CITY OF COFFEYVILLE
BOARD OF COMMISSIONERS AGENDA ITEM

MEETING DATE	September 24, 2013	
RESOLUTION OR ORDINANCE NUMBER	R-13-84	
AGENDA TITLE	**Letter of Credit to SPP**	
REQUESTING DEPARTMENT	Electric	
PRESENTER	Steve McGie	
FISCAL INFORMATION	Cost as recommended:	NA
	Budget Line Item:	NA
	Balance Available	NA
	New Appropriation Required:	[ ] Yes [X] No
PURPOSE	Increase Coffeyville's total Credit Limit and Collateral Balance with SPP to $650,000.00	

BACKGROUND	The City of Coffeyville is required by the SPP Tariff to maintain a Total Credit Limit and Collateral Balance. SPP calculates the City of Coffeyville's Total Potential Exposure every day and advises customers when they are over 90% of their credit limit. When a customer reaches 100% of their total credit limit SPP requests that the customer increase their total credit limit. This happened for the first time in June of 2012. On June 12th, 2012 the City Commissioners approved Resolution No. R-12-59 authorizing the establishment of a cash security deposit with the Southwest Power Pool in the amount of $200,000.00 increasing our total line of credit with them to $450,000.00. At that time Staff informed the Commissioners if it appears an increase in the letter of credit amount would ever be needed they would bring that request back to the commission for authority for the increase. On September 11, 2013 we received an email from SPP that Coffeyville was at 111% of their Total Credit Limit and Collateral Balance, over by $49,048.42.
SPECIAL NOTES	CRNF increased their load in October of 2012 by about 10 MWs with the addition of Chaparral and they are increasing their load by 8 MWs again next month and another 8 MWs in 2016. This will increase our Total Potential Exposure with SPP even more.
ANALYSIS	Staff has calculated the Total Potential Exposure using SPP's Total Exposure Calculation spreadsheet with the CRNF 8 MW increase in October 2013 and also with the CRNF 8 MW increase in 2016. Calculations were made by increasing the Total Customer Credit Limit and Collateral Balance by $100,000.00, $150,000.00 and $200,000.00. These calculations are included with this Staff Report.
PUBLIC INFORMATION PROCESS	
BOARD OR COMMISSION RECOMMENDATION	

STAFF RECOMMENDATION	Staff recommends increasing the Total Customer Credit Limit and Collateral Balance by $200,000.00 in the form of an Irrevocable Letter of Credit in the amount of $400,000.00 and requesting SPP return the $200,000.00 cash deposit along with any interest to the City of Coffeyville.
REFERENCE DOCUMENTS ATTACHED	Total Exposure Calculation Spreadsheets and Resolution.

RESOLUTION NO. R-13-84

A RESOLUTION AUTHORIZING THE ESTABLISHMENT OF A LETTER OF CREDIT WITH THE SOUTHWEST POWER POOL AS THE HOLDER IN THE AMOUNT OF $400,000.

WHEREAS, Coffeyville Municipal Light and Power uses the Southwest Power Pool for electric transmission services in accordance with our power supply contract with Grand River Dam Authority; and

WHEREAS, our current line of credit with the Southwest Power Pool is in the amount of $250,000, plus a $200,000.00 cash deposit; and

WHEREAS, Coffeyville Municipal Light and Power's current and future projected transmission usage exceeds the line of credit established with the Southwest Power Pool triggering the need for an increase to the security deposit in an amount of $200,000.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the City of Coffeyville, Kansas, that the Finance Director is hereby authorized and directed to execute a Letter of Credit with the Southwest Power Pool as the holder in the amount of $400,000 and request the Southwest Power Pool return the $200,000.00 cash deposit to the City of Coffeyville, Kansas.

Adopted this 24th day of September, 2013.

