):***

The credit price in US\$ per MMBtu ("\$/MMBtu) for Post 7:30 am Interruptible Gas not received by Buyer ("Gas Credit Price_{After 7:30 am}") shall be the Northern Ventura Daily Index ("NNG Ventura GD") published by the McGraw-Hill Companies or its successor thereto in *Platt's Gas Daily* under the heading Northern Natural Gas Co. in the column Ventura, Iowa minus \$0.20/MMBtu plus the Commodity Charge per the NNG Tariff ("Commodity_{NNG}") for the NNG Market Area plus applicable Surcharges per the NNG Tariff ("Surcharges_{NNG}") plus Fuel charges per the NNG Tariff for NNG Market Area unless the Buyer and Seller agree otherwise in writing.

$$\text{Gas Credit Price}_{\text{On or Before 7:30 am}} = [\text{NNG Ventura GD} - \$0.10/\text{MMBtu} + \text{Commodity Charges} + \text{Surcharges}_{\text{NNG}}] \times [1 - \text{Fuel}]$$

4. **Definitions.** Any capitalized terms set forth herein that are not otherwise defined herein shall be as defined in the Base Contract.

"**Capacity**" shall have the meaning set forth in the Performance Obligation of this Transaction Confirmation.

"**Commodity Charges**" shall mean all commodity charges, ACA surcharges, GRI surcharges and other tariff charges assessed by a Pipeline pursuant to the FERC-approved tariff or governing documents of such Pipeline as a result of the actual transportation of Gas.

"**FERC**" means the Federal Energy Regulatory Commission.

"**Fuel**" means the quantity of Gas consumed by a Pipeline in transporting Gas and includes any provision by such Pipeline for lost and unaccounted for Gas, as determined in accordance with the approved tariff or governing documents of such Pipeline.

"**Modernization Charges**" shall mean any Pipeline charges whether recovered in a or Commodity Charge for the cost recovery related to modernizing Pipeline facilities and infrastructure to enhance the efficiency and safe operation of the Pipeline systems including but not limited to reduction of greenhouse gases, as set forth by FERC in Docket No. PL15-1-000 Cost Recovery

Mechanisms for Modernization of Natural Gas Facilities or any other FERC proceeding or pipeline tariff.

“*NNG*” means Northern Natural Gas Company.

“*NNG Tariff*” means ANR’s FERC Gas Tariff, Fourth Revised Volume No. 1, as approved by the FERC and as may be amended from time to time.

“*Pipeline*” means NNG pipeline.

“*Surcharges*” shall mean all surcharges including Modernization Charges, if any, assessed by a Pipeline pursuant to the FERC-approved tariff or governing documents of such Pipeline as a result of the actual transportation of Gas.

[Signature page follows.]

CITY OF AMES, IOWA

BP CANADA ENERGY MARKETING CORP.

By: _____

Name:

Title:

Date: October 13, 2015

By: _____

Name: Mark R. Tillwick

Title: Attorney-In-Fact

Date: October 13, 2015

[Transaction Confirmation dated October 13, 2015]