



**PURCHASING -
PARKING
DEPARTMENT**

Memo

Date: Tuesday, June 28, 2005

**TO: Mayor & City Council
John Pick, City Administrator**

SUBJECT: Buying Electricity

When we contracted for a two (2) year contract in 2002 at \$741,696, we realized a 7.9% REDUCTION in electric costs over the 2002 City Budget. In 2003, since we had the 2 year contract, we realized a total of 13.1% REDUCTION in electric costs over the Conectiv default electric rate.

In 2004, had the City had to purchase electricity at the utility default rate, we would have spent \$866,098. Our open market purchase price totaled \$838,725, still a 3.2% REDUCTION. The 2004 price was only a 4% increase over what the City had been paying in 2002, and an 11.6% increase over the 2002-2004 contracted price.

Currently, the City is paying the following contracted prices:

<u>Account Type</u>	<u>Current Market Price (5/4/2005)</u>	<u>City Pays</u>
Outdoor Lighting	\$0.05408	\$0.05044
Large General Service	\$0.06775	\$0.06176
Small General Service	\$0.06704	\$0.06570

Typically, electricity costs are at their lowest in September/October. The City usually goes out for bid in July with pre-qualification of vendors and terms and conditions. Then we provide several ways to obtain market pricing:

1) Market Watch Bid – The City notifies qualified bidders of a target market price sought by the City. Bidders watch the market and if market prices reach that desired target, bidders notify the City and the City awards the bid.

2) Standard Bid Option – Bids are requested on a set time and date. The City has the option to not accept the price offers on the date submitted and request refreshed pricing depending on market conditions.

With either option, the City has very limited time to make a decision, usually less than 24 hours, since the market fluctuates and prices can not be "held". As we did last year, this request authorizes the Director of Procurement to act on behalf of the City and to award and execute a contract for electricity without further authorization or approval by Council.


Carol M. Turner, CPPB, C.P.M.
Director of Procurement & Parking

**Evaluation
Request for Bid Results
RFP #103-03**

Noon
September 13, 2004

	Annual Expenses on Utility Rates	2002-2004 Supplier Contract	%	2004-2005 Supplier Contract	%
Annual Budget 2002	\$805,287	\$741,696	-7.9%		
Utility Default Rate 2003	\$853,604	\$741,696	-13.1%		
Utility Default Rate 2004	\$866,098			\$838,725	-3.2%

Annual Budget 2002	\$805,287			\$838,725	4.0%
2002-2004 Supplier Contract		\$741,696		\$838,725	11.6%

RESOLUTION NO. 1267

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SALISBURY TO AUTHORIZE THE CITY DIRECTOR OF PROCUREMENT TO ACT ON BEHALF OF THE CITY IN EXECUTING A CONTRACT FOR ELECTRICITY SUPPLY.

WHEREAS, electric deregulation became effective in July 2002 and the City of Salisbury purchased electricity on the open market, signing a two (2) year contract ending October, 2004, and again signing a one (1) year contract ending in October 2005; and

WHEREAS, the City of Salisbury will be bidding the City's electricity supply needs during the months of August and September, 2005 to provide electricity supply services for an additional 12-24 months; and

WHEREAS, the goal of this procurement process is to allow the flexibility in conducting the bid to respond to the daily changes in market prices for the selection of the optimum rates for the City's electricity accounts; and

WHEREAS, the current electricity market is extremely volatile and decisions to award to a vendor must be made within a four (4) hour window in order to guarantee pricing;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Salisbury, Maryland to authorize Ms. Carol M. Turner, Director of Procurement for the City of Salisbury, to act on behalf of the City to conduct an electricity procurement in accordance with City purchasing regulations and to award and execute a contract for electricity supply services with the selected supplier prior to the close of the market the day price proposals are received, without further authorization or approval by Council. Ms. Turner will consult with the Mayor and/or the City Administrator and the Council President either in person or on the phone, if available, on the recommended selection but has the full authorization of the City to proceed with the selection and contract award on behalf of the City of Salisbury.

THE ABOVE RESOLUTION was introduced and read and passed at the regular meeting of the Council of the City of Salisbury held on this ____ day of _____, 2005, and is to become effective immediately upon adoption.

ATTEST:

Brenda J. Colegrove
CITY CLERK

Michael P. Dunn
CITY COUNCIL PRESIDENT

APPROVED by me this _____
day of _____, 2005.

Barrie P. Tilghman
MAYOR, City of Salisbury