

**Board of Trustees
La Porte Independent School District
La Porte, TX**

BOARD MEETING DATE: February 13, 2018

AGENDA ITEM NAME: Approve the proposal for electricity and authorize the Superintendent to execute a contract.

THIS ITEM RELATES TO BOARD GOAL(S): 5

BACKGROUND INFORMATION: AEG Affiliated Energy Group (AEG), continues consult and assist La Porte ISD's team with energy market expertise. A legal notice was published in The Bay Area Observer for RFP #18-003.

La Porte ISD has completed the proposal process for electricity services and received a strong response. This will allow us to obtain and negotiate electricity prices for the second half of 2020 and up to the following five years. Electricity prices negotiated thus far with the six companies is almost a penny per kwh lower than La Porte ISD's present rate. Locking in fixed rates well in advance of contract expiration allows the district to develop more meaningful forecasts of utility expenditures and is also beneficial because it helps avoid adverse pricing conditions by minimizing the effects of short term market noise, which can increase the volatility of shorter term prices.

Regarding procedures, gas and electricity prices fluctuate daily, often by as much as 5% in a single day. These market conditions make electricity procurement fairly unique in terms of the volatility. When market conditions begin to look attractive, it is therefore advantageous to start the approval process as quickly (and with as much advance planning) as is possible. This strategy will give us the option to lock in prices when they are acceptable without any delay (and price changes) that would result by waiting until too late to commence the approval process. Because of this volatility, companies typically also quote firm fixed price quotations on a daily basis subject to expiration upon closing of the natural gas markets each business day. This results in a very small window of opportunity (sometimes only hours) to sign and close a new electricity contact.

Therefore, we are requesting authorization for the Superintendent to execute a proposed electricity supply contract for La Porte ISD for up to sixty months following the present contract's expiration at a rate not to exceed our current contracted price.

ADMINISTRATIVE RECOMMENDATION: Administration recommends the Board of Trustees of La Porte Independent School District approve the proposal for Electricity and authorize the Superintendent to execute a contract after legal counsel review.

ATTACHMENTS: N/A

BUDGET INFORMATION: A rate not to exceed our current contracted price.

RESOURCE PERSONNEL: Mike Clausen, Deputy Superintendent; Sheila V. Cantu, Coordinator, Purchasing & Contracts

RECOMMENDED MOTION: I move to authorize the Superintendent to execute an extension of the current contract for procurement of electricity after legal counsel review.