

RESOLUTION No. 1777

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SALISBURY TO AUTHORIZE THE CITY ADMINISTRATOR AND EITHER THE DIRECTOR OF INTERNAL SERVICES OR THE ASSISTANT DIRECTOR OF INTERNAL SERVICES-PROCUREMENT DIVISION 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 contract ending June, 2010 and a contract ending October, 2010; and

WHEREAS, the City of Salisbury will be bidding the City's electricity supply needs between April 28, 2009 through May 31, 2009 to provide electricity supply services for 12-36 months, in the City's best interest; to initiate at the end of the existing contract terms; and

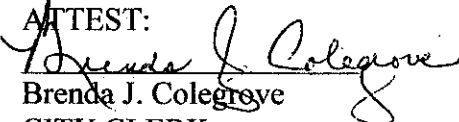
WHEREAS, the goal of this procurement process is to allow the flexibility in conducting the bid to respond to the daily changes in market prices for the selection of the optimum rates for the City's electricity accounts; and

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 the City Administrator and either the Director of Internal Services or the Assistant Director of Internal Services-Procurement Division 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. The City Administrator and either the Director of Internal Services or the Assistant Director of Internal Services-Procurement Division will consult with the Mayor and/or the Council President either in person or on the phone, if available, on the recommended selection but have the full authorization of the City to proceed with the selection and contract award on behalf of the City of Salisbury.

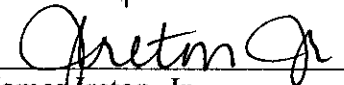
THE ABOVE RESOLUTION was introduced and read and passed at the regular meeting of the Council of the City of Salisbury held on this 27th day of April, 2009, and is to become effective immediately upon adoption.

ATTEST:


Brenda J. Colegrove
CITY CLERK


Louise Smith
CITY COUNCIL PRESIDENT

APPROVED by me this 29th
day of April, 2009.


James Ireton, Jr.
MAYOR, City of Salisbury

Memo

To: John Pick, City Administrator
From: Karen Reddersen, Assistant Director of Internal Services *kl*
Date: April 20, 2009
Re: Authorization to Enter into a Contract to Purchase Electricity

With prior City Council approval, the City entered a contract with Select Energy, Inc. for the purchase of electricity at a competitively bid rate for accounts active as of June, 2006. This contract is in effect for a four-year period ending June 2010. Select Energy was subsequently purchased by Hess, Inc. and these accounts were transferred to Hess. Hess would not allow additional electrical accounts to be added to the contract, thus the City entered into a contract with WGES for additional electricity accounts at a competitively bid rate in October, 2007 for a three-year period ending in October, 2010. As calculated by the City's energy consultant, Richard Anderson of CQI Associates, Inc. (CQI), entering into these contracts has saved the City of Salisbury an estimated \$735,000 to date.

Per CQI, the market conditions are favorable for future electricity purchase at this time, and it is in the City's best interest to enter into a competitive bid process for a new electrical supply service contract to begin in June, 2010 and October, 2010, based on the existing contracts' termination dates. This new contract will consolidate all accounts and lock in rates through November 2013, if the three-year rate is most favorable. It is anticipated that the City can obtain rates of \$0.105 to \$0.110 per kwh during the bid process. The current proposed Delmarva Power Default Rate without competitive bidding for the period of June, 2009 through May, 2010 is \$0.1134 to \$0.11795 per kwh, with additional increases expected through 2013.

Since the electricity being purchased is considered a commodity, the prices being bid are held for only a four-hour period. As a result, in order to take advantage of the competitive market, it is necessary for the City to deviate from its normal purchasing procedures, which calls for the matter to be brought before the City Council for consideration and authorization to purchase.

The attached Resolution permits the City Administrator and either the Director of Internal Services or the Assistant Director of Internal Services- Procurement Division to solicit bids between April 28, 2009-May 31, 2009, when market conditions are deemed favorable, for periods beginning June, 2010 and October, 2010, based on the existing contract termination dates. The Resolution further permits the City Administrator and either the Director of Internal Services or Assistant Director of Internal Services- Procurement Division to enter into a contract for the purchase of electricity for the City's needs provided that they consult with the Mayor and/or the Council President, if available.

Obtaining a competitively bid price for the electrical service accounts will result in a significant cost savings for the City versus paying the variable market rate, if these services are not competitively bid.

If you have any questions, please let me know.