

CODE:*Various Departments-224/Electricity
67-224 Engineering/Street Lighting

*Departments:
28,30,35,41,42,43,47,63,66,70,80,84

SECTION 56-6

2023-077 Electricity Contract

Constellation New Energy, Inc.
116 Huntington Avenue
Boston, MA 02116

Contract Award: \$.1175/kwh

Contract Period: December 18, 2022 – December 17, 2025

CITY OF WARWICK
FINANCE DEPARTMENT
3275 POST ROAD
WARWICK, RHODE ISLAND 02886
(401) 738-2015

JUN 09 2022

To: Patricia Peshka, Purchasing Agent
From: Peder Schaefer, Finance Director
Subject: Electricity Supply Contract (Section 566)
Date: June 9, 2022

In October of 2019, the City entered into a contract with Constellation/Power Options on a three year contract as the City of Warwick's electricity supplier. Constellation/Power Options continues as the preferred vendor of the RI league of Cities and Towns and meets the test as a multi-city energy aggregation provider which exempts such entities from standard bidding procedures.

§ 45-55-13.2. Exclusion of multi-cities or towns energy aggregation programs.

The provisions of this chapter do not apply to entities organized for the purpose of negotiating the purchase of electric power pursuant to § 39-3-1.1, or energy or energy related services. Those entities are exempt from all provisions of this chapter.

Even more so than almost three years ago, energy prices fluctuate on an hourly and daily basis. Constellation will be providing the city pricing just hours before the Council meeting of the 20th. They send the City a daily market watch with updated pricing based upon our 173 accounts and annual usage of over 11.3 million kWh.

Our current contract expires on December 17, 2022. We are paying 7.11 cents per kWh in calendar year 2022 based upon the contract signed in October of 2019. The energy market has changed dramatically (although not as much as petroleum) over the last year and especially the last 3 months. As of June 6, Constellation was quoting the following pricing:

December 22-23	One Year	\$0.1335
December 22-24	Two Year	\$0.1172
December 22-25	Three Year	\$0.1098

It has been the case for some months now that out year pricing is better than current year pricing. This pricing is guaranteed as Constellation will lock in the price upon approval by the Mayor and Council.

Our other options would be

- To wait and hope prices drop. I do not recommend this. Historically long term pricing deteriorates as the winter season approaches.
- Take the standard offer from National Grid. This fluctuates on a monthly basis. In January and February the industrial rates (which is over half of our load) were over 22

cents per kWh. The commercial rates were over 11 cents. These rates have moderated over the Spring and into the Summer although they are still significantly higher than what the city is paying under our current Constellation contract. There is great risk going into the Winter with no guarantees, as it is likely that Winter standard offer pricing by class will significantly higher than was experienced last Winter.

- Retain a broker to negotiate rates. There are some municipalities that have gone down this path. I do not believe this has been successful strategy as prices have increased. I am also not comfortable that state law and our Ordinances authorize such a strategy.

In conclusion, I recommend that the City award a 3 year contract to Constellation with the following not to exceed prices:

December 2022-2025	\$0.1175
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This would result in an average price (based upon the highest indicative pricing) 27.2% higher in FY 23 than in FY 22 and another 21.4 % increase in FY 24, with no further increase in FY 25. The increase in FY 23 is consistent with the budget approved in late May. Approval of a new contract before July 1 is likely to grandfather protection on additional renewable energy standards surcharges that are pending before the General Assembly.

We will have exact quoted pricing just before the Council meeting. If daily pricing on that day for the three years exceeds the recommendation above, we will wait until next month and try again.

CITY OF WARWICK
ELECTRIC SUPPLIER ACCOUNTS
FISCAL YEAR 2023

JUN 09 2022

<u>Acct #</u>	<u>Department</u>	<u>Acct Description</u>	<u>FY23 Budget</u>
28	224 ANIMAL SHELTER	ELECTRICITY	\$ 11,000.00
30	224 POLICE DEPARTMENT	ELECTRICITY	\$ 90,000.00
35	224 FIRE DEPARTMENT	ELECTRICITY	\$ 125,000.00
41	224 THAYER & WARBURTON ARENAS	ELECTRICITY	\$ 300,000.00
42	224 MCDERMOTT SWIMMING POOL	ELECTRICITY	\$ 60,000.00
43	224 WARWICK PUBLIC LIBRARY	ELECTRICITY	\$ 113,000.00
47	224 SR CITIZEN CENTERS	ELECTRICITY	\$ 40,000.00
63	224 PUBLIC WORKS-HIGHWAY	ELECTRICITY	\$ 55,000.00
66	224 PUBLIC WORKS-BLDG MAINT	ELECTRICITY	\$ 100,000.00
67	224 PUBLIC WORKS-ENGINEERING	STREET LIGHTING	\$ 800,000.00
70	224 PUBLIC WORKS-FIELD MAINTENANCE	ELECTRICITY	\$ 90,000.00
GENERAL FUND TOTAL			\$ 1,784,000.00
80	224 SEWER DEPARTMENT	ELECTRICITY	\$ 720,000.00
84	224 WATER DEPARTMENT	ELECTRICITY	\$ 25,000.00
GRAND TOTAL			\$ 2,529,000.00