

Town of Colchester Interoffice Memorandum

To: Art Shilosky, First Selectman
From: James Paggioli, L.S., Director of Public Works
CC:
Date: May 26, 2017
Re: Electricity Procurement Recommendation

Over the last 4 months I have been researching the wholesale market for Electricity Suppliers for the Town of Colchester and Board of Education Facilities with the assistance of Chris Jordan of DelMac Consulting. The general electrical supply market has been decreasing however most of the retail market has only been willing to provide for short term guarantees of the reduced cost per kilo-watt hour. The contracts are generally determined by spot market conditions in regard to energy cost and supply excesses and other factors. The existing electrical supply contract with Trans Canada is scheduled to expire on January of 2018. It was decided to reach out to suppliers prior to the high use periods during the summer cooling months, or the winter heating season. The primary criteria for the procurement was the availability of an electric supplier to provide a fixed price contract for an extended period 36 months or more, without any pass through charges. With the existing business retail market subject to supplier costs ranging from 8.31 ¢/kWh to 10.49 ¢/kWh for a 12 month fixed term without enrollment or cancellation fees, the availability to access the whole sale market is critical for potential savings of long term electrical providers. All electrical accounts were offered in total or separate in order to maximize potential savings.

The initial solicitation was sent to all providers of wholesale electrical supply that serve the ISO New England grid. Many suppliers were unwilling to commit to a fixed price for a 36 month term. With the proposed legislation in regard to the Dominion/Millstone plant being allowed to sell directly to the retail, contact was also made with Dominion to determine if they would entertain reduced pricing for a full municipal account.

As with the existing contract, DelMac was returned with two suppliers that provided the most advantageous pricing. One was the Town's existing supplier TransCanada and the other was a new supplier to the New England region. Both returned proposed pricing at 5.99 cents/kwh fixed pricing. Only TransCanda was willing to hold the fixed price for a term of 48 months.

Monitoring of the trending of rates over the last 6 months, industry trends has consistently shown that TransCanada has provided the least expensive fixed rate per kWh and has offered terms that are most favorable for the Town to pursue. In particular is that TransCanada 1) allows for an expansion of 20% more usage without and change in rate, 2) produces power that would be in accordance with the State of Connecticut's goal of percentage of renewable energy.

The present contract KWh charge for the three year fixed contract is 7.9250¢/kWh, The proposed rate quoted for the four year term is 5.99 ¢/kWh. This represents a 24.4% reduction in the generation portion of the Electrical bills. Including the distribution portion of the Electrical billing (14 to 19 ¢/kWh subject to change) this would represent an estimated total savings of 7.1% I have attached a sample contract and have reviewed such with regard to the language. There is no direct cost to the Town for the consulting services provided by DelMac Consulting, with their fees being paid for by the electrical suppliers exclusively.

At this point I would recommend that the Town enter into a contract with TransCanada Power Marketing, Ltd. to be the Electrical supplier for the Town of Colchester and Colchester School District facilities for a 4 year term beginning in January of 2018 and continuing until January of 2022, incorporating the daily Confidential Price Proposal into the contract with the associated Conditions and that the First Selectman be authorized to sign any necessary documents as applicable.

Proposed Motion: That the Town of Colchester enter into a contract with TransCanada Power Marketing, Ltd. to be the Electrical supplier for the Town of Colchester and Colchester School District facilities for a 4 year term beginning in January of 2018 and continuing until January of 2022, incorporating the daily Confidential Price Proposal into the contract with the associated Conditions and that the First Selectman be authorized to sign any necessary documents as applicable.