



INTERLOCAL AGREEMENT WITH TEXAS GENERAL LAND OFFICE FOR ELECTRICITY SERVICES

RS-18-103

November 13, 2018

Background Information

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- Texas General Land Office (GLO) is current City electricity provider under interlocal agreement between City and State of Texas
 - ▣ State Power Program legislated into effect before 2002 opening of Texas market
- GLO is represented by Cavallo Energy Texas LLC
 - ▣ Cavallo provides marketing, wholesale and retail support for GLO and has since 2009
 - ▣ Cavallo won GLO business through competitive RFP process awarded in 2016
- GLO program only available to public sector consumers and their specialized needs
 - ▣ Cities, counties, schools, colleges, municipal utility districts and other taxing authorities
- GLO currently serves 400 public sector customers
 - ▣ Over 25,000 meters
 - ▣ Annual consumption over 6 billion kWh (City is 27,500,000 kWh per year)

GLO Electricity Supply Agreements

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- ❑ Through active management, City's electricity price has declined steadily
- ❑ Indicative price for City's new contract declines another ~18%

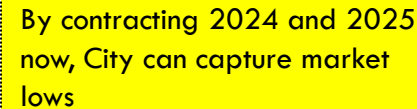
	Date Signed	Supplier	Service Provider	Contract Start	Contract End	Price/kWh
Contract	9/5/2008	GLO	Reliant	9/1/2008	12/31/2013	\$0.08065
Amendment	12/29/2010	GLO	Reliant	1/1/2014	6/13/2016	\$0.05989
Contract	11/27/2013	GLO	Cavallo	7/1/2016	6/30/2020	\$0.05503
Amendment	3/9/2016	GLO	Cavallo	7/1/2020	6/30/2023	\$0.04637

Discussion

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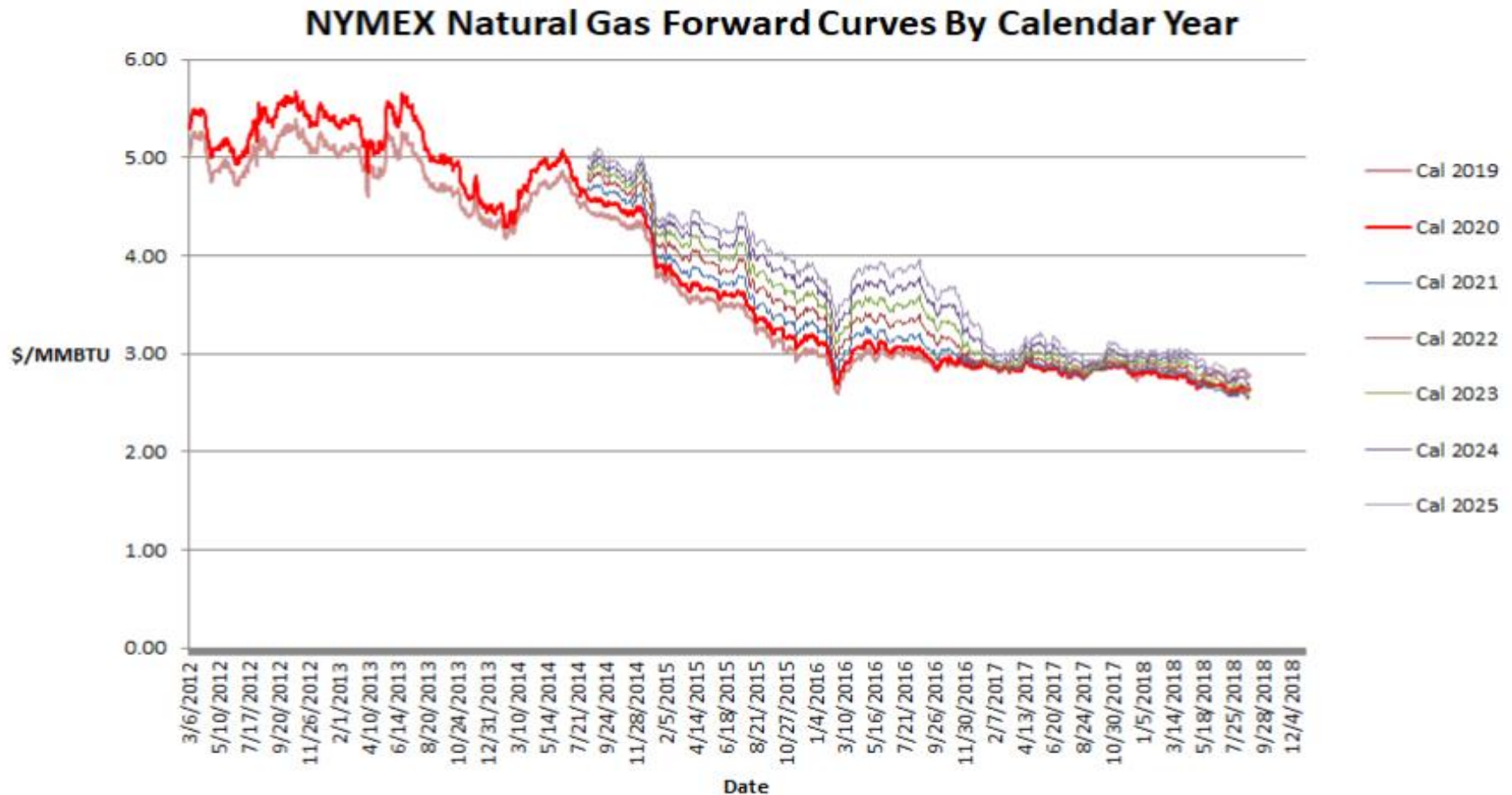
- Energy markets change daily – time sensitive
- Natural gas supplies and renewable resources has created an opportunity to secure additional savings in lower electricity rates
- City can leverage historically low energy prices with market dynamics and extend contract with GLO and Cavallo to secure future savings
- City currently budgets \$3,002,132 for electricity services
 - ▣ \$1,544,377 in GF, and \$1,457,755 in the other fund types
- See supporting graphs on next slides

