



City of Gainesville Text File Report

GENERAL MANAGER REGULAR #991142
2/28/00

City Hall
200 East University Avenue
Gainesville, Florida 32601

Introduced: 6/8/98

File Number: 980074

Version: 0

Status: Passed

..Title

Resource Management Agreement (NB)

..Explanation

Historically, electric utilities participating in the wholesale energy market in the U.S. have been limited to dealing with other utilities they were directly connected to or at most within the same regional area. The inability to use other utilities' transmission systems and the lack of financial incentives did not promote an active and widespread wholesale market. Utilities could fully participate in this restricted market with a few dedicated staff and resources. However, the passage of the 1992 Energy Policy Act and subsequent regulatory orders (F.E.R.C. orders 888 and 889) has transformed the rather sedate and regional wholesale market into a fast paced market with national reach and many new participants. To continue to derive the most benefit from this growing market, staff has been exploring different alternatives to expand GRU's wholesale marketing efforts. The most promising alternatives are to 1) increase staff and build a marketing group in-house or 2) find or form a partnership or alliance to pool resources to perform the marketing function. Staff believes that an alliance is the most cost effective way to expand GRU's wholesale marketing activities at this time.

Staff has explored marketing alliances with several different marketing groups during the last two (2) years and believe The Energy Authority (TEA) offers GRU the best opportunity to form a long term marketing alliance. The Energy Authority was formed in 1998 by three large public power organizations; The Jacksonville Electric Authority, The Municipal Electric Authority of Georgia, and The South Carolina Public Service Authority (Santee Cooper). TEA was created as a partnership by the three (3) members for the sole purpose of performing wholesale marketing. GRU staff has been exploring a relationship with TEA for several months and have developed an agreement to allow TEA to perform marketing for GRU. The agreement is for a one (1) year term. TEA management and their Board of Directors have expressed interest in GRU becoming a full equity partner in TEA. During the term of this agreement GRU and TEA staff will continue working together to determine whether full membership in TEA is beneficial to both TEA and GRU.

..Recommendations

The City Commission authorize the General Manager or his designee to negotiate and execute a Resource Management Agreement with The Energy Authority as its sole provider of electric wholesale marketing services for a one (1) year term subject to approval as to form and legality.

..Fiscal Note

Compensation to TEA will be a combination of a fixed and "percent of net" fee arrangement. Based on GRU's FY97 wholesale net revenue, the fee for these services will be approximately \$250,000. If, as anticipated, TEA is able to increase GRU's wholesale net revenue, then TEA's fee will increase commensurate with the increased net revenue to GRU.

..Drafter

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City of Gainesville Master Report

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200 East University Avenue
Gainesville, Florida 32601

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File Number: 980074	File Type: Staff Recommendation	Status: Passed
Version: 0	Reference:	Controlling Body: General Manager for Utilities
File Name: Resource Management Agreement (NB)		Introduced: 6/8/98
Requester:	Cost:	Final Action: 6/8/98

Notes: **Title:** Resource Management Agreement (NB)

Indexes: CONTRACT, AGREEMENT **Sponsors:**

Attachments:

History of Legislative File

Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
City Commission	6/8/98	Approved as Recommended				Pass
