



Legislation Text

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Extending the Wholesale Electric Service Contract with the City of Alachua (B)

On November, 29, 2007, the City of Gainesville (GRU) notified the City of Alachua that its wholesale power contract was terminated as of December 31, 2008. It is mutually beneficial to rescind the termination notice and to extend the agreement with pricing which more closely reflect market conditions.

On November, 29, 2007, GRU provided the necessary 12 months notice to the City of Alachua that its wholesale power contract with us was terminated as of December 31, 2008. Alachua proceeded with a competitive solicitation to which we responded. GRU's proposal included a new pricing structure that was closely aligned with market conditions and which provided Alachua with the ability to better manage its power costs and revenue requirements. Although GRU's proposal was not initially selected by Alachua, subsequent negotiations have made it agreeable to all three utilities (GRU, Alachua, and the apparent low bidder) for us to continue to serve Alachua for another two years. The amended agreement reflects new capacity and fuel charges as we proposed in response to Alachua's RFP. Fuel charges are based 50% on GRU's retail fuel adjustment and 50% on the market cost of natural gas, which is set just prior to the billing month. This formulation is highly correlated with our incremental production cost, lets Alachua more correctly set their fuel adjustment, and allows them use commodity hedges to manage their fuel costs. The City Commission: 1) authorize the General Manager to rescind the termination of the Wholesale Electric Service Contract with the City of Alachua and 2) authorize the General Manager or his designee to negotiate and execute a contract amendment substantially in the form attached subject to approval by the City Attorney as to form and legality.

Net revenues from the proposed contract extension will provide a material benefit by helping offset cost for our customers.

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