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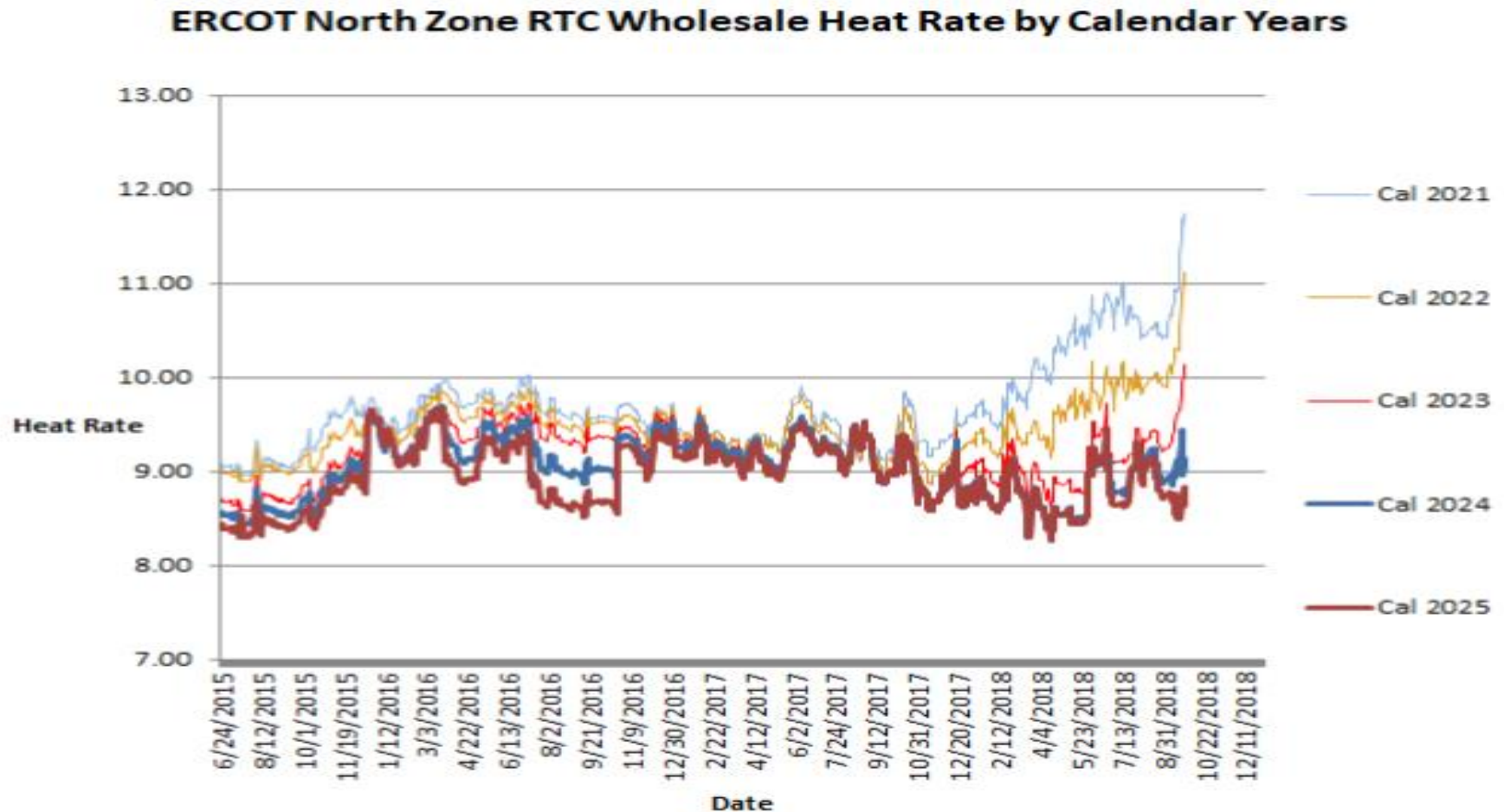
Natural Gas Prices – Largely Flat