_____
David George, Mayor

ATTEST:

_____
Cindy Price, City Clerk

APPROVED AS TO FORM AND LEGALITY:

_____
Paul Kritz, City Attorney

Total Exposure Calculation

For: City of Coffeyville KS
As of: 9/11/13

Market Exposure (ME)

1.	Invoiced Market Settlement Charges (IMSC)			$ -
2.	Calculated Market Settlement Charges (CMSC)			$ -
3.	Maximum Estimated Market Exposure (MEME) [c x d]			$ -
	a. Average of the Last 365 Days of Market Activity	$ -		
	b. Average of the Last 7 Days of Market Activity	$ -		
	c. Greater of a or b above		$ -	
	d. Days Remaining in the Exposure Window		0	

Transmission Service Potential Exposure (TSPE)

4.	Invoiced Transmission Service Charges (ITSC) - Netted			$ 321,125.80
5.	Calculated Transmission Service Charges (CTSC) – Netted			$ -
6.	Maximum Estimated Transmission Exposure (METE) [e + f]			$ 177,922.62
	a. Highest Netted Network Service Charge in the Last 12 Months	$ 290,294.80		
	b. Month and Year of This Charge	Jul-13		
	c. Number of Days in Month Above	31		
	d. Number of Days Remaining in Exposure Period	19		
	e. Estimated Network Service Exposure [(a / c) x d]		$ 177,922.62	
	f. Confirmed Transmission Charges for Remainder of Exposure Period			

Total Potential Exposure (Sum of 1 through 6) [ME + TSPE]	**$ 499,048.42**	110.90%
Total Customer Credit Limit and Collateral Balance	**$ 450,000.00**	
Excess / (Shortfall) of Collateral	**$ (49,048.42)**	

Total Exposure Calculation

For: City of Coffeyville KS
As of: 9/11/13

Market Exposure (ME)

1.	Invoiced Market Settlement Charges (IMSC)			$ -	
2.	Calculated Market Settlement Charges (CMSC)			$ -	
3.	Maximum Estimated Market Exposure (MEME) [c x d]			$ -	
	a. Average of the Last 365 Days of Market Activity	$ -			
	b. Average of the Last 7 Days of Market Activity	$ -			
	c. Greater of a or b above		$ -		
	d. Days Remaining in the Exposure Window		0		

Transmission Service Potential Exposure (TSPE)

4.	Invoiced Transmission Service Charges (ITSC) - Netted			$ 367,192.95	
5.	Calculated Transmission Service Charges (CTSC) – Netted			$ -	
6.	Maximum Estimated Transmission Exposure (METE) [e + f]			$ 210,936.38	
	a. Highest Netted Network Service Charge in the Last 12 Months	$ 344,159.36			
	b. Month and Year of This Charge	Aug-13			
	c. Number of Days in Month Above	31			
	d. Number of Days Remaining in Exposure Period	19			
	e. Estimated Network Service Exposure [(a / c) x d]		$ 210,936.38		
	f. Confirmed Transmission Charges for Remainder of Exposure Period				

Total Potential Exposure (Sum of 1 through 6) [ME + TSPE]	**$ 578,129.33**	105.11%
Total Customer Credit Limit and Collateral Balance	**$ 550,000.00**	
Excess / (Shortfall) of Collateral	**$ (28,129.33)**	

Estimated with CRNF 8 MW increase in October 2013 and 8 MW in 2016
$100,000.00 increase in Total Customer Credit Limit and Collateral Balance

Total Exposure Calculation

For: City of Coffeyville KS
As of: 9/11/13

Market Exposure (ME)

1.	Invoiced Market Settlement Charges (IMSC)			$ -	
2.	Calculated Market Settlement Charges (CMSC)			$ -	
3.	Maximum Estimated Market Exposure (MEME) [c x d]			$ -	
	a. Average of the Last 365 Days of Market Activity	$ -			
	b. Average of the Last 7 Days of Market Activity	$ -			
	c. Greater of a or b above		$ -		
	d. Days Remaining in the Exposure Window		0		

Transmission Service Potential Exposure (TSPE)

