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GRANT EXEMPTION TO CONTRACT WITH PUBLIC UTILITY COMMISSION APPROVED PROVIDERS FOR THE PURCHASE OF ELECTRICITY

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REPORT:

Portland Community College (PCC) is currently purchasing all of its electricity from the two regulated power utilities in the northwest, Portland General Electric (PGE) and Pacific Power and Light (PP&L). The electricity is purchased on rates calculated on a Cost of Service (COS) schedule that allows the utility to establish rates with guaranteed returns to investors on top of the utility's cost to provide the commodity. All PGE and PP&L rates are audited and approved by the Public Utility Commission (PUC) annually.

In 1999 the Oregon legislature passed a utility restructuring bill (Senate Bill 1149) that allows large commercial customers such as PCC to purchase electricity as a commodity on the open retail market from alternative energy suppliers. This bill also requires that the utilities continue to provide the service lines and equipment to PCC's campuses and cooperate with the retail marketer to deliver the commodity. Therefore PCC would have two bills, one for the electricity and the other for the services and equipment to get it to the campuses from the utility company.

Prior to calendar year 2007 the PUC required the utilities to offer the opportunity to its large customers to leave the COS schedules once per year. This opportunity was offered in November to become effective in January of the following year. Hence, an institution such a PCC could negotiate an annual contract with an alternative energy supplier and then notify the utility in November that it was leaving the COS schedule in January. If for some reason the alternative energy supply became unavailable, the customer could return to the utility's service, but at rates based upon daily or monthly spot market costs plus a ten percent (10%) service fee. PCC has not chosen to participate in this market because it could not secure a rate more favorable than those COS rates offered by the utilities.

Three things have changed that make it more attractive for PCC than before to consider alternative energy supplies.

1. An emerging new way to purchase the commodity is through the formation of a coalition of public agencies that create a larger and therefore more attractive purchasing pool;
2. The energy needs of this pool are then auctioned to the <u>lowest</u> bidder that can supply the needs of this pool in an on-line auction;
3. The PUC is now requiring the utilities to offer alternative energy selection windows to its customers every three months, i.e., quarterly, for the remainder of the calendar year.

As a result, it is now much more attractive to PCC to consider alternative electrical energy supplies by this method.

In order to do this the commitment to purchase from the alternative energy supplier must be made in a relatively short time – usually by the end of the business day, East coast time, the day of the auction. Since annual expenses for electricity are over $1.2 million, Board approval is needed to purchase the commodity. However, this short decision time frame does not allow time to execute a formal bid process or to seek Board approval for the purchase.

The Community College Rules of Procurement, CCR.222 exempts price regulated items (including gas, diesel fuel, heating oil, lubricants, asphalts, distilled alcohol, postage, and certain utilities) from competitive bidding. PCC will evaluate spot bid pricing opportunities for potential savings below regulated prices. The awarding of contracts pursuant to this process will "provide effective outcomes that represent optimal value to the College and, to the greatest extent feasible, be consistent with market practices" (ORS 279B.010(1)).

RECOMMENDATION: That the Board of Directors, acting as a contract review board, authorize the exemption from standard competitive process and authorize PCC to procure alternative electrical energy supplies from PUC-approved suppliers. Expenditure will be covered by General Fund (Plant Operations).