



Legislation Text

File #: 3027-2018, **Version:** 1

This legislation authorizes the Director of the Department of Public Utilities to approve an amendment to an existing power supply agreement with AEP Energy Partners, Inc. This power supply agreement currently provides power for the City's electric customers through the Division of Power. The agreement was initially authorized by Ordinance 2289-2012 in October, 2012, and was awarded after a period of bidding and contract negotiation. Actual supply began on January 1, 2017 and is expected to continue through December 31, 2020. Part of this agreement calls for passing-through certain costs from the regional electric grid operator, PJM Interconnection, LLC. These costs are related to transmission, reliable capacity, and other ancillary grid functions. PJM acts as a Regional Transmission Operator (RTO) under the authority of the Federal Energy Regulatory Commission (FERC). In the course of operating under the agreement, a disagreement has arisen over the intent of the contract document to address the energy associated with transmission losses, and the party responsible for its cost. Additionally, PJM has changed its cost allocation formulas for certain items covered by the power supply agreement, and new charges, not presently covered by the agreement, are expected to be assessed by PJM in the upcoming months. The Department's outside legal counsel has worked with AEP Energy Partners to mutually develop the proposed amendment. The amendment addresses these concerns by putting sharing formulas in place, and directs that partial refunds be made to the City for past amounts paid by the Division to AEP Energy Partners. Also, from time to time, certain capacity credits may accrue to the City because its power supply is obtained through the PJM RTO process. This amendment authorizes AEP Energy Partners, during the agreement's term and with the Division's consent, to sell these credits if beneficial to the City.

SUPPLIER: AEP Energy Partners, Inc., FID #77-0690681, DAX #010283, Expires (pending recertification)
AEP Energy Partners, Inc. does not hold MBE/FBE status.

The company is not debarred according to the Excluded Party Listing System of the Federal Government or prohibited from being awarded a contract according to the Auditor of State Unresolved Findings for Recovery Certified Search.

FISCAL IMPACT: This legislation, if enacted, is expected to reduce the cost of purchase power to the Division of Power by approximately \$1,000,000 over the life of the agreement, when compared to current billing methods.

\$47,523,080.45 has been spent to date in 2018

\$54,690,605.47 was spent in 2017

\$51,874,216.01 was spent in 2016

EMERGENCY DESIGNATION: This ordinance is being submitted as an emergency measure in order to allow the partial refunds to the City to occur in a prompt manner, and so that the amendment's cost sharing features can be utilized for future monthly billings.

To authorize the Director of the Department of Public Utilities to approve an amendment to an existing power supply agreement with AEP Energy Partners, Inc.; and to declare an emergency. (\$0.00)

WHEREAS, the Division of Power entered into a power supply agreement with AEP Energy Partners, Inc., and

WHEREAS, the agreement was initially authorized by Ordinance 2289-2012 in October, 2012, and was awarded after a period of bidding and contract negotiation, and

WHEREAS, actual supply began on January 1, 2017 and is expected to continue through December 31, 2020, and

WHEREAS, part of this agreement calls for passing-through certain costs from the regional electric grid operator, PJM Interconnection, LLC. These costs are related to transmission, reliable capacity, and other ancillary grid functions. PJM acts as a Regional Transmission Operator (RTO) under the authority of the Federal Energy Regulatory Commission (FERC), and

WHEREAS, in the course of operating under the agreement, a disagreement has arisen over the intent of the contract document to address the energy associated with transmission losses, and the party responsible for its cost. Additionally, PJM has changed its cost allocation formulas for certain items covered by the power supply agreement, and new charges, not presently covered by the agreement, are expected to be assessed by PJM in the upcoming months, and

WHEREAS, the amendment addresses these concerns by putting sharing formulas in place, and directs that partial refunds be made to the City for past amounts paid by the Division to AEP Energy Partners. Also, from time to time, certain capacity credits may accrue to the City because its power supply is obtained through the PJM RTO process, and

WHEREAS, this amendment authorizes AEP Energy Partners, during the agreement's term and with the Division's consent, to sell these credits if beneficial to the City, and

WHEREAS, an emergency exists in the usual daily operation of the Department of Public Utilities, Division of Power, in that it is immediately necessary to authorize the Director of Public Utilities to approve an amendment to an existing power supply agreement with AEP Energy Partners, Inc. to allow the partial refunds to the City to occur in a prompt manner, and so that the amendment's cost sharing features can be utilized for future monthly billings; now, therefore

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF COLUMBUS:

SECTION 1. That the Director of Public Utilities be and is hereby authorized to approve Amendment No. 3 to the existing power supply agreement with AEP Energy Partners, Inc., to address the energy associated with transmission losses by putting sharing formulas in place, and directs that partial refunds be made to the City for past amounts paid by the Division to AEP Energy Partners. Also, from time to time, certain capacity credits may accrue to the City because its power supply is obtained through the PJM RTO process. This amendment authorizes AEP Energy Partners, during the agreement's term and with the Division's consent, to sell these credits if beneficial to the City

SECTION 2. That there is no cost associated with this amendment.

SECTION 3. That for the reasons stated in the preamble hereto, which is hereby made a part hereof, this ordinance is hereby declared to be an emergency measure and shall take effect and be in force from and after its passage and approval by the Mayor, or ten days after passage if the Mayor neither approves nor vetoes the same.