

**Washington Metropolitan Area Transportation Authority
Board Action/Information Summary**

Action
 Information

MEAD Number:
99770

Resolution:
 Yes No

PURPOSE

To initiate and award electricity supply contracts for WMATA facilities in the District of Columbia and Maryland through competitive procurement including, but not limited to, the use of reverse auctioning.

DESCRIPTION

WMATA currently has two electricity supply contracts in place. On June 16, 2006, WMATA awarded a one-year contract with a fixed price and three one-year options without a fixed price to PEPCO Energy Services (PES) for the supply of electricity to WMATA facilities in Maryland (MD). On October 22, 2002, WMATA awarded a five-year fixed price contract to BGE-Home, which is now Constellation-New Energy for the supply of electricity to WMATA facilities in the District of Columbia (DC). This contract expires in January 2008, and is not extendable. There is no electricity supply contract in Virginia (VA) so WMATA remains on the regulated tariffs in VA because third-party suppliers cannot bid lower than the standard-offer-service (SOS) rates offered by Dominion-Virginia Power. WMATA must take action to secure new power supply contracts in MD and DC or risk paying fixed PEPCO rates that are higher than existing contract rates.

The contracts mentioned above are only for the supply portion of WMATA`s electric bill, which contains the generation and transmission components. These two components account for approximately 70% of the total electric bill. The remaining 30% of the bill is for the distribution component that will continue to be regulated. The local distribution companies; PEPCO, BGE and Dominion-Virginia Power will continue to bill WMATA for this component. For distribution rates, WMATA will still be subject to rate increases as approved by the Public Service Commission (PSC) in DC and MD of the State Corporation Commission in VA.

This MEAD is a request to initiate and award contract(s) to encompass the supply of electricity to all WMATA facilities in DC and MD in order to receive the lowest possible price for electricity. Under current contracts, WMATA is saving roughly \$18,500,000

annually in DC and \$2,280,000 in MD when compared to PEPCO's current SOS rates. To receive the lowest possible electric supply rate, it is in WMATA's best interest to competitively bid the electric supply and not default to PEPCO's SOS rates. If WMATA does not solicit for the supply of electricity, the Authority will be placed on SOS rates offered by PEPCO which are roughly 30% higher than the current contract price in MD and 110% higher than the current contract price in DC.

Because the option year price is not determined in MD, and the DC contract expires in January 2008, WMATA should seek and evaluate fixed prices for a one-year base supply contract with multiple option years for those jurisdictions that will enable WMATA to have cost certainty for a large price volatile line item in the Operating budget.

FUNDING IMPACT

Budget - Operations
 Project - Utilities - Propulsion and Electricity
 Page - 76

Budget Info

	<u>Proposed FY 2008</u>	<u>Estimated FY 2009</u>	<u>Estimated FY 2010</u>
Budget Item (Supply & Dist.)	\$73,552,000	\$79,406,000	\$81,788,200
This Action (Supply)	\$51,486,400	\$55,584,200	\$57,251,740
Remaining Budg. (Distribution)	\$22,065,600	\$23,821,800	\$24,536,460

Remarks: The proposed total duration of the contract(s) will not be more than three years with an appropriate base period and option years. Funding for FY08 is budgeted pending Board approval. Funding for fiscal years 2009-2010 is subject to Board approval and the availability of funds.

RECOMMENDATION

It is recommended that the Board approve this action to initiate and award one or more contracts with an appropriate base term and option years, total duration will not exceed three years, subject to availability of funding in the Operations budget.