

# City of Philadelphia



(Bill No. 100368)

## AN ORDINANCE

Authorizing the City of Philadelphia to enter into purchase obligations for the delivery of electric supply for use by facilities owned and leased by the City, including agreements that obligate payments for delivery of electric supply in the fiscal years 2011, 2012, 2013 and 2014, subject to certain terms and conditions.

WHEREAS, The passage in 1996 by the Commonwealth of Pennsylvania of the “Electricity Generation Customer Choice and Competition Act,” 66 Pa. C.S. § 2801 *et seq.*, made it possible for the City of Philadelphia (“City”) and all consumers of electricity to have direct access to the competitive market for the generated supply of electricity; and

WHEREAS, The termination of rate caps on December 31, 2010 for the Philadelphia Region has required the City to investigate the various ways the City may purchase in the competitive market to achieve price stability, lower costs and reliability; and

WHEREAS, The City consumed approximately 650,000 Megawatt Hours (MWhs) of electricity in the City’s Fiscal Year (“FY”) 2009; and

WHEREAS, The price of the deregulated and volatile energy portion of electric supply in the Philadelphia region in recent years has ranged from a low of \$40 per MWh (2003) to a high of \$119 per MWh (2008); and

WHEREAS, That range of prices would yield a wide range of annual electric energy supply costs from a low of \$26 million to a high of over \$77 million; and

WHEREAS, The City has determined that the purchase of electricity supply through a Licensed Supply Provider (“LSP”) provides the best approach to managing electricity supply to achieve low costs, price stability and reliability; and

WHEREAS, An LSP is a business entity licensed by the Commonwealth of Pennsylvania and authorized to operate in the PECO Energy electricity service territory, and can act as the City’s agent in securing favorable fixed payment prices for electricity supply for future delivery (“Fixed Rate Purchases”) to facilities owned and leased by the City (“City Facilities”); and

WHEREAS, The City has entered into an agreement with a Portfolio Energy Advisor (“PEA”) to assist in developing an electric supply purchasing strategy and market response plan (“Electricity Procurement Plan”) for making Fixed Rate Purchases; and

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WHEREAS, The electric supply marketplace can be subject to rapid changes in price and the City must be able to authorize Fixed Rate Purchases in a timely manner when the conditions are most appropriate for keeping the City's electric supply costs low; and

WHEREAS, The market rates for Fixed Rate Purchases have been low during the calendar year 2010 and there may be advantages to the City in making Fixed Rate Purchases now for certain future Fiscal Years.

WHEREAS, The City has determined that an Electricity Supply Advisory Committee should be established to provide advice to the Procurement Commissioner on Fixed Rate Purchases by the LSP for City Facilities for FY 2011, FY 2012, FY 2013 and FY 2014; now, therefore

## *THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:*

SECTION 1. Approval of Certain Purchase Obligations. The Procurement Commissioner, on behalf of the City, is hereby authorized to enter into an agreement or agreements with a Licensed Supply Provider ("LSP"), pursuant to which the City would authorize the LSP to make, on behalf of the City, certain Fixed Rate Purchases of electric supply for City Facilities for fiscal years 2011, 2012, 2013 and 2014. Such agreement shall require the LSP to make purchases only after first securing responsive and competitive bids from qualified electric power providers, and only from the lowest bidder.

SECTION 2. The Procurement Commissioner shall file quarterly reports with the Chief Clerk of Council detailing the agreements executed pursuant to this Ordinance and any purchases made pursuant to such agreements.

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CERTIFICATION: This is a true and correct copy of the original Bill, Passed by the City Council on June 17, 2010. The Bill was Signed by the Mayor on June 30, 2010.



Michael A. Decker  
Chief Clerk of the City Council