



Legislation Text

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Consider a resolution authorizing the Mayor to execute one or more electrical power purchase contracts with a Retail Electric Provider to provide electric power to the City.

The City currently has power costs under contract through June 2021. The current pricing analysis shows current rates to be very favorable and it is in the City's best interest to extend those lower prices, if possible. Therefore, staff recommends seeking a new contract with a competitive provider to start in June 2021 and take the City through 2023 or 2024, depending on the negotiated term. This Resolution grants the Mayor the authority to execute the negotiated contract once results from the City's third party power consultant, CGP Solutions, completes the bidding process. It does not bind the City to enter into an agreement that is not favorable to the City should bids not come in as expected.

Due to the changing nature of the market, this resolution does not set a specific price or vendor, but allows staff and our consultant to monitor the market and recommend the best price and vendor. The City has a long standing agreement with CGP Solutions who serves as the City's consultant on wholesale electric needs and the market for providers.

Historically, power has been contracted in advance for multi-year terms to manage pricing fluctuations in the electrical industry that can be volatile due to the season, weather, fuel prices and political climate. In addition to locking in cost savings, the long-term contracts also give the City price stability for budgeting and cost management purposes. The City currently has a contract with Constellation Energy to provide electric power to all City facilities through a Cooperative Procurement with the Houston Galveston Area Council of Governments (HGAC). The current contract was approved by Council on September 25, 2014 and will expire on June 5, 2018. A new two-year contract with Constellation Energy was approved by Council on April 14, 2016 and starts June 6, 2018 and expires June 5, 2021.

The current contract is \$0.050131 per kWh, and the City will spend approximately \$5,000,000 per year on electric power for all of its operations. Beginning June 2018 through June 2021, the rate will be \$0.03836 per kWh and the City will realize a rate reduction of thirty-three (33) percent for all its operations. With this Resolution, the City will work to continue these electric savings into the future.