O-20-53

ORDINANCE NO. _____

AN ORDINANCE AUTHORIZING PURCHASE OF ELECTRIC POWER FROM NEXTERA ENERGY POWER MARKETING, LLC; WAIVING COMPETITIVE BIDDING; DECLARING AN EMERGENCY; AND FOR OTHER PURPOSES.

WHEREAS, the North Little Rock Electric Department ("NLRED") manages the city-owned electric utility system for the City of North Little Rock ("City"), providing electric service to areas in North Little Rock, Sherwood and surrounding areas within Pulaski County, Arkansas; and

WHEREAS, NLRED existed only as an electric distribution entity owning no generation or transmission assets until the following occurrences:

- 1989 completion of the Murray Hydroelectric Generation Plant, which currently provides approximately 15% of energy requirements;
- 2007 purchase power agreement with Waste Management, Inc. to buy all power produced at their Two Pines landfill gas generator, satisfying approximately 3% of energy requirements;
- 2010 acquisition of a 60MW interest in Plum Point Energy Station (a coal-fired generator in Osceola, Arkansas) which meets NLRED's core baseload power requirements and provides as much as half of all energy needs; and

WHEREAS, combined with the above sources, NLRED acquires all other energy through bilateral contracts and the MISO market, along with minor distributed generation assets; and

WHEREAS, pursuant to Ordinance No. 8771, adopted on October 26, 2015 (as amended by Ordinance No. 8944, adopted on September 26, 2017, and Ordinance No. 9181, adopted on October 28, 2019), the City Council adopted an Energy Risk Management Policy, formalizing management processes and controls related to power supply contracts, as well as related business activities; and

WHEREAS, past efforts of the City to procure power through the competitive bidding process resulted in (1) fewer bids than desired; (2) restriction of the City's ability to negotiate terms within the power supply contract; and (3) a significant increases in the cost of power; and

WHEREAS, the Risk Management Policy permits the Risk Management Committee ("RMC") to execute transactions with a term of up to 60 months, a maturity date not more than 72 months from the date the transaction is executed, and a notional dollar limit of $10,000,000.00; and

WHEREAS, pursuant to the authority granted by the Risk Management Policy, on July 20, 2016, the RMC authorized the purchase of 10 MW for each peak hour and 5 MW for each off-

peak hour from NextEra Energy Power Marketing, LLC ("NextEra") at the cost of $30.55 per MW hour for the term of January 1, 2018 through December 31, 2021; and

WHEREAS, beginning in Calendar Year ("CY") 2022 forward, NLRED's portfolio is hedged at approximately 53% for peak hours and 63% for off-peak hours; and

WHEREAS, long-term power pricing is currently low on a historic basis, and the RMC and the City's Power Manager, The Energy Authority, Inc. ("TEA"), recommend entering into a multi-year agreement for the purchase of fixed price hedges beginning in 2022; and

WHEREAS, TEA sought indicative offers spanning the term CY 2022-2030, and NextEra provided the lowest indicative offer; and

WHEREAS, the RMC recommends entering into an agreement with NextEra to purchase 10 MW for each peak hour and 5 MW for each off-peak hour at a cost of no greater than $29.25 per MW hour for the term of January 1, 2022 through December 31, 2030.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF NORTH LITTLE ROCK, ARKANSAS:

SECTION 1: That the acquisition of electric power by contract is a unique and exceptional circumstance in which the traditional competitive bidding process has proven detrimental to the City, the citizens, and rate payers. Having determined that the solicitation and negotiation of power contracts through alternate means is a fairer and more beneficial process, competitive bidding is hereby waived.

SECTION 2: That based upon the recommendation the Risk Management Committee and The Energy Authority, Inc., the City is hereby authorized to enter into an agreement with NextEra Energy Power Marketing, LLC to purchase 10 MW for each peak hour and 5 MW for each off-peak hour at a cost of no greater than $29.25 per MW hour for the term of January 1, 2022 through December 31, 2030, with all documents necessary to effectuate the transaction to be approved by the City Attorney's Office.

SECTION 3: That all ordinances or parts of ordinances in conflict herewith are hereby repealed to the extent of the conflict.

SECTION 4: That the provisions of this Ordinance are hereby declared to be severable and if any section, phrase or provision shall be declared or held invalid, such invalidity shall not affect the remainder of the sections, phrases or provisions.

SECTION 5: It is hereby found and determined that the price of wholesale power is subject to substantial fluctuations which may occur to the detriment of the City of North Little Rock and the ratepayers of the North Little Rock Electric Department, requiring the immediate passage of this ordinance in order to insure the financial stability of the City and predictable flow and cost of electricity for North Little Rock Electric Department rate payers, and being necessary for the immediate preservation of the public health, safety and welfare, THEREFORE, an emergency is

hereby declared to exist and this Ordinance shall be in full force and effect from and after its passage and approval.

PASSED:

APPROVED:

Mayor Joe A. Smith

SPONSOR:

Mayor Joe A. Smith

ATTEST:

Diane Whitbey, City Clerk

APPROVED AS TO FORM:

Amy Beckman Fields, City Attorney

PREPARED BY THE OFFICE OF THE CITY ATTORNEY/ABF

FILED 10:55 A.M. __ P.M.
By City Atty Amy Fields
DATE 6-2-2020

Diane Whitbey, City Clerk and Collector
North Little Rock, Arkansas

RECEIVED BY K. Thomas