4.	Invoiced Transmission Service Charges (ITSC) - Netted			$ 367,192.95	
5.	Calculated Transmission Service Charges (CTSC) – Netted			$ -	
6.	Maximum Estimated Transmission Exposure (METE) [e + f]			$ 210,936.38	
	a. Highest Netted Network Service Charge in the Last 12 Months	$ 344,159.36			
	b. Month and Year of This Charge	Aug-13			
	c. Number of Days in Month Above	31			
	d. Number of Days Remaining in Exposure Period	19			
	e. Estimated Network Service Exposure [(a / c) x d]		$ 210,936.38		
	f. Confirmed Transmission Charges for Remainder of Exposure Period				

Total Potential Exposure (Sum of 1 through 6) [ME + TSPE]	**$ 578,129.33**	96.35%
Total Customer Credit Limit and Collateral Balance	**$ 600,000.00**	
Excess / (Shortfall) of Collateral	**$ 21,870.67**	

Estimated with CRNF 8 MW increase in October 2013 and 8 MW in 2016
$150,000.00 increase in Total Customer Credit Limit and Collateral Balance

Total Exposure Calculation

For: City of Coffeyville KS
As of: 9/11/13

Market Exposure (ME)

1.	Invoiced Market Settlement Charges (IMSC)			$ -	
2.	Calculated Market Settlement Charges (CMSC)			$ -	
3.	Maximum Estimated Market Exposure (MEME) [c x d]			$ -	
	a. Average of the Last 365 Days of Market Activity	$ -			
	b. Average of the Last 7 Days of Market Activity	$ -			
	c. Greater of a or b above		$ -		
	d. Days Remaining in the Exposure Window		0		

Transmission Service Potential Exposure (TSPE)

4.	Invoiced Transmission Service Charges (ITSC) - Netted			$ 367,192.95	
5.	Calculated Transmission Service Charges (CTSC) – Netted			$ -	
6.	Maximum Estimated Transmission Exposure (METE) [e + f]			$ 210,936.38	
	a. Highest Netted Network Service Charge in the Last 12 Months	$ 344,159.36			
	b. Month and Year of This Charge	Aug-13			
	c. Number of Days in Month Above	31			
	d. Number of Days Remaining in Exposure Period	19			
	e. Estimated Network Service Exposure [(a / c) x d]		$ 210,936.38		
	f. Confirmed Transmission Charges for Remainder of Exposure Period				

Total Potential Exposure (Sum of 1 through 6) [ME + TSPE]	**$ 578,129.33**	88.94%
Total Customer Credit Limit and Collateral Balance	**$ 650,000.00**	
Excess / (Shortfall) of Collateral	**$ 71,870.67**	

Estimated with CRNF 8 MW increase in October 2013 and 8 MW in 2016
$200,000.00 increase in Total Customer Credit Limit and Collateral Balance

Total Exposure Calculation

For: City of Coffeyville KS
As of: 9/11/13

Market Exposure (ME)

1.	Invoiced Market Settlement Charges (IMSC)			$ -
2.	Calculated Market Settlement Charges (CMSC)			$ -
3.	Maximum Estimated Market Exposure (MEME) [c x d]			$ -
	a. Average of the Last 365 Days of Market Activity	$ -		
	b. Average of the Last 7 Days of Market Activity	$ -		
	c. Greater of a or b above		$ -	
	d. Days Remaining in the Exposure Window		0	

Transmission Service Potential Exposure (TSPE)

4.	Invoiced Transmission Service Charges (ITSC) - Netted			$ 344,159.36
5.	Calculated Transmission Service Charges (CTSC) – Netted			$ -
6.	Maximum Estimated Transmission Exposure (METE) [e + f]			$ 196,819.04
	a. Highest Netted Network Service Charge in the Last 12 Months	$ 321,125.80		
	b. Month and Year of This Charge	Aug-13		
	c. Number of Days in Month Above	31		
	d. Number of Days Remaining in Exposure Period	19		
	e. Estimated Network Service Exposure [(a / c) x d]		$ 196,819.04	
	f. Confirmed Transmission Charges for Remainder of Exposure Period			