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Heat Rates – Outer Years Lower

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Alternatives

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	Option 1	Option 2	Option 3
July 1, 2023 →	Current price on 11/27/18 per kWh	Set target price of \$.03775 kWh for 180 days	Open price for upcoming term
Option to Blend Prices	Yes; City can realize electricity savings early in FY19 through price blend	Yes; City can realize electricity savings in FY 19 through price blend	No, not allowed under current contract
Benefits	<ul style="list-style-type: none"> - Take advantage of market lows at known price/kWh - Electricity budget certainty 7/23 forward 	<ul style="list-style-type: none"> - Take advantage of market lows at target price - Electricity budget certainty 7/23 forward 	<ul style="list-style-type: none"> - City can lock price at future favorable market price - If prices move lower, City can lock at future favorable rates
Risks	<ul style="list-style-type: none"> - Market could improve before 7/23 	<ul style="list-style-type: none"> - Market could improve before 7/23 	<ul style="list-style-type: none"> - No FY 19 savings - Price uncertainty 7/23 forward

Option Descriptions

Option 1 – Council approves known fixed price, City can blend prices from various contract periods

Option 2 – Council approves a “watch” approach with a fixed price target \$.03775 for 180 days; City can blend prices from various contract periods

Option 3 – City defers contract for electricity July 2023 forward, and current contract not modified

Proposed Electricity Services Summary

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To take advantage of historically low market electricity prices, City can:

- Amend its GLO retail sales agreement to extend the term for a period not to exceed 36 months
- Establish a target contract price applicable for new term, not to exceed \$.03775/kWh
 - GLO will endeavor to reach target contract price within 180 calendar days of November 27, 2018
- Include an amendment provision that allows City to blend term prices to one contract price which will lower FY 19 electricity expenditures

Recommendation

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- Staff recommends Alternative #2, that the City Manager or his designee be authorized to execute an amendment that allows the Texas GLO with Cavallo to extend the City of Killeen's Interlocal Agreement up to 36 months, from July 1, 2023 to no later than June 30, 2026, at or below a target price of \$.03775/kWh if market conditions allow. City Council further authorizes City Manager or his designee and Texas GLO with Cavallo to blend electricity prices from all current contract terms to begin realizing cost savings in the current fiscal year.