ITEM #:	15
DATE:	08-11-26
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 (a "Schedule 53" unit). **An operator of a BTMG can typically choose when and how its own generation is operated.**

MISO recently changed its rules addressing how units qualify to be operated as BTMG facilities. This change did not impact the ability of Electric Services to keep Unit 7 and the two combustion turbines as BTMGs. However, with this change, Unit 8 could no longer qualify as a BTMG resource without risking the loss of Unit 8's generating capacity credit towards the utility's capacity obligations. Therefore, in December 2025, Unit 8's classification changed to a Schedule 53 unit.

With Unit 8's change to a Schedule 53 unit, the utility must bid the price of Unit 8's 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 sends operating instructions to the utility and MISO will pay the utility for electricity produced, on a cost-plus basis. This change has required more sophisticated analysis, planning, and interaction with MISO. **Therefore, staff sought 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.

A Request for Proposal (RFP) for these services was issued. Seven firms were directly notified about the RFP in addition to being on the City's procurement website and being sent to one plan room. Only one proposal was received, from Tenaska Power Services Co. of Irving, Texas. Staff found Tenaska's proposal to be acceptable and on July 22, 2025, City Council awarded a contract to Tenaska Power Services for Partial MISO Service Requirements in the amount of $66,000.

Since December 2025, Tenaska has acted as an agent on behalf of and in coordination with the 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.

The current contract includes the option for the City to renew in one-year increments for up to four (4) additional years for a total contract length of not more than five (5) years. **This action is to renew the contract an additional year. This is the first renewal out of four possible renewal periods.**

The first contract period included a one-time setup fee of $10,000, including several months of setup, and seven months of support at a monthly fee of $8,000. This renewal will be for 12 full months of support. The contract specifies a fee escalator of either 2% or the annual CPI-U, whichever is greater. Given the CPI-U was 3.5% for the last 12 months, the total annual contract price for this next year is $99,360.

Staff is recommending the renewal of this contract so that these services continue to be provided by Tenaska Power Services. The benefits of Tenaska continuing to hold this contract for these services include the following:

- The Electric Department is deeply embedded with Tenaska in terms of the necessary agreements, data sharing, registration with MISO, etc., that are needed to operate Unit 8 as a Schedule 53 Resource. It would be very time consuming, complicated, and challenging to change the asset manager for Unit 8 at this time.

- Tenaska's strong background and experience managing assets like Unit 8 was very helpful in getting the unit converted to a Schedule 53 Resource with MISO. They assisted staff step by step with the complicated process and enabled the successful conversion of Unit 8 on a very aggressive timeline.

- Once Unit 8 became active as a Schedule 53 Resource, Tenaska has been very successful managing the resource in MISO. The communication between the assigned asset manager and Staff has been excellent. Tenaska always responds in a timely manner to any questions or concerns. Tenaska has also been very helpful in providing strategic direction for operating Unit 8 (e.g., the best time to conduct tests, schedule an outage, etc.).

- Tenaska's knowledge of the MISO rules for Schedule 53 Resources has been invaluable. They have regular interaction with the Independent Market Monitor (IMM) providing them the experience and ability to make changes to Unit 8's registration when staff finds an adjustment is necessary. Tenaska has also been very helpful in explaining the accreditation process MISO uses for Schedule 53 Resources.

- Tenaska provides a user portal that is powerful and user-friendly. Electric Staff has been trained on the portal and is now able to use it seamlessly for MISO compliance. The settlements section of their portal is critical for staff in that it enables the ability to break out Unit 8 from other City electric load on MISO invoices. Reporting Unit 8’s availability is also very simple and straightforward.

Only $30,000 was included in the Outside Professional Services line item in the Fuel & Purchased Power division of the FY 2026/27 Budget for these services. Required funds will be transferred from the Natural Gas line item when Budget amendments are brought to Council later this year.

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, 2027, in the amount of $99,360.

2. Reject the proposal and direct staff to rebid.

CITY MANAGER'S RECOMMENDED ACTION:

This contract provides Energy Management Services that enables Unit 8 to continually operate as a Schedule 53 Resource in MISO and remain as a capacity resource to serve electric customer's requirements and meet MISO obligations. A budget amendment will be prepared by staff this fall to address the shortfall in funding for this critical service. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No.1 as stated above.