

Cuyahoga Falls City Council
Minutes of the Finance and Appropriations Committee Meeting

July 5, 2016

Members: Carol Klinger, Chair
Russ Iona
Mike Brillhart

Mrs. Klinger called the meeting to order at 6:30 p.m. All members were present.

The minutes from the June 20, 2016 meeting were approved as written.

Legislation Discussed

Temp. Res. A-53
Temp. Res. A-54

Discussion

Temp. Ord. A-53

An ordinance authorizing the Director of Public Service to enter into a contract or contracts, according to law, for overhead line clearance services including tree maintenance, tree and brush removal services, and mowing, for a period not to exceed two years, and declaring an emergency.

Mrs. Klinger stated that, this year, what was done differently than in the past was the mowing portion of this ordinance was separated out from the tree trimming. The mowing portion is for the right-of-ways and Pierce Avenue. Last year, \$612,000 had been budgeted and the cost was \$564,000. Part of that was there was trouble getting enough people to finish the work last year. Mr. Michael Dougherty, Electric System Superintendent, stated that, as far as tree trimming goes, they try to get around the city in a three-year rotation. To stay on schedule, they could have used more hours spent on tree trimming, so they increased the budget a little bit in order to make that happen. Mrs. Klinger stated that the bids are being opened this week. Mr. Dougherty stated it is by hour, so they can make sure that they will stay within budget.

Mr. Brillhart moved to bring out Temp. Res. A-53 with a favorable recommendation, second by Mr. Iona. Motion passed (3-0).

Temp. Ord. A-54

An ordinance authorizing the Director of Public Service to enter into an energy purchase agreement known as the “2023-2025 Fixed Volume Energy Supply Schedule” with American Municipal Power, Inc., and declaring an emergency.

Mrs. Klinger stated that, approximately 18 months ago, the City went through all of the purchase power and purchased power all the way through 2022. This ordinance takes the City from 2023 to 2025. Back at that point in time, the cost of power was \$40 per megawatt for 2021- 2022. Now, the cost of power is down in the \$30 range, so the City is going to go ahead and lock in for 2023 to 2025. This keeps the City off of the market pricing. It will still have to go into the market on

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very hot days during a peak demand period. This doesn't cover all of the City's electricity, but it covers the majority of it. Mr. Dougherty stated that the City has a very diverse power supply. Having this power purchase agreement at a fixed price so that it keeps the City immune to the market going too heavily one direction or the other is part of that diverse portfolio. Mr. Brillhart stated that he understands this is going to be capped at \$39 per megawatt hour, but Article IV of the contract states that, potentially, the Municipality shall pay any cost difference. He asked Mr. Dougherty if the cost would ever exceed \$39 or is it capped at \$39 in the event that a supplier didn't perform. Mr. Dougherty stated that they have never had to deal with a default, so, as far as that situation goes, his guess is if the replacement power would be more than \$39, they would have the option of not accepting that. Mr. Brillhart asked if it would go above \$39, would they have to go back before Council. Mr. Dougherty stated that if they go to the market to lock in power for that period and it is above \$39 per megawatt hour and never goes back below that price, they would have to get that amended to raise the possible price.

Mr. Brillhart stated that Article II of the contract states, "The Municipality shall be invoiced and responsible for paying and AMP is entitled to receive as compensation the following," and then it says, in Section A, "actual monthly transmission fees." He asked Mr. Dougherty to explain the meaning of that section and, also, what is meant by "unforced capacity charges and losses." Mr. Dougherty stated that it was a catch-all to protect AMP. As far as the losses, that might have to do with anything that AMP has to do to make sure that this contract works out. If there is anything that AMP has to deal with on the City's behalf when they are looking for this purchase, then they are looking to get covered for that. Mr. Dougherty stated that, as far as forced capacity charges, he doesn't really see anything coming into play with that. Again, that is another situation that has never happened since he has been on the AMP Board. The City pays according to its peak power usage on the system. If there somehow is not enough power in the power portfolio to cover all of the power needs, then they may have to pay more capacity charges to cover it. Again, that might be a result of the fact that there is a default and the City ends up having to pay capacity charges because there wasn't a PPA in place, and that would cover them in that regard. The contract is written by AMP. It's basically to cover any fees that they may incur on the City's behalf.

Mr. Colavecchio asked if it wouldn't be fair to say that this contract contains boilerplate language that is seen in a lot of agreements to cover AMP and any other energy distributors. Since the City's agreement with AMP is a voluntary agreement, if AMP were to invoke one of these obscure provisions to assess the City a fee that the City feels is not just, it would be likely they would lose the City's business. Mr. Dougherty stated that he agreed. He is on the AMP Board, so anything like that would be taken to the AMP Board. The City could definitely decide, in the future, not to take PPA's through AMP. The City could do it on its own and AMP would not receive the handling fees that they now receive. Mr. Colavecchio asked why the City is paying less this go round. Mr. Dougherty stated that, right now, the market power is just that low out on the future. It is based upon what the market sees as the prices down the road. What drives the pricing and the power market right now is natural gas pricing. Since natural gas pricing is so low and forecasted to stay so low into the future, it is helping guide the electric prices. The reason why that is is a lot of the final power that gets put onto the grid that helps determine market pricing is put on the grid from natural-gas-driven power plants.

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Mr. Colavecchio asked if when the City goes off the grid, because it's a 95-degree day and everyone is running air conditioners and whatever else, typically, how much more does the City pay when it has to go above and beyond and purchase power from outside sources. Mr. Dougherty stated that it could vary. Hot days are one example. Overall, the City's peaks are in the summertime, but there could be a peak in the winter that's above what is normal and there is power supply coverage for. In 2014, there was some hourly power charges at a little over \$2,000 per megawatt hour. It depends on what the market is doing. It could be less or it could be a lot more. Because the market is down pretty low, the risk is more on the high side than it is on the low side. Mr. Colavecchio stated that, on the high side, \$2,000 is outrageous. He asked what a typical number would be. Mr. Dougherty stated that it varies according to season, but, right now, it is anywhere from \$35 to \$40 per megawatt hour. Mr. Colavecchio stated that he would like to remind the public that when there are those hot days in the summer, run appliances that aren't needed or that can be run at night and on weekends during off-peak hours, when people and businesses aren't consuming as much electricity. In the long run, that will enable people to save money, because the City wouldn't be spending more money to go off and buy more power. Mr. Dougherty stated that that is a good message for everybody to follow that will save everybody money.

Mrs. Pyke asked Mr. Dougherty what other communities within AMP Ohio are signing a contract similar to this. Mr. Dougherty stated that, as far as this time period, he is not aware of anyone in particular, although he wouldn't be surprised if somebody like Wadsworth does make a contract like this. The reason why it is being brought forward is because the market is so good right now and it is through the year 2025. The City does have this power need. It was filled in a similar manner for the years 2021-2022, so it made sense to fill it in the same manner through 2025 with good pricing. Mrs. Pyke asked Mr. Dougherty if, sometime this week, he could send her a list of the communities within AMP and how far out they have contracts for their power. Mr. Dougherty said sure.

Mr. Iona moved to bring out Temp. Res. A-54 with a favorable recommendation, second by Mr. Brillhart. Motion passed (3-0).

Meeting adjourned at 6:47 p.m.