

CITY COUNCIL MEMORANDUM

AGENDA ITEM

Interlocal Agreement with the Texas General Land Office for an Electricity Contract

ORIGINATING DEPARTMENT

Support Services

BACKGROUND INFORMATION

On September 5, 2008, the City entered into an Electric Sales Agreement (ESA) with Texas General Land Office ("GLO"). The term was January 1, 2009, to December 31, 2013. The cost was \$0.08065 per kWh.

On December 29, 2010, the City amended the 2008 ESA, which extended the contract term to June 30, 2016. Reliant Energy remained the provider, and the cost dropped to \$0.05989 per kWh.

City staff initiated coordination with 5, an energy advisory firm, in the summer of 2013. The purpose was to secure expert advice on how to best manage the City's electricity contracts beginning in 2016. 5 is a leader in the energy market; monitors industry trends and initiatives; recommends products, terms and prices; and facilitates a competitive bidding process to ensure client's receive the best possible offer. The City neither has a contract with, nor is financially obligated to, 5 for its services. As an energy broker, its income is embedded in the energy provider's price, regardless of which provider a client selects. The most recent update by 5 to the Killeen City Council was provided on July 28, 2015.

Based on 5's recommendation, the City entered into a Retail Sales Interlocal Agreement on November 27, 2013, through the GLO. This contract covered 317 electric meters for a term of July 1, 2016 to June 30, 2020. The cost dropped to \$0.05503 per kWh.

DISCUSSION/CONCLUSION

Since the most recent contract for electric service was signed, the City has added 16 additional electric meters. Rather than add the new meters to the current contract, the City will save money by entering into a separate agreement for electric service at a reduced cost of \$0.04292 per kWh.

FISCAL IMPACT

The City budgeted a total of \$3,268,405 for electricity costs in FY2016.

Due to lower prices in the current electricity market, this contract is projected to save the City at least \$11,000.

RECOMMENDATION

Staff recommends that the City Council authorize the City Manager to execute an interlocal agreement with the Texas General Land Office for electric service for sixteen City of Killeen electric meters.