

EXECUTIVE ORDER NO. 6 -10

CITY PURCHASE OF ELECTRIC SUPPLY

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 PECO Energy electric distribution territory 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 purchase of electric 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 electric 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

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; and

WHEREAS, An Electricity Supply Advisory Committee should be established for advising the Procurement Commissioner on Fixed Rate Purchases by the LSP for City Facilities for FY 2011, FY 2012, FY 2013 and FY 2014; and

WHEREAS, Under Bill No. 100368, approved June 30, 2010, the City of Philadelphia has approved Fixed Rate Purchases of electric supply for City Facilities for Fiscal Years 2011 through 2014;

NOW, THEREFORE, by the powers vested in me by the Philadelphia Home Rule Charter, it is hereby **ORDERED**:

SECTION 1. ESTABLISHMENT OF THE ELECTRICITY SUPPLY ADVISORY COMMITTEE.

The Electricity Supply Advisory Committee is hereby established.

SECTION 2. THE CITY ENERGY MANAGER.

The City shall designate an Energy Manager in the Office of the Managing Director.

SECTION 3. COMPOSITION OF THE ELECTRICITY SUPPLY ADVISORY COMMITTEE; RELATED MATTERS.

The Electricity Supply Advisory Committee shall be composed of the following members or their authorized representatives:

Chair of the City Council Committee on Transportation and Utilities
Chair of the City Council Committee on Public Property
Chair of the City Council Committee on the Environment
City Solicitor
Deputy Mayor for Transportation and Utilities
Finance Director
Procurement Commissioner

The Deputy Mayor for Transportation and Utilities shall serve as the Electricity Supply Advisory Committee Chair.

Authorized representatives shall be identified in writing by their respective members to all other members, the Mayor and President of City Council. Authorized representatives shall thereafter be the official point of contact for Electricity Supply Advisory Committee matters. The City Energy Manager and the PEA shall act as technical advisors to the Electricity Supply Advisory Committee.

SECTION 4. ELECTRICITY PROCUREMENT PLAN.

The City Energy Manager and the PEA shall provide the Electricity Supply Advisory Committee with a proposed Electricity Procurement Plan including a schedule and description of anticipated Fixed Rate Purchases. The Electricity Supply Advisory Committee may review and comment on the proposed Electricity Procurement Plan. Prior to initiating Fixed Rate Purchases a copy of the Electricity Procurement Plan as approved by the Procurement Commissioner shall be provided to all members of the Electricity Supply Advisory Committee and to the members of City Council.

SECTION 5. RECOMMENDATION OF FIXED RATE PURCHASES BY THE ENERGY MANAGER.

Following completion of the Electricity Procurement Plan, the Procurement Commissioner shall direct the Energy Manager to manage Fixed Rate Purchases consistent with the Electricity Procurement Plan. The Electricity Supply Advisory Committee and Council Chairs shall receive weekly reports on electricity market conditions from the PEA. The City's Energy Manager shall provide a minimum of forty eight (48) hours prior notice ("Notice Period") to the Electricity Supply Advisory Committee members of recommended Fixed Rate Purchases. Such notification shall identify the quantity, the term, the Fiscal Year in which the Fixed Rate Purchase will be delivered, the anticipated market price in Dollars per MWh ("\$/MWh") and the maximum price that will be offered in \$/MWh.

SECTION 6. BIDDING PROCESS.

Following the notification period, Fixed Rate Purchase requests will be forwarded to the LSP by the Energy Manager with direction to secure competitive bids from qualified electric power providers. The lowest bid will be accepted provided that it meets the criteria established in the Fixed Rate Purchase notification to the Electricity Supply Advisory Committee.

SECTION 7. REPORTING OF FIXED RATE PURCHASES.

Following each Fixed Rate Purchase, the Electricity Supply Advisory Committee shall be provided with a report detailing the quantity, term, the Fiscal Year in which the Fixed Rate Purchase will be delivered and the price in \$/MWh. Each Fixed Rate Purchase report shall also provide an update of all purchases to date by Fiscal Year and other information as requested by the Electricity Supply Advisory Committee.

SECTION 8. ELECTRICITY SUPPLY ADVISORY COMMITTEE MEETINGS.

The Electricity Supply Advisory Committee shall have regularly scheduled meetings to review progress on the Electricity Procurement Plan, receive market updates, conduct any related business and review updates to the Electricity Procurement Plan if necessary or appropriate.

SECTION 9. ELECTRICITY SUPPLY ADVISORY COMMITTEE REPORTS.

The Electricity Supply Advisory Committee shall issue quarterly reports of the activities of the Committee including the status of Fixed Rate Purchases. Copies shall be delivered to the Mayor and members of City Council no later than thirty (30) days following the close of the quarter, starting with the quarter ending September 30, 2010.

SECTION 10. EFFECTIVE DATE.

This Order shall be effective immediately.

11/3/10
DATE


MICHAEL A. NUTTER, MAYOR