CITY OF COFFEYVILLE
BOARD OF COMMISSIONERS AGENDA ITEM

MEETING DATE	November 25, 2019	
RESOLUTION OR ORDINANCE NUMBER	R-19-76	
AGENDA TITLE	**CRNF – First Amendment to the Amended and Restated Electric Service Agreement (ESA)**	
REQUESTING DEPARTMENT	Electric Utility Legal	
PRESENTERS	Mike Shook Paul Kritz	
FISCAL INFORMATION	Cost as recommended:	
	Budget Line Item:	
	Balance Available	
	New Appropriation Required:	[ ] Yes [ ] No
PURPOSE		

BACKGROUND	The City of Coffeyville and Coffeyville Resources Nitrogen Fertilizers (CRNF) entered into and executed an amended electric service agreement in 2010. This agreement provided the structure for which the City of Coffeyville would provide wholesale energy to CRNF, for a term thru June 30, 2019. This agreement also provided that at CRNF's sole option, upon 180 days prior written notice by CRNF, the agreement could be extended for five years, through June 30, 2024. This option also provided that the rates and charges applicable to such extension, were set forth in the agreed rate schedule.
SPECIAL NOTES	NA
ANALYSIS	In February of 2019, CRNF notified the City of their intent to investigate an extension of the ESA with this City of Coffeyville, but requested that the City and CRNF meet with the Grand River Dam Authority (GRDA) to discuss rates for energy and delivery. City staff, CRNF representatives and GRDA representatives met, discussing options to improve rates and delivery charges affecting the City and CRNF. City staff continued to meet and investigate options of improving and or reducing delivery charges by GRDA in an effort to reduce costs to CRNF and the City of Coffeyville. Through these efforts with GRDA, the City and GRDA were able to exchange capacity revenues paid to the City for reduced energy delivery charges from GRDA, ultimately allowing the City to offer CRNF a reduced rate for energy demand in exchange for a longer term agreement, ten years. The City and CRNF have reached a tentative agreement on the terms of an extended 10 year agreement for electric service, which staff brings before you for consideration, including the Amended Exhibit A Rate Schedule (10 Year Extension) for CRNF.

PUBLIC INFORMATION PROCESS	NA
BOARD OR COMMISSION RECOMMENDATION	NA
STAFF RECOMMENDATION	Staff recommends the Mayor and Commission approve the First Amendment to the Amended and Restated Electric Service Agreement, including the Amended Exhibit A Rate Schedule.
REFERENCE DOCUMENTS ATTACHED	First Amendment to the Amended and Restated Electric Service Agreement Amended Exhibit A Rate Schedule

RESOLUTION NO. R-19-76

A RESOLUTION TO AUTHORIZE THE EXECUTION OF THE FIRST AMENDMENT TO THE AMENDED AND RESTATED ELECTRIC SERVICE AGREEMENT, INCLUDING EXHIBIT A RATE SCHEDULE WITH COFFEYVILLE RESOURCES NITROGEN FERTILIZERS AND THE CITY OF COFFEYVILLE.

BE IT RESOLVED by the Board of Commissioners of the City of Coffeyville, Kansas that the Mayor be and is hereby authorized and directed to execute the First Amendment to the Amended and Restated Electric Service Agreement, including Exhibit A Rate Schedule with Coffeyville Resources Nitrogen Fertilizers, including Exhibit A Rate Schedule, with Coffeyville Resources Nitrogen Fertilizers for the City of Coffeyville.

ADOPTED THIS 25th DAY OF November 2019.

_____
Paul Bauer, Mayor

ATTEST:

_____
Allison Pryor, City Clerk

APPROVED AS TO FORM AND LEGALITY:

_____
Paul Kritz, City Attorney

FIRST AMENDMENT

TO THE

AMENDED AND RESTATED ELECTRIC SERVICE AGREEMENT

BETWEEN

THE CITY OF COFFEYVILLE, KANSAS

AND

COFFEYVILLE RESOURCES NITROGEN FERTILIZERS, LLC

THIS FIRST AMENDMENT to the Amended and Restated Electric Service Agreement between the City of Coffeyville, Kansas and Coffeyville Resources Nitrogen Fertilizers, LLC ("**Amendment**") effective as of the latest date of execution set forth below, is entered into by and between the City of Coffeyville, Kansas, ("**City**") and Coffeyville Resources Nitrogen Fertilizers, LLC ("**Coffeyville Resources**"). Individually, ("**Party**"); collectively, the ("**Parties**").

WHEREAS, City and Coffeyville Resources are parties to the Amended and Restated Electric Service Agreement dated August 1, 2010, the Letter Agreeing to Extend Renewal Notice dated December 20, 2018, and the subsequent agreed upon extensions until December 4, 2019 (the foregoing documents together constituting the "**Agreement**"); and

WHEREAS, both Parties desire to amend the Agreement to reflect an extension of the Term of the Agreement and to establish rates and charges applicable during the extension of the Term;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto agree to amend the Agreement as follows:

1) Section 7.4 is deleted in its entirety and replaced with the following:

   "7.4 Coffeyville Resources shall pay a flat ten percent (10%) of the undisputed balance due as a late charge on any delinquent payment that remains more than 60 days following invoice date."

