



AGENDA MEMORANDUM

Future Item for the City Council Meeting of December 10, 2013

Action Item for the City Council Meeting of December 17, 2013

DATE: November 22, 2013

TO: Ronald L. Olson, City Manager

FROM: Tom Tagliabue, Director, Intergovernmental Relations
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Motion to authorize the City Manager to renew electrical services contract

CAPTION:

Motion authorizing the City Manager to execute a Commercial Energy Sales Agreement for deliveries of electricity and necessary, related services at a fixed energy price per kilowatt hour (kWh) not to exceed the current contract rate for 2011-2013 plus standard delivery services charges effective January 1, 2014, for 48 months ending December 31, 2017, for certain electric accounts in the area served by Nueces Electric Cooperative.

PURPOSE:

Staff is asking the City Council to authorize the City Manager to renew a 48-month electric service contract with Champion Energy Services to provide electricity and related services to 193 City of Corpus Christi meters at a lower rate than the current expiring contract. Depending on the price locked in at the time the contract is executed (December 17, 2013), it could produce cost savings per kWh of up to 20 percent for the 193 meters.

BACKGROUND AND FINDINGS:

The City purchases electricity through the Texas Coalition for Affordable Power (TCAP). TCAP is a non-profit political subdivision corporation established by the 2010 merger of Cities Aggregation Power Project, Inc. ("CAPP") and South Texas Aggregation Project, Inc. ("STAP"), both created in 2001 to aggregate members' power needs in order to negotiate better electric prices for their members in the deregulated market. TCAP has over 165 political subdivision members that purchase approximately 1.4 billion kWh annually. The Texas Legislature authorized aggregation to empower political subdivisions of the state to use its combined power needs to negotiate lower or more stable electric prices from the deregulated, competitive market than an individual entity would likely be able to obtain on its own. Aggregation, according to TCAP, is essentially

volume purchasing – which reduces risk and lowers transaction, operation, and advertising costs for retail electric providers. The savings generated by the arrangement are passed on to the aggregated load in the form of lower electric prices. TCAP is run by a voluntary 15-person board of directors is comprised of city officials and executives who meet on a quarterly basis. Interim City Attorney Alison Logan serves on the TCAP Board.

In August 2010, the City of Corpus Christi executed a Commercial Energy Sales Agreement with Champion Energy Services to provide electricity to a group of 193 meters, mostly street lights and traffic signals as well as electric service for Solid Waste Department buildings and Wastewater Department lift stations, for a 40-month period that expires December 31, 2013. The current expiring electricity contract offers a locked-in price of \$0.06812 kWh, which was considerably lower than the market price of approximately \$0.087 kWh back in 2010 giving a significant annual savings to the City of Corpus Christi.

The new 48-month contract will not have a price locked in until the date the City Council approves the new contract and it is signed by the City Manager (December 17, 2013). The locked in price would be set for the full 48 month period from January 1, 2014, through December 31, 2017.

The City also has more than 600 meters in the AEP service area. The current electricity contract for these meters is with Direct Energy for a term of 60 months and expires on December 31, 2013. On December 7, 2010, the City authorized a blend and extend arrangement for these meters and entered into an additional Commercial Electric Service Agreement with GEXA Energy beginning on January 1, 2014, which covers 48 months and expires December 31, 2017. Only a small number of Retail Electric Providers service meters in the Nueces Electric Cooperative territory, which is the reason for the two separate contracts.

ALTERNATIVES:

The City Council has several options:

1. Approve authorization;
2. Disapprove authorization,
3. Request changes to the terms of the contract;
4. Solicit electric service from other providers.

OTHER CONSIDERATIONS:

The 48 month contract commits the City to purchase electricity at a set price from Champion Energy Services beyond Fiscal Year 2014 through Fiscal Years 2015, 2016, and 2017.

CONFORMITY TO CITY POLICY:

This conforms to Texas Utilities Code, the City's FY '14 Annual Business Plan, the City's Energy Management Plan, and the City's Sustainability Plan.

EMERGENCY / NON-EMERGENCY:

This is a non-emergency item.

DEPARTMENTAL CLEARANCES:

Finance, Legal, General Services, and appropriate Assistant City Managers

FINANCIAL IMPACT:

Operating Revenue Capital Not applicable

Fiscal Year: 2012-2013	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget				
Encumbered / Expended Amount				
This item				
BALANCE				

Fund(s)

Comments: None

RECOMMENDATION:

Staff recommends approval of the contract authorization.

LIST OF SUPPORTING DOCUMENTS:

Champion Energy Services Commercial Energy Sales Agreement
Redline Agreement