

ITEM #:	16
DATE:	07-22-25
DEPT:	ELEC

COUNCIL ACTION FORM

SUBJECT: PARTIAL MISO SERVICE REQUIREMENTS CONTRACT

BACKGROUND:

Electric Services is a participant in Midcontinent Independent System Operator (MISO), which operates the electric grid for all or parts of 15 states, including Iowa. MISO adopts standards and regulations for its member utilities to ensure reliable and cost-effective transmission of electricity across the grid.

Electric Services operates four electric generating units (Unit 7, Unit 8, and two combustion turbines). MISO classifies generating assets like those operated by Electric Services as either Behind-The-Meter-Generators (BTMG) or Ahead-of-the-Meter Generators (known as Schedule 53 units). An operator of a BTMG can typically choose when and how its own generation is operated. This is how Electric Services' generation assets are currently configured.

If a generating unit is classified as a Schedule 53 unit, then the operator must bid the generation into the electric market on a daily basis. On days when the unit's generating price is below the market prices of electricity, MISO will send operating instructions to the utility and will pay the utility for electricity produced, on a cost-plus basis.

MISO has recently changed its rules addressing how units qualify to be operated as BTMG facilities. With this change, Unit 8 can no longer qualify as a BTMG resource without risking the loss of credit of Unit 8's generating capacity towards the utility's capacity obligations. Unit 8 will change to a Schedule 53 resource on December 1, 2025. The Electric utility's other generating assets are unaffected and will remain as BTMG units.

This change will require more sophisticated analysis, planning, and interaction with MISO. **Therefore, staff is seeking a qualified provider for partial MISO market-based Power Plant services.** These services include providing a 24-hour monitoring and market interface, scheduling and generator offer submissions, fuel procurement, outage scheduling, planning resource auction planning, meter data management, shadow settlement and dispute resolution with MISO.

This action involves contracting services with a vendor to act as an agent on behalf of and in coordination with Electric Department staff to register, schedule, monitor, transact, and communicate with the MISO energy, capacity, and ancillary services markets for the operating of Unit 8 as a Schedule 53 Capacity Resource. These services will allow the utility to retain Unit 8's generation capacity value in MISO.

On June 5, 2025, a Request for Proposals (RFP) document was posted on AmesBids by the City's Purchasing division. On June 30, 2025, one proposal was received from Tenaska Power Services Co. from Irving, Texas.

Tenaska's proposal includes a one-time system set-up fee of \$10,000 and a monthly charge beginning in December 2025 of \$8,000. **Funding to cover the services provided by this contract is included within the Fuel & Purchased Power division in the Natural Gas budget.**

Staff evaluated the proposal based on price, services offered, experience of the firm, and references. **After evaluation, staff is recommending that a contract be awarded to Tenaska Power Services Company. The recommendation was based on the following considerations:**

- Tenaska has the staffing, experience, and qualifications to successfully manage Unit 8 as a Schedule 53 Capacity Resource in MISO.
- Tenaska has been providing customers with 24/7 operations, communication, scheduling, dispatch, and outage scheduling in the MISO region since 2005.
- Tenaska's customers consist of joint action agencies, municipal electric utilities, electric cooperatives, independent power producers, renewable generation facilities, large industrial and cogeneration facilities, large retail loads, demand response participants, energy storage assets, and community choice aggregators. Cedar Falls Utilities is one such customer and is contracting with Tenaska for similar services.
- Tenaska has extensive experience in managing fossil fuel energy resources for its customers, specifically with combined cycle and gas-fueled peaking facilities. Tenaska currently provides services to over 45,000 MW of natural gas-fueled generation across the country (including MISO) and therefore has extensive experience in understanding the nuances of gas resources and the challenges presented by the power and gas market coordination.
- Tenaska's Fuel Management Services include communicating with fuel suppliers for day-ahead fuel purchases, adjusting fuel volumes through intra-day purchases and sales, and managing customers Daily Fuel Position Report.
- Favorable references from other utilities.

This contract will be for the period beginning date of award through June 30, 2026. The contract may be extended, if mutually agreed by both parties, for four additional 12-month periods.

ALTERNATIVES:

1. Award a contract to Tenaska Power Services Co., Irving, TX, for Partial MISO Service Requirements, for the period from date of award through June 30, 2026, in the amount of \$66,000.
2. Reject the proposal and direct staff to rebid.

CITY MANAGER'S RECOMMENDED ACTION:

This contract will provide Energy Management Services that will enable Unit 8 to successfully operate as a Schedule 53 Resource in MISO on behalf of Electric Services. This will allow Unit 8 to remain as a capacity resource to serve electric customer's requirements and meet MISO obligations. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No.1 as stated above.