2) Article XIV, "TERM," is deleted in its entirety and replaced with the following:

   "14.1 This Agreement shall become effective on the execution of the same, and shall continue from that date of execution through June 30, 2029.

   14.2 In the event that, for any reason caused by Coffeyville Resources, Coffeyville Resources ceases to take and pay for service under this Agreement for a period of six (6) consecutive months prior to June 30, 2029, Coffeyville Resources shall pay the City a recovery fee equal to $90,020 (ninety thousand twenty dollars) per month (the "**Recovery Fee**") until the earlier of June 30, 2029, or the month in which Coffeyville Resources resumes service under this Agreement. Notwithstanding anything herein to the contrary, no Recovery Fee shall be due or owing by Coffeyville Resources to the extent any failure to take service is caused by the City or its agents, or any Force Majeure event."

3) Exhibit A is deleted in its entirety and replaced with Amended Exhibit A, attached hereto.

4) In Article XIX, "MISCELLANEOUS", Paragraph 19.12, the Kansas City, Kansas address for Coffeyville Resources is deleted in its entirety and replaced with:

"Coffeyville Resources Nitrogen Fertilizers, LLC
2277 Plaza Drive, Suite 500
Sugar Land, Texas 77479
Attention: General Counsel"

The Agreement, as amended by this First Amendment, is the exclusive agreement between the Parties and is not subject to further modification except by a written amendment executed by both Parties. Except as expressly provided in this First Amendment, all of the terms and provisions of the Agreement are and will remain in full force and effect and are hereby ratified and confirmed by the Parties. The Amendment shall not be construed as a waiver of any other provision of the Agreement or as a waiver of or consent to any further or future action on the part of any Party. Any terms with initial capitalization that are not defined herein or in Exhibit A shall have the meanings given such terms in the Agreement.

IN WITNESS WHEREOF, each of the Parties has caused this First Amendment to be executed by its duly authorized representative on the date set forth below.

COFFEYVILLE RESOURCES NITROGEN FERTILIZERS, LLC	**CITY OF COFFEYVILLE, KANSAS**
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

AMENDED EXHIBIT A RATE SCHEDULE

This rate schedule is based on exclusive use of the City's municipal electric utility service under the First Amendment to the Amended and Restated Electric Service Agreement between the City of Coffeyville, Kansas and Coffeyville Resources Nitrogen Fertilizers, LLC ("**Amendment**") and, no electric service from any other source may be used by Coffeyville Resources at the Facility.

1. Demand, Energy and Power Cost Adjustment Charges

   A. The monthly Demand Charge shall be equal to the demand rate applicable during the relevant billing period as set forth in the Power and Energy Supply Contract with the Grand River Dam Authority ("GRDA"), attached hereto as Exhibit 2, or any subsequent Power and Energy Supply Contract as the same may be amended by the City and GRDA from time-to-time during the term of the Amendment (including for avoidance of doubt the demand rate of $8.50 per kW-month, reduced from the previous published demand rate of $10.50 per kW-month, proposed to be effective January 1, 2020, for so long as GRDA leaves such demand rate in effect) multiplied by Coffeyville Resources' thirty-minute interval demand at the time of the City's highest thirty-minute interval demand during the monthly billing period, adjusted for Applicable Losses as set forth in the Power and Energy Supply Contract.

   B. The monthly Energy Charge shall be equal to the energy rate applicable during the relevant billing period as set forth in the Power and Energy Supply Contract multiplied by the total amount of energy during on-peak and off-peak times (expressed in kilowatt-hours), as applicable, delivered to Coffeyville Resources during the monthly billing period, adjusted for Applicable Losses as set forth in the Power and Energy Supply Contract.

   C. The monthly Power Cost Adjustment Charge shall be equal to the power cost adjustment rate applicable during the relevant billing period as set forth in the Power and Energy Supply Contract multiplied by the total amount of energy (expressed in kilowatt-hours) delivered to Coffeyville Resources during the monthly billing period, adjusted for Applicable Losses as set forth in the Power and Energy Supply Contract.

   D. Except as otherwise provided in this Amended Exhibit A Rate Schedule, all charges incurred or discounts received by the City under its Power Purchase and Sale Agreement with GRDA for service provided by the City to Coffeyville Resources shall be billed by the City to Coffeyville Resources or passed through to Coffeyville Resources, to the extent applicable, without further mark-up or adjustment; *provided, however*, that under no circumstances shall the City extend to Coffeyville Resources any consideration granted by GRDA in exchange for any City reduction in GRDA's obligations with respect to City resources for which Coffeyville Resources does not incur charges under this Agreement.

