



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 SEPTEMBER 6, 2018

COMMITTEE ON PROCUREMENT

Mr. John P. Murray, Acting 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 2020, 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

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. The existing agreement gives the District the option to extend the agreement up to an additional five years.

On June 18, 2015, the Board of Commissioners granted authority to exercise the option to extend and amend the existing agreement with Dynegy for up to two additional years subject to a lower price that was deemed advantageous to the District. On June 19, 2015, the District exercised this option and extended the agreement for both groups for an additional 12-month period, through December 31, 2018. On February 21, 2017, the District exercised this option and extended the agreement for both groups for an additional 12-month period, through December 31, 2019.

This agreement has no prior change orders.

The market for electricity is volatile with the price fluctuating throughout the day. 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 losses. 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, 2019, unless it is extended. While the District is a member of PJM Interconnection ("PJM"), the District is in the process of registering its assets and developing the ability to fully participate as a member. While the District may be in the position to develop a purchasing strategy and pursue it through its membership in PJM in 2019, it is in the best interest of the District to solicit electricity prices while the market experiences a low. If the agreement is extended, the only terms that may vary are the contracted prices and termination date.

Based on the volatility of the market, the District has requested that Dynegy provide pricing for the year 2020 on a weekly basis. Dynegy may provide pricing for 2020 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 2020 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 September 6, 2018, through September 5, 2019, the Board of Commissioners authorize the Director of Procurement and Materials Management to accept an offer from Dynegy Energy Services for the year 2020, 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, Thomas Conway, Acting Director of Maintenance and Operations SES:PD
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 September 6, 2018