

Town of Colchester Interoffice Memorandum

To: Stan Soby, First Selectman  
From: James Paggioli, L.S., Director of Public Works  
CC:  
Date: December 29, 2014  
Re: Electricity Procurement Recommendation

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Over the past several 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 primary criteria for the procurement was the availability of an electric supplier to provide a fixed price contract for an extended period (not less than 24 months, 36 months preferred) without any pass through charges. With the existing retail market subject to supplier costs ranging from 9.59 ¢/kWh (short term) to 12.65¢/kWh for a 24 month fixed term, 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 24 or 36 month term. Half were willing to conduct real time ( day ahead or spot market) proposals. Of the respondents, three were willing to provide pricing for the requirements of the Town. They were: Consolidated Edison (Con Ed); TransCanada Power Marketing (TransCanada); and Aequitas. Aequitas preferred to quote smaller accounts within our portfolio, while ConEd and TransCanada preferred to quote the entire portfolio.

Monitoring of the trending of rates over the last month and half, 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) assumes all responsibility for any Material and/or Regulatory Change that may occur during the contract period, and 3) produces power that would be in accordance with the State of Connecticut's goal of percentage of renewable energy.

During the monitoring process, the kWh charge for a three year fixed contract has started at 9.79¢/kWh (11/23/14) and has decreased to 7.92 ¢/kwh for a 36 month term starting in January 2015 and lasting until January 2018. This would represent the lowest fixed cost per kWh that the Town of Colchester has paid in several years.

I have attached a sample contract and have reviewed such with regard to the language. Many of the paragraphs are not applicable to the agreement that would be made between TransCanada and the Town due to the Condition Sheet that would be attached to the contract (Confidential Price Proposals- also attached), and that the proposals/contract is a fixed rate for the term of the contract.

Included also is the price proposal history from the three vendors with the detailed day by day drop in rate proposal from TransCanada. 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 3 year term beginning in January of 2015 and continuing until January of 2018, 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 3 year term beginning in January of 2015 and continuing until January of 2018, 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.**