



Legislation Text

File #: 0218-2011, Version: 1

BACKGROUND:

This legislation authorizes the Director of Finance and Management to enter into a subscription agreement with KOREnergy (KORE), a Curtailment Service Provider, for access to the Demand Response Programs offered by PJM Interconnection, Inc. (PJM) and for the Department of Finance and Management to participate in these PJM programs. KORE is a member PJM and as a Curtailment Service Provider is authorized to represent the City with PJM.

The Demand Response Program is managed by PJM, a federally regulated non-profit entity that manages the electric transmission grid in a thirteen-state territory, which includes 51 million people and 20 percent of the U.S. economy.

The Demand Response Program is a voluntary program where customers agree to reduce electricity use during times of high demand that helps maintain grid reliability by reducing the stress on the electrical grid system. PJM encourages demand response activity in the PJM grid to help reduce wholesale electricity prices and reduce electricity usage to address environmental concerns. KORE will pay the City a premium for temporarily curtailing a portion of the City's energy use through high-return Integrated Demand Response strategies.

In the event of record-high temperatures, mechanical failures at power plants or the transmission grid in our region various City buildings will either disconnect from the grid or will reduce power demand to a predetermined level. If a building were to disconnect this power would be offset by a switch over to a back up power generator.

The Demand Response Program helps the environment and helps reduce the rates utility customers pay during warm summer months. By recruiting eligible customers to voluntarily reduce usage, PJM is able to delay or defer the construction of new power plants. The program also allows PJM to avoid purchasing more expensive power from other regions of the country.

This program will allow the City to earn money for being on standby or for participating in calls to temporarily reduce a portion of the electrical load in response to grid- or utility-initiated curtailment events. The PJM program could potentially call on the City to participate in energy curtailment events during the months of June through September, from zero to ten event requests during that time frame, and only during the hours of noon to 8 p.m. If no events are called, the City will earn money for being willing to stand by and participate in a one-hour test to be scheduled in the month of either July or August 2011.

For participation in the program, KORE shall make four quarterly payments to the City.

If adverse weather conditions or other events prohibit us from participating in the programs, no cost or penalty will be burdened by the City. The City will forgo its scheduled payment.

KOREnergy, Ltd.: Contract Compliance No. 27-0398182, expiration date February 2, 2013.

Emergency designation is being requested so that the March 1, 2011 deadline to enter into the program can be met.

Competitive bidding is to be waived because of the pilot nature of this project. As the City learns more about the demand response programs, and which buildings are the most appropriate participants, and have a number of buildings for which the City can offer a portfolio to prospective vendors, the City will competitively bid. KORE is willing to work with the City to start the project with just a few buildings, whereas other PJM members were not.

FISCAL IMPACT: No expenditure is necessary. The Department of Finance and Management estimates \$22.50 per kW in revenue for the first year of the program for all load enrolled in by March 1, 2011.

To authorize the Director of Finance and Management to enter into a subscription agreement with KOREnergy, to allow the participation in the PJM demand response programs for the one or more City facilities; to waive the City Code provisions for competitive bidding; and to declare an emergency.

WHEREAS, the Department of Finance and Management desires to participate in demand response energy curtailment programs to enhance the electrical grid capacity during high peak demand and to help reduce wholesale electricity prices and reduce electricity usage to address environmental concerns, and to provide an opportunity to secure a revenue source for the City; and

WHEREAS, it is necessary to enter into a subscription agreement with KOREnergy, in order to allow us to participate in the available demand response programs; and

WHEREAS, KOREnergy is not a sole source provider of this type of service; however, the Department of Finance and Management would like to enter into an agreement with Columbus, Ohio-based KOREnergy to assess the viability of this program; and

WHEREAS, the revenue for this demand response energy curtailment participation will be negotiated by City representatives and the KOREnergy personnel; and

WHEREAS, this ordinance is being submitted waiving the requirements of competitive bidding provisions of Columbus City Codes, Section 329; and

WHEREAS, an emergency exists in the usual daily operation of the Department of Finance and Management, in that it is immediately necessary to execute a subscription agreement with KOREnergy to allow the Department of Finance and Management to participate in the program consistent with the participant contract submittal deadline of March 1, 2011; **now, therefore:**

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF COLUMBUS:

Section 1. That the Director of Finance and Management be, and hereby is, authorized to enter into a subscription agreement with KOREnergy, P.O Box 148, Sunbury, Ohio 43074, and to allow for the participation in the available PJM Demand Response Programs under the direction of the Director of Finance and Management as deemed appropriate.

Section 2. That this Council finds it in the best interest of the City of Columbus to waive the competitive bidding provisions of the Columbus City Codes, Section 329.

Section 3. That for the reasons stated in the preamble hereto, where is hereby made a part hereof, this Ordinance is hereby declared to be an emergency measure, which shall take effect and be in force from and after its passage and approval by the Mayor, or ten days after passage if the Mayor neither approves nor vetoes the same.