



City of League City, TX

300 West Walker
League City TX 77573

Text File

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Agenda Number: 10E.

Title

Consider and take action on a resolution to authorize 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 (Deputy City Manager)

..Background:

Approval of this item 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 two year contract for electricity with Cavallo/GLO expires November 2017. The current contract rate is \$0.05169/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 2018 and beyond have dropped significantly during the latter half of 2015. 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 longer 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, the expectation is that the City could lock in future rates now that could save the City 10% - 20% starting November 2017, providing annual savings of over \$200,000. 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 \$0.05169/kWh from Cavallo/GLO which expires November 2017, for a projected annual FY2016 supply cost of \$ 1,090,550. This rate does not include the required transmission/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 \$1,107,640 annually with the majority going to street light maintenance.

Under this proposed action the City will receive offers from REP's through Tradition Energy for contract terms ranging from 12 to 60 months for a contract beginning November 2017. The most recent pricing best offers ranged from TXU at \$0.0384 for a 12 month term to \$0.0434 from Cavallo/GLO for a 60 month term. Based on current electricity usage this would reduce the City's overall annual supply cost for electricity to \$ 810,159 for the 12 month option or \$ 915,649 for the 60 month option. The options for 24, 36, or 48 month terms fall within this range.

Being as electricity is such 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 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

{ } NOT APPLICABLE

{X} Funds are available from operating department's electricity accounts

{ } Requires Budget Amendment to transfer from Account # _____ to Account # _____

Resolution No. 2016-17

