

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) with Reliant Energy as the provider. The term was January 1, 2009, to December 31, 2013. The cost per kWh was \$0.08065. On December 29, 2010, the City amended the 2008 ESA which extended the contract term to June 30, 2016, and lowered the cost per kWh to \$0.05989.

Since November 2013, Support Services and the City's energy advisor, 5, have collaborated to secure long range, resource efficient, best value electricity contracts through the Texas GLO. On December 23, 2013, the City entered into a retail sales interlocal agreement with the Texas GLO with Cavallo Energy as the provider. It covered 317 electric meters, extended the term from July 1, 2016 to June 30, 2020, and lowered the cost per kWh to \$0.05503. On February 4, 2016, the City entered into a retail sales interlocal agreement with the Texas GLO with Cavallo Energy remaining the provider. It covered 15 electric meters added since December 2013 for the same contract term of July 1, 2016, to June 30, 2020, and lowered the cost per kWh for only these meters to \$0.04142.

DISCUSSION/CONCLUSION

This is a time-sensitive recommendation.

Based on the City's credit rating and size, 5 now recommends the City leverage historically-low energy prices and extend the contract as far as allowed by Texas GLO and providers. Available options are 48- and 36-months. The price per kWh for a 48-month extension is \$0.04776 per kWh. The price per kWh for a 36-month extension is \$0.04642. The market changes daily, therefore prices are as of February 11, 2016, and may change by the time council actions this request on February 23, 2016.

FISCAL IMPACT

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

Projected savings for the 36- and 48-month contracts are \$188,000 and \$144,000 respectively.

5 projects a 36-month extension will save more than a 48-month because anticipated costs are higher in the long term for the natural gas industry. Natural gas is one of the main drivers of energy rates and the longer the contract, the more uncertainty exists in the market.

RECOMMENDATION

Staff recommends that the City Council authorize the City Manager to execute a 36-month interlocal agreement with the Texas General Land Office and Cavallo that extends electric service for the City of Killeen from July 1, 2020, to June 30, 2023.