



CITY COUNCIL COMMUNICATION

April 26, 2011

SUBJECT: Authorize the Texas Coalition for Affordable Power (TCAP) to negotiate and finalize an extension to the current electric supply contract.

SUBMITTED BY: Chris Barker, Assistant City Manager

REFERENCE NO: Resolution No. 11-1362

ACTION REQUESTED:

Consider approval of Resolution No. 11-1362 authorizing the Texas Coalition for Affordable Power (TCAP) to negotiate and finalize an extension to the current electric supply contract with Next Era through December 31, 2017.

ALTERNATIVES:

- Deny the request and continue operating under the existing energy supply contract through December 2013.

SUMMARY OF SUBJECT:

In 2008, the City of Euless adopted a resolution authorizing Cities Aggregation Power Project (CAPP), now TCAP, to execute a five (5) year electrical supply agreement with Florida Power and Light (now NextEra) as the Wholesale Electric Provider. The NextEra contract is set to expire in December 2013.

On December 14, 2010, the City of Euless adopted Resolution No. 10-1353, authorizing CAPP/TCAP to negotiate and execute an extension to the electric supply contract with NextEra through December 31, 2018. This authorization was conditioned on several parameters, specifically; that the contract was extended through December 31, 2018; that the contract extension result in a energy price that was less than the current price for 2011-2013, resulting in a savings for the City; and the contract extension results in fixed prices through December 31, 2018. At that time, it was anticipated that CAPP/TCAP would execute the extended contract effective "January 1, 2011 or as soon after finalization of a contract as possible". Due to natural gas prices, the finalization of an extended contract has not yet occurred.

On April 8, 2011, the City was informed by TCAP that "natural gas prices have returned to a range that with the cooperation of TCAP's current energy supplier will allow us to execute the necessary documents to both lower the 2011 scheduled electricity prices,

effective July 1st, and extend the power supply agreement for four additional years at prices below current prices". Rates for 2011-2013 would be reduced by one cent per kWh. Rates between 2014-2017 "cannot be known precisely until we instruct NextEra to lock-in gas futures prices with the simultaneous execution of a contract". TCAP, however, is confident that these prices will be below current prices. Additionally, TCAP has concluded that a four (4) year, as opposed to the previously authorized five (5) year, contract extension is the most economically advantageous due to the difficulty encountered when purchasing gas futures.

Resolution No. 11-1362 would amend the previously set parameters, specifically; that the contract extension would be through December 31, 2017; that the contract extension result in a energy price that was less than the current price for 2011-2013, resulting in a savings for the City; and that the contract extension results in a fixed price for electricity for the period January 1, 2014 through December 31, 2017, that will be less than the current price effective on January 1, 2011.

Staff recommends approval of the resolution. As a member of TCAP, the City can begin to realize energy savings in July 2011, be insured against price volatility through 2017, and enable us to more accurately budget these expenses.

FINANCIAL CONSIDERATIONS:

Revenue Sources:

Expenditure Accounts:

Budgeted Fiscal Year(s):

Estimated Expenditure:

Over/Under Projection By:

Other Comments:

SUPPORTING DOCUMENTS:

- Resolution No. 11-1362

APPROVED BY:

_____ **LG** _____

City Manager's Office

_____ **SC** _____

City Secretary's Office