Total Potential Exposure (Sum of 1 through 6) [ME + TSPE]	**$ 540,978.40**	98.36%
Total Customer Credit Limit and Collateral Balance	**$ 550,000.00**	
Excess / (Shortfall) of Collateral	**$ 9,021.60**	

Estimated with CRNF 8 MW increase in October 2013
$100,000.00 in Total Customer Credit Limit and Collateral Balance

Total Exposure Calculation

For: City of Coffeyville KS
As of: 9/11/13

Market Exposure (ME)

1.	Invoiced Market Settlement Charges (IMSC)			$ -
2.	Calculated Market Settlement Charges (CMSC)			$ -
3.	Maximum Estimated Market Exposure (MEME) [c x d]			$ -
	a. Average of the Last 365 Days of Market Activity	$ -		
	b. Average of the Last 7 Days of Market Activity	$ -		
	c. Greater of a or b above		$ -	
	d. Days Remaining in the Exposure Window		0	

Transmission Service Potential Exposure (TSPE)

4.	Invoiced Transmission Service Charges (ITSC) - Netted			$ 344,159.36
5.	Calculated Transmission Service Charges (CTSC) – Netted			$ -
6.	Maximum Estimated Transmission Exposure (METE) [e + f]			$ 196,819.04
	a. Highest Netted Network Service Charge in the Last 12 Months	$ 321,125.80		
	b. Month and Year of This Charge	Aug-13		
	c. Number of Days in Month Above	31		
	d. Number of Days Remaining in Exposure Period	19		
	e. Estimated Network Service Exposure [(a / c) x d]		$ 196,819.04	
	f. Confirmed Transmission Charges for Remainder of Exposure Period			

Total Potential Exposure (Sum of 1 through 6) [ME + TSPE]	**$ 540,978.40**	90.16%
Total Customer Credit Limit and Collateral Balance	**$ 600,000.00**	
Excess / (Shortfall) of Collateral	**$ 59,021.60**	

Estimated with CRNF 8 MW increase in October 2013
$150,000.00 in Total Customer Credit Limit and Collateral Balance

Total Exposure Calculation

For: City of Coffeyville KS
As of: 9/11/13

Market Exposure (ME)

1.	Invoiced Market Settlement Charges (IMSC)			$ -	
2.	Calculated Market Settlement Charges (CMSC)			$ -	
3.	Maximum Estimated Market Exposure (MEME) [c x d]			$ -	
	a. Average of the Last 365 Days of Market Activity	$ -			
	b. Average of the Last 7 Days of Market Activity	$ -			
	c. Greater of a or b above		$ -		
	d. Days Remaining in the Exposure Window		0		

Transmission Service Potential Exposure (TSPE)

4.	Invoiced Transmission Service Charges (ITSC) - Netted			$ 344,159.36	
5.	Calculated Transmission Service Charges (CTSC) – Netted			$ -	
6.	Maximum Estimated Transmission Exposure (METE) [e + f]			$ 196,819.04	
	a. Highest Netted Network Service Charge in the Last 12 Months	$ 321,125.80			
	b. Month and Year of This Charge	Aug-13			
	c. Number of Days in Month Above	31			
	d. Number of Days Remaining in Exposure Period	19			
	e. Estimated Network Service Exposure [(a / c) x d]		$ 196,819.04		
	f. Confirmed Transmission Charges for Remainder of Exposure Period				

Total Potential Exposure (Sum of 1 through 6) [ME + TSPE]	**$ 540,978.40**	83.23%
Total Customer Credit Limit and Collateral Balance	**$ 650,000.00**	
Excess / (Shortfall) of Collateral	**$ 109,021.60**	

Estimated with CRNF 8 MW increase in October 2013
$200,000.00 increase in Total Customer Credit Limit and Collateral Balance