

Memorandum



CITY OF DALLAS

DATE May 17, 2019

TO Honorable Mayor and Members of the City Council

SUBJECT **New City Electricity Services Reverse Auction Procurement**

On April 10, 2019, City Council adopted the Dallas Green Energy Policy and authorized the City Manager to enter into an electricity contract consistent with the policy. Earlier this week, a reverse auction procurement was completed. This memorandum provides you with the results of the procurement, which will also be announced to the public through media channels.

A new contract was executed with TXU Energy Retail Company, LLC (TXU) to provide green energy for 100% of the City's approximately 2,800 electricity meters for the next ten years beginning June 1, 2019. The projected value of the contract is \$472.6m including both de-regulated energy charges and regulated (Oncor) electricity transmission and distribution charges. This new contract reduces our energy rate by over 26% compared to the expiring contract. As a result, City electricity expenses are projected to be \$7.85m less on an annual basis or nearly \$80m less over the ten-year term.

The contract is consistent with the Dallas Green Energy Policy and maintains 100% renewable energy credits, originally implemented in October 2015, to offset all the City's electricity use. As a result, Dallas remains the most populous city in the nation with 100% green power for its operations. Initially, the contract supports and draws power from the Foard City Wind Farm in west Texas. Over the course of the contract, TXU Energy has agreed to work with the City on sourcing the City's volume from new renewable assets that may be developed in north Texas at no additional charge. In addition, the contract allows the City to pursue development of renewable energy projects to support a longer-term electricity strategy to further reduce the amount of electricity purchased from the grid.

As you will recall, the City hired TFS Energy Solutions, LLC d/b/a Tradition Energy as an independent third-party procurement advisor to assist in this procurement. Over the last three months, Tradition conducted an iterative reverse auction initially with 12 Retail Electricity Providers (REPs), later narrowed down to three REP finalists, and received final contract offers this week from the finalists. Tradition and staff including the City Attorney's Office have worked on contract provisions and conditions over the last month to efficiently complete this transaction. Consistent with accounts of this magnitude, the offered final prices are based on near real-time market conditions. They expire within a few hours of the offer, enabling the REP to immediately execute market transactions to secure energy once the customer (in this case the City) has accepted their price.

This is exciting news for the City from both fiscal and sustainability perspectives because we have locked in an extremely market competitive price for the City that:

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- provides budget certainty for the next decade;
- reduces our rate by 26% over the expiring contract;
- anticipates \$3.66m overall (including \$1.31m in general fund) projected savings in the current fiscal year;
- anticipates \$7.85m overall (including \$2.56m in general fund) projected savings annually;
- provides \$1.5m over the term for energy-related projects and initiatives and an additional \$300k in support for community programs support;
- maintains the City's environmental leadership profile of using 100% green energy initially through renewable energy credits with the added benefit of being able to source its purchase from a specific new renewable project; and
- allows the City flexibility to pursue development of new renewable energy generation of our own.

Should you have any questions or concerns, please contact Joey Zapata, Assistant City Manager or Errick Thompson, Director of the Building Services Department.



T. C. Broadnax
City Manager

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