SUMMARY STATEMENT

ITEM NO. PATCO-20-012

SUBJECT: Authorization to Approve and Execute Contracts for Purchase of Electric Energy

COMMITTEE: Operations & Maintenance

COMMITTEE MEETING DATE: May 5, 2020

BOARD ACTION DATE: May 20, 2020

PROPOSAL: That the PATCO Board, on behalf of PATCO and as authorized by the DRPA, authorize the Chairman and Vice Chairman and PATCO President to enter into agreements for the purchase of electric power for DRPA and PATCO facilities, to include One Port Center, in an amount estimated not to exceed $7,600,000 in total for all DRPA and PATCO accounts in any one year. This authorization is for up to a three-year period ending November 20, 2023.

PURPOSE: To enable DRPA and PATCO to obtain electrical energy for their operations and facilities at competitive rates utilizing a competitive process in an auction format. In order to offer the lowest rates, suppliers require a response within 12 hours or less. Granting limited contracting authority to the Chairman and Vice Chairman and PATCO President will enable the DRPA and PATCO to benefit from rapidly changing market opportunities by soliciting price quotes for electrical energy service when rates are low. The intent is to leverage the electrical demand of PATCO to secure more favorable pricing for the entire Authority.

BACKGROUND: Prior to, 2005, PATCO obtained its electric energy for traction power from PSE&G through an Off-Tariff Rate Agreement (OTRA) that locked in very favorable rates for PATCO. In 2004, the electric energy industry in New Jersey underwent deregulation and consumers such as DRPA and PATCO were required to either competitively bid their energy requirements or receive default pricing from their utility company. In December 2010, PATCO began obtaining electrical energy for PATCO operations in Philadelphia from PECO.

At the current time, the planned installation of solar panels at seven (7) DRPA and PATCO sites is intended to provide up to 50% of all kilowatts required by PATCO and DRPA in their operations.

Since 2004, the DRPA and PATCO’s Boards approved Resolutions to allow the Authority to receive bids for its electric energy requirements and to quickly award a contract for its energy requirements with the approval of the Chair and Vice Chair of the Board. The most recent approval (Resolution #PATCO-17-034) for a three-year period will expire on November 20, 2020. Staff is seeking approval from the Board for up to an additional three-year period.
The current market for electricity is extremely sensitive and the generation prices per kilowatt-hour have risen dramatically in recent years. The price of electricity, not unlike other forms of commodities, can and does vary from during each day and from day to day. Factors that affect electricity pricing include but are not limited to the cost of source fuel for generation, the availability of those fuel sources, storage, facility maintenance schedules, weather, emerging consumer markets, and world politics. These factors require DRPA and PATCO to have considerable flexibility in its contracting process.

The contracting process for electricity purchases is extremely time-sensitive, and there is a short time frame for making procurement decisions and contracting commitments. Vendors generally will agree to hold a price only until the close of business on the day it is issued, and “close of business” for trading desks is approximately 2 p.m. Vendors also require that upon acceptance of a quoted price, the customer enters into an agreement that day.

The Request for Proposal documents will include a formal contract with terms and conditions to which electricity generators would already have agreed before the price bidding process begins, thus streamlining the contracting process. Nevertheless, securing the best prices requires an expedited process for approving and entering into electric power contracts. Accordingly, the attached resolution would authorize the Chairman and Vice Chairman and PATCO President to act jointly to enter into electricity purchase agreements for the DRPA and PATCO.

**SUMMARY:**

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<th>Category</th>
<th>Amount:</th>
<th>Source of Funds:</th>
<th>Capital Project #:</th>
<th>Operating Budget:</th>
<th>Master Plan Status:</th>
<th>Other Fund Sources:</th>
<th>Duration of Contract:</th>
<th>Other Parties Involved:</th>
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RESOLUTION

RESOLVED: That the PATCO Board, on behalf of PATCO and as authorized by the DRPA, authorizes the Chair and Vice Chair and the PATCO President acting jointly to approve and execute agreements and contracts with qualified suppliers for the purchase of electric power in amounts not to exceed $7,600,000 in any one year for the DRPA and PATCO under terms and conditions favorable to the DRPA and PATCO; and be it further

RESOLVED: The Chair, Vice Chair and the PATCO President must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the DRPA and PATCO. If such agreements, contracts, or other documents have been approved by the Chair, Vice Chair and the PATCO President and if thereafter either the Chair or Vice Chair is absent or unavailable, the remaining Officer along with the PATCO President may execute the said document(s). If both the Chair and Vice Chair are absent or unavailable and if it is necessary to execute the said document(s) while they are absent or unavailable, then the PATCO President shall execute such documents.

SUMMARY:

| Category                | Amount: N/A | Source of Funds: N/A | Capital Project #: N/A | Operating Budget: N/A | Master Plan Status: N/A | Other Fund Sources: N/A | Duration of Contract: N/A | Other Parties Involved: N/A |