



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Text

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TRANSMITTAL LETTER FOR BOARD MEETING OF JUNE 18, 2015

COMMITTEE ON PROCUREMENT

Mr. David St. Pierre, Executive Director

Authorization to exercise an option to extend and amend agreement with Dynegy Energy Services for Contract 14-RFP-18, Supply of Electricity, for 2018 and 2019, subject to the District obtaining an acceptable price, at the current or lower contracted price, for an amount not to exceed \$0.04285 per kWh RTC for Group 1 and \$0.03925 per kWh RTC for Group 2, Accounts 101-66000/67000/68000/69000-612150 (*As Revised*)

Dear Sir:

At the Board Meeting of March 6, 2014, the Board of Commissioners authorized the District to enter into an agreement with the successful online, reverse auction, low price bidder for the purchase of electricity, as set forth in Contract 14-RFP-18, Supply of Electricity. On November 5, 2014, the District accepted the low bid price of Dynegy Energy Services (Dynegy) for Group 1 and Group 2 and entered into a contract commencing that same day.

This agreement has no prior change orders.

The market for electricity is volatile with the price fluctuating throughout the day. The District's current energy consultant, World Energy Solutions, Inc., advises that the near time period may offer an advantageous window of opportunity to secure commitments to provide electricity in future years at or below the current contracted price with Dynegy.

The fixed price contracted by Dynegy includes the costs for energy, ancillary services and other ISO costs, line loss costs, marginal loss overcollection credit, auction revenue rights credits and renewable portfolio standard (RPS) costs. The agreement provides that tariff-based portion of RPS Charges Transmission Losses or Distribution Losses may be passed through to the District upon documentation to the District. The agreement also provides that components of the bill may include charges imposed by the RTO and authorized by State and federal regulatory bodies. Such costs may be passed through to the District and will rise and fall accordingly.

The District's electricity supply agreement with Dynegy will expire on December 31, 2017, unless it is extended. The existing agreement gives the District the option to extend the agreement up to an additional five years. If the agreement is extended, the only terms that may vary are the contracted prices and termination date. It was decided that it is in the best interest of the District to extend and amend the existing agreement, subject to the District securing a lower price deemed advantageous to the District.

Based on the volatility of the market, the District has requested that Dynegy provide pricing for the year 2018 on a weekly basis. Dynegy may provide pricing for the years 2018 and 2019 on a daily basis, as needed. As prices rise and fall rapidly, it would be in the best interest of the District to authorize the Director of Procurement and Materials Management to accept pricing for years 2018 and/or 2019 over the next twelve months. Pricing offers typically are held until the end of the day. Therefore, in order to capitalize on the

volatility of the market, the District needs to be prepared to accept favorable pricing on very short notice.

The extension of the termination date is in compliance with the Illinois Criminal Code because it is germane to the original agreement as signed and is in the best interest of the District.

In view of the foregoing, it is requested that for the period from June 18, 2015, through June 17, 2016, the Board of Commissioners authorize the Director of Procurement and Materials Management to accept an offer from Dynegy Energy Services for the years 2018 and 2019, subject to the District obtaining a price deemed acceptable to the District and less than \$0.4285 per kWh RTC for Group 1 and \$0.03925 per kWh RTC for Group 2.

After the Director of Procurement and Materials Management accepts the extension pricing, it is requested that the Board of Commissioners authorize the Chairman of the Committee on Finance, Executive Director, Clerk and Director of Procurement and Materials Management to exercise the option to extend and amend the existing agreement to supply electricity to the District, subject to appropriation and further subject to the approval of the General Counsel as to the form and legality of acceptable amendatory language to the agreement.

A report will be submitted to the Board of Commissioners on the results of the option to extend, if and when it occurs.

Requested, Manju Prakash Sharma, Director of Maintenance and Operations, AQ:SO'C:MAG:JK

Recommended, Darlene A. LoCascio, Director of Procurement and Materials Management

Respectfully Submitted, Barbara J. McGowan, Chairman Committee on Procurement

Disposition of this agenda item will be documented in the official Regular Board Meeting Minutes of the Board of Commissioners for June 18, 2015