File #: RS-23-055, **Version:** 1

Consider a memorandum/resolution to authorize the City Manager to review proposals from 5 and enter into a contract with the energy provider whose bid provides the best value for the City.

DATE: **March 14, 2023**

TO: **Kent Cagle, City Manager**

FROM: **Judith Tangalin, Executive Director of Finance**

SUBJECT: **Authorize the City Manager to collaborate with 5, an energy advisor, and enter into a contract with the energy provider whose bid provides the best value**

BACKGROUND AND FINDINGS:

On December 23, 2013, the City entered into a retail sales Interlocal agreement with GLO with Cavallo Energy as the provider. It covered 317 electric meters and extended the GLO contract term from July 1, 2016, to June 30, 2020, and lowered the cost per kWh to $.05503. The City amended the agreement to June 30, 2023 and lowered the cost per kWh to $.04637/kWh. On November 27, 2018, the City executed another amendment 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 per kWh.

On May 17th, 2019, H.B. 2263 became effective which gradually phases out the State power program over a five-year period and removes the GLO's authorization to sell power directly to a public retail costumer. With this law, the City's current agreement would be maintained until June 30, 2026, but may only be amended through December 31, 2023.

The City staff has been in conversation with 5 to assist the City with procuring future electricity rates. 5 monitors the electricity market and recommends the best combination of energy provider, market timing, product, term, price, and contract terms. Since electricity is traded in real time, 5 administers a competitive bidding process that ensures the City receives the best possible offer.

THE ALTERNATIVES CONSIDERED:

Due to the real-time nature of electricity procurement and deregulated market, it is in the City's best interest to delegate authority for execution of a supply agreement when market conditions are favorable. The alternatives are:

1. Do not authorize the City Manager to review proposals from 5 and enter into a contract at this time.
2. To authorize the City Manager to review proposals from 5 and enter into a contract with the energy provider whose bid provides the best value for the City. The contract for the energy provider that is

selected and executed will then be brought forward to Council for ratification.

Which alternative is recommended? Why?

Staff recommends alternative #2, as this approach allows the City to take advantage of the current market and lock in low rates for future years.

CONFORMITY TO CITY POLICY:

Yes, electricity purchases are exempt from the competitive bidding process as stated in Texas Local Government Code Section 252.022 (a)(15).

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

The City is not financially obligated to 5 for the services, as energy brokers their income is embedded in the energy provider's price, regardless of which energy provider is selected.

The City budgeted a total of $3,034,628 for electricity costs in FY 2023.

Is this a one-time or recurring expenditure?

Electricity is an annual recurring expense.

Is this expenditure budgeted?

Yes, funds are available in applicable funds in account xxx-xxxx-xxx.44-01 thru xxx-xxxx-xxx.44-03.

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

Yes

RECOMMENDATION:

City Council to authorize the City Manager to review proposals from 5 and enter into a contract with the energy provider whose bid provides the best value for the City.

DEPARTMENTAL CLEARANCES:

Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

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