



## Legislation Text

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**File #:** 1151-2015, **Version:** 1

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Ordinance 0786-2013 authorized the Director of the Department of Finance & Management to enter into an Electric Service Agreement with AEP Energy, Inc. for the provision of electric service at certain set rates for various city-owned facilities under the purview of the Departments of Finance & Management, Public Service, and Recreation & Parks.

This agreement was modified pursuant to the authority granted under Ordinance 2539-2013, which allowed for thirty-percent (30%) green power sourcing (i.e. wind-generated, solar-generated, etc.). By adding this feature to the contract, certain city facilities were able to reduce their greenhouse gas emissions by 7%, while largely preserving cost savings negotiated under the original Electric Service Agreement.

This legislation requests authority to modify the existing agreement with AEP Energy, Inc. to allow for fifty-percent (50%) green power sourcing, to include the Department of Public Utilities and the city-owned facilities under their purview, and to extend the contract termination date from May 2, 2016 to May 2, 2018.

It is necessary to modify the terms of the existing contract to respond to rare market conditions and new environmental regulations that are causing uncertainty in the marketplace. The new environmental regulations are collectively known as the EPA's Clean Power Plan. This plan is set to go into effect in June of 2015. With the arrival of the new regulations, the Regional Transmission Organization (RTO), which serves Columbus and known as PJM, has been preparing to retire many power plants that currently operate throughout the region because they will not meet the new regulations. In total, over 12,000 Megawatts of total capacity are going to be removed from the market, which represents approximately 6% of the PJM electrical grid capacity. Removing this 6% is expected to increase the price of electricity due to decreased supply.

AEP Energy is guaranteeing a supply energy price of \$0.05665/kWh that would begin in June of 2016 and end in May of 2018. Not only is this price lower than the current contract price of \$0.0584/kWh, it also includes a 50% renewable energy resource component which is in-line with Mayor Coleman's Green Memo III goal of purchasing green power for all city-wide facilities. The reduced kWh supply rate will allow the city to save approximately \$90,000 over the two-year contract extension period.

The Department of Finance & Management feels that it is in the best interest of the City of Columbus to modify the existing agreement with AEP Energy, Inc. to continue to take advantage of the power cost savings and to reduce the city's carbon footprint. This ordinance is being submitted as an emergency so that the department can modify this agreement at the earliest time possible to take advantage of cost savings and to begin greenhouse gas reductions.

**FISCAL IMPACT:** No funding required for this contract.

**Contract Compliance No.:** AEP Energy, Inc. 030459115, Expires 9-30-15

To authorize the Director of the Department of Finance & Management to modify the existing Electric Service Agreement with AEP Energy, Inc. for the purchase of electric power; and to declare an emergency.

**WHEREAS,** AEP Energy, Inc. is a competitive retail electric service provider and affiliate of AEP Ohio; and

**WHEREAS**, the Department of Finance & Management has a need to coordinate with AEP Energy, Inc. in an effort to reduce the power costs and greenhouse gas emissions of associated city-owned facilities under the purview of the Departments of Finance & Management, Public Service, Recreation & Parks, and Public Utilities; and

**WHEREAS**, by modifying the current Electric Service Agreement these city departments are projected to reduce greenhouse gas emissions and increase the cost savings negotiated under the original Electric Service Agreement; and

**WHEREAS**, relevant provisions of Chapter 329 of the Columbus City Code exempts items for which fixed prices prevail, such as utility services, from the bidding process; and

**WHEREAS**, an emergency exists in the usual daily operation of the Department of Finance & Management, in that it is immediately necessary to modify the existing Electric Service Agreement with AEP Energy, Inc. for the purchase of electric power so that the City can take advantage of certain electricity cost savings and greenhouse gas reductions, all for the immediate preservation of the public health, peace, property and safety; now, therefore

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

**SECTION 1.** That the Director of the Department of Finance & Management be and is hereby authorized to modify and extend the existing Electric Service Agreement with AEP Energy, Inc. to include a fifty-percent green power sourcing feature for the provision of electric service at certain set rates for various city-owned facilities under the purview of the Departments of Finance & Management, Public Service, Recreation & Parks, and Public Utilities.

**SECTION 2.** 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.