



# AGENDA REPORT

SAN CLEMENTE CITY COUNCIL MEETING  
Meeting Date: September 17, 2013

Agenda Item 6H

**Approvals:**

City Manager PS

Dept. Head WBL

Attorney \_\_\_\_\_

Finance JL

**Department:** Finance & Administrative Services  
**Prepared By:** Thomas Rendina, Business Services Officer

**Subject:** *CONTRACT APPROVAL FOR THE PURCHASE OF ELECTRICITY FROM NOBLES AMERICAS.*

**Fiscal Impact:** Unknown. Current electricity costs are fixed through December 31, 2013 and subject to market conditions upon renewal for the 2014 calendar year. The total electricity budget for 2014 is \$2.1 million, of which approximately \$1.05 million is for electricity and \$1.05 million is for distribution charges to deliver the electricity. The City did not assume an increase in electricity costs in the fiscal year 2014 budget. Should the cost of electricity increase, a mid-year adjustment will be proposed for the second half of the 2014 fiscal year.

**Summary:** The City currently purchases electricity through Noble Americas under a one-year contract which expires December 31, 2013. The current rate is \$45.90 per Kilo-watt hour (1,000 watt hours). A new contract is required for calendar year 2014.

**Background:** In July, 2010, Council approved the City's application for Direct Access, allowing the City to purchase electricity from Nobles Americas, an Energy Service Provider (ESP) authorized by the California Public Utilities Commission (CPUC) to market electricity in California. The City has purchased electricity under one-year and two-year contracts since January 2011.

The current contract will expire on December 31, 2013 and staff recommends that the City continue to purchase electricity under the Direct Access program. San Diego Gas and Electric (SDG&E) increased rates on September 1<sup>st</sup> by approximately 12%, making SDG&E electricity significantly more expensive than the current rate that the City pays through the Direct Access program.

**Discussion:** The market rates for one and two-year "futures" contracts fluctuate on a daily basis. Rates are seasonal in nature, spiking in the summer and again during peak winter demand periods. The summer peak is over and market rates have been declining for the past several weeks. Noble Americas staff projects that rates will continue to fall moderately for the next six to eight weeks prior to the beginning of the peak winter season. The rate for a one-year contract is currently \$48.04 per Kilo-watt hour, or 4.7% higher than the existing contract executed last November for calendar year 2013. This rate has declined from \$48.41 in mid-August.

The cost of electricity in California has gradually increased over the past three years and will likely continue to increase in the coming years. The City's contract strategy

has been an effective tool in mitigating energy costs to the City, saving approximately \$200,000 over the three year period between January 2011 a December 2013.

Staff is recommending that Council authorize the City Manager to execute an agreement to purchase electricity for a one or two-year contract not to exceed \$48.00 per Kilo-watt hour. Staff believes that rates will continue to decline in the short-term, but must be prepared to react quickly if favorable rates materialize. Should the City not be able to execute an agreement for electricity at or below \$48.00 per Kilo-watt hour, staff will return to Council for further review and approval. The \$48.00 per Kilo-watt hour price is below SDG&E's current rate structure, and while higher than what the City currently pays for electricity in 2013, still represents costs savings if electricity was purchased from SDG&E in 2014.

**Recommended**

**Action:** STAFF RECOMMENDS THAT the City Council approve and authorize the City Manager to execute a one or two-year contract for electricity with Noble Americas for an amount not-to-exceed \$48.00 per Kilo-watt hour.

**Attachments:** None.

**Notification:** None.

6/11/12