



# City of League City, TX

300 West Walker  
League City TX 77573

## Text File

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..Topic:

Consider and take action on a resolution authorizing the City Manager to execute an agreement for the purchase of electric energy from a retail energy provider at the best value for the City of League City, Texas (Assistant City Manager)

..Background:

Approval of this resolution will authorize the City Manager to execute a contract for the purchase of electricity based upon the best offer received under a competitive solicitation. The City's current five-year contract for electricity with TXU expires November 2022. The current contract rate is \$0.0384/kWh. Under Texas Government Code 252.022 (15) the City is exempt from normal competitive purchasing requirements for the purchase of electricity.

Based on continual analysis of the energy markets by Tradition Energy, it is found that forward prices for 2022 and beyond should be secured today, while energy market rates are at a historical low. Natural gas prices have hit 15-year lows recently, creating a situation to secure future terms now. While these prices have been driven low due to an imbalance of excess supply vs. demand, the long-term concern is that demand will catch up to supply and then create an imbalance in the other direction. This increase in demand is expected to also increase the costs for electricity in the future. Therefore, it appears advantageous to secure future electricity prices now during this climate.

Based on recent analysis done by Tradition Energy, the expectation is that the City could lock in future rates now that could save the City 5% - 10% starting November 2022 through November 2027, providing an annual average savings of approximately \$125,000 per year for the proposed five-year term. Taking action now will ensure lower future costs for the City's electricity supply. This item is to enable the City to accept competitive offers for a new electricity contract and to authorize the City Manager to execute a contract that will secure the best price for the City.

The current electricity contract rate is \$0.0384kWh from TXU, which expires November 2022, for a projected annual FY2019 supply cost of \$1,862,379. This rate does not include the required transmission and distribution service provider (TDSP) pass-through fees assessed by Centerpoint and Texas-New Mexico Power. These fees are regulated and covered by tariff rates approved by the PUC, so that the City has no control over these rates which would be the same regardless of which supplier or contract rate is in place. These TDSP charges are approximately \$764,185 annually with the majority going to street light maintenance.

Under this proposed action the City will receive offers from Retail Electric Providers through Tradition Energy for contract terms ranging from 12 to 69 months for a contract beginning November 2022. The most recent pricing best offers for the proposed years 2022 through 2027 ranged from TXU at \$0.03507 for a 12-month term to \$0.03393 from TXU for a 60-month term. Based on current electricity usage and TXU's proposed 2022-27 rates, this would reduce the City's overall annual supply cost for electricity to

\$1,767,929 for the 12-month option or \$1,736,446 for the 60-month option. The options for 24, 36, or 48-month terms fall within this range. This same proposed term would provide a combined saving of approximately \$635,000 over the 5-year term.

As electricity is a volatile commodity, and the prices change on a continual basis throughout the day, it is recommended that Council authorize the City Manager to execute a contract for up to 72 months at the best rate per kilowatt hour below our current rate, once it appears the City is achieving the best value based upon market conditions. The details of the executed contract will then be reported back to Council for ratification at a subsequent meeting.

Attachments:

1. Data Sheet
2. Proposed Resolution

FUNDING

Funds are available from operating department's electricity accounts

STRATEGIC PLANNING

NOT APPLICABLE