

COUNCIL ACTION FORM

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

BACKGROUND:

This contract is to hire a firm to provide energy management services. These services include managing the City's natural gas transactions and gas pipeline transportation contracts. The company will serve as a bridge between the natural gas commodity already under contract, the delivery services already under contract, and the load management of the City's actual gas needs.

This contract is to provide Asset Management Agreement (AMA)/Pipeline Services for the period from October 1, 2020 through September 30, 2023. The contract includes a provision that would allow the City to renew the contract for up to two additional one-year terms.

On May 29, 2020, a Request for Proposals (RFP) was issued to thirteen firms. The RFP was advertised on the Current Bid Opportunities section of the Purchasing webpage and was also sent to three plan rooms. On June 26, proposals were received from three firms. Members of an evaluation committee independently evaluated and scored each proposal in two separate steps.

STEP 1:

In the first step, all three proposals were scored with respect to the following criteria:

- Experience in the electric generation and natural gas markets
- Customer Service (i.e. hours of operation)
- Ability to make adjustments when needed that will hold the City of Ames harmless
- Assets to provide services
- EMA terms of vendor's agreement
- Cost to provide base services for managing the City of Ames' natural gas needs
- Cost, if any, to provide additional services

Overall, there were 1,000 possible points available, with overall weighted scores being a function of the aforementioned evaluation factors. Based on the results of the committee members' evaluations, the average scores for Step 1 were as follows:

Offerors	Averaged Scores
Alliant Energy Madison, WI	758
BP Canada Energy Marketing Corp Omaha, NE	488
Tenaska Omaha, NE	753

STEP 2:

The evaluation team next invited the three firms from Step 1 to participate in a virtual interview. Each company included as many key members of their teams (especially the team leader or project manager) as possible in the interview. The presentations were evaluated and scored utilizing the following criteria:

- Knowledge and relevant experience of the team
- Commitment for the project
- Understanding of the scope of work that was provided required to manage the City of Ames' gas needs
- 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
Alliant Energy Madison, WI	82
BP Canada Energy Marketing Corp Omaha, NE	79
Tenaska Omaha, NE	78

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 average scores and a unanimous decision by the evaluation committee, staff is recommending that the contract be awarded to Alliant Energy, Madison, WI.

To accomplish the City's needs, Alliant Energy has provided three separate agreements, each providing a different service. These are (1) North American Energy Standards Board (NAESB) agreement with Interstate Power and Light (Alliant's Iowa-based company), (2) North American Energy Standards Board (NAESB) agreement Special Provisions with Interstate Power and Light, and (3) an Asset Management Agreement. Each agreement is attached and is described in further detail below.

North American Energy Standards Board (NAESB)

This agreement is with the parent company which is Interstate Power and Light (IPL). The NAESB is a standard contract which controls all transaction within the natural gas industry.

North American Energy Standards Board (NAESB) Special Provisions

The special provisions allow each party to make specific changes to the wording of the NAESB. Typically, the changes are based around the details of IPL procedure to transactions (i.e. billing and gas transactions).

Asset Management Agreement (AMA)

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. Alliant (IPL's parent company) will charge the City of Ames \$18,000 per year for the basic services.

It also 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, Alliant will sell or store the excess gas on behalf of the City and credit the City the revenue.

Along with the terms and conditions when the actual amount of natural gas burned in a day is greater than 12,000 dekatherms. For these events, Alliant 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 agreement, 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 \$300,000 be approved so that staff, together with Alliant, 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 2020/21 operating budget currently includes \$16,500,000 for the purchase of natural gas to operate the power plant. The FY 2020/21 Electric Services budget will include appropriate funding to cover these contracts.

ALTERNATIVES:

1. Award the three contracts described above to Alliant Energy, Madison, WI beginning October 1, 2020 through September 30, 2023 with two additional one year renewals, for AMA/Pipeline Services for the City of Ames in an amount not to exceed \$18,000 for the base services. In addition, authorize an amount not to exceed \$300,000 for the purchase of additional natural gas plus delivery as needed to manage the day-to-day fuel needs of the power plant.
2. Approve one of the other companies who provided bids.
3. Reject all proposals and direct staff to coordinate the nominating and balancing of the natural gas.

CITY 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.