2. SPP Charges

A. Monthly Transmission Charge payments in the sum determined in accordance with the Formula set forth below:

Coffeyville Resources shall pay a proportionate share of all transmission and ancillary service and charges for other services incurred by the City under the SPP Open Access Tariff in connection with the delivery of purchased power to the City's electric system, determined as follows:

MTC = [CuPTD / CiPTD] x TTC, where

MTC = Monthly Transmission Charge, which is Coffeyville Resources' proportionate share of the transmission and ancillary charges incurred by the City in connection with the delivery of purchased power to the City's electric system during the billing period, as set forth in the SPP's support for its monthly invoices to the City, which support shall be made available by the City to Coffeyville Resources concurrently with the delivery of the City's monthly bill to Coffeyville Resources.

CuPTD= Customer's Peak Transmission Demand shall be Coffeyville Resources' highest measured demand (corrected for losses, as required), at the time of the system peak used by the SPP to allocate transmission charges for Network Integration Transmission Service for the billing period.

CiPTD = City's Peak Transmission Demand, which shall be the City's highest measured demand (corrected for losses, as required), including the demand of Coffeyville Resources served under this rate, at the time of the system peak used by the SPP to allocate transmission charges for Network Integration Transmission Service for the billing period.

TTC = Total Transmission Costs, which includes all transmission, wheeling and ancillary charges incurred by the City associated with the delivery of purchased power to the City's electric system during the billing period.

3. Transmission Wheeling Charge

The per kilowatt-hour charge listed below for each kilowatt-hour of energy transferred on the City's Transmission Facilities or through the SPP Network Integration Transmission Service Agreement for the Facility pursuant to this Agreement.

Time Period	Per Kilowatt-hour Charge
Effective Date through June 30, 2024	$0.0035
July 1, 2024 through June 30, 2027	$0.00375
July 1, 2027 through June 30, 2029	$0.0040

4. Minimum Monthly Invoice

In the event that, for any month during the Term of the Amended and Restated Electric Service Agreement as amended by the First Amendment thereto, Coffeyville Resources' monthly peak electric demand (in kW) falls below fifty (50) percent of the rolling average level of its electric demand over the preceding eleven months, Coffeyville Resources shall be subject to a Minimum Monthly Invoice calculated as follows: The Capacity Billing Demand (kW) for each Point of Delivery shall be the higher of (a) Coffeyville Resources' highest thirty (30) minute demand (in kW) measured at the associated Metering Point(s), using consecutive fifteen (15) minute metering intervals during the immediately preceding monthly billing period and adjusted for Applicable Losses or (b) fifty (50) percent of the highest Capacity Billing Demand (in kW) during the preceding eleven (11) full-load operating months.

5. Operation & Maintenance Charges

Coffeyville Resources shall reimburse the City for its actual third party costs of operating, maintaining, repairing, replacing, and insuring the Transmission Facilities (excluding City Expenses), plus a ten percent (10%) overhead markup (collectively, "**Reimbursable Expenses**") unless and to the extent that such costs are included in a revenue requirement recovered by the City under the SPP Open Access Tariff in which case there will be no such reimbursement. The City will provide lawn mowing, spraying and dedicated telecommunications facilities required for telemetry to GRDA or the SPP ("**City Expenses**") at its sole cost and expense. The City will provide Coffeyville Resources with reasonable notice, consistent with Good Utility Practice, of its intent to incur Reimbursable Expenses costing $50,000 or more, and will meet and confer with Coffeyville Resources concerning such Reimbursable Expenses.

6. Power Factor Adjustment

A Power Factor meeting the contractual requirements of the Transmission and Power Supply Providers must be maintained at the two metering locations (Meters M1 and M2) where the City's 138 kV transmission lines connect to Substation B.

The Power Factor of Facility will be measured through the meters (Meters M3 and M4) located at the Facility Delivery Point(s). The Power Factor of the City's transmission facilities connected to Substation B will be measured through meters (Meters M5 and M6) located on the high-voltage side of the 138/69 kV step-down transformers. The combined Power Factor of the City and the Facility electric loads will be augmented through the use of two 21.6 MVAR, 138 kV capacitor banks to assist in Power Factor correction. Coffeyville Resources may elect to use the Facility's 37,000 H.P. synchronous motor to fine-tune the Power Factor requirements.

The data obtained from meters M3 through M6 will be used to determine the MVAR requirements of the Facility and the City. To the extent not otherwise recovered under SPP Charges, the costs of any necessary reactive supply and voltage control ancillary services supplied by the SPP will be billed to Coffeyville Resources and the City

accordingly. All additional costs incurred by the City to adjust the Facility's Power Factor deficiencies will be billed through part 5 of this Rate Schedule.

7. Direct Assignment Facilities

Any agreements for the recovery of costs associated with Direct Assignment Facilities shall be negotiated by the Parties in advance of the design, planning and construction of each Direct Assignment Facility proposed under the Agreement. Any such agreements shall be in writing and executed by both Parties.