

MEMORANDUM

To: City Council

From: David J. Deutsch, City Manager

Date: January 27, 2010

Subject: Waive Bidding for Electrical Demand Response Services

Demand Response is a means to encourage large energy users to reduce or shift their electric demand when wholesale electricity prices are extremely high, often during periods of peak demand. PJM is the operator of the high voltage electric transmission grid in the Mid Atlantic. PJM offers several programs that pay incentives to large electricity users when they shift or curtail electric demand. PJM relies on Curtailment Service Providers to enroll customers in their Demand Response programs. These companies provide large electric users with technical support and operating expertise and pay large electric users for their participation based on the PJM established rates per megawatt.

Last year at this time, we requested Council waive bids for the City of Bowie to ride the Demand Response agreement with the Commonwealth of Virginia, a relatively large electricity user. Virginia went through a public bidding process, including requiring individual presentations by each proposed provider. Virginia awarded the bid to Energyconnect, Incorporated of Richmond Virginia. We subsequently executed a contract with Energyconnect for Bowie to provide these services at the reimbursement formula they provided to Virginia. We executed the contract to provide the services at City Hall, the Water Plant and Water Well number 2R on Brierdale Lane. Each of these facilities has a backup generator which allows us to pull each facility off the energy grid when needed.

The Public Works Department worked with Energyconnect last year to implement the program. Special time-of-day electric meters needed to be installed ahead of time to record the fact that we weren't using grid electricity during any demand call periods. During a period of peak demand or peak wholesale electricity pricing, the agreement calls for the City to be notified and asked to curtail power at selected facilities. We would then have two hours to switch power at each facility to the associated backup generator.

As stated, last year we signed an agreement to provide these services at City Hall, the Water Plant and at Water Well 2R on Brierdale Lane. Note that, if we are called to provide services and for some reason, say, Water Well 2R didn't get successfully pulled off line to switch to backup generator, we would pay no penalty. We simply would not receive the financial incentive for that location.

Last June through September, the period for which we agreed to provide this service, we actually were not called once to pull any of the three facilities off the electric grid. But our cash reimbursement was the same as if we had been called. The amount of our cash reimbursement for last year was \$38,374 to be paid out to us over a nine month period. We have received \$15,927 of that amount to date.

At this time, we would like to execute an agreement to provide these services for other City facilities besides City Hall, the Water Plant and Water Well number 2R. We would like to add the Ice Arena, Gymnasium, Senior Center and Wastewater Treatment Plant. All of these facilities currently have backup generators installed. We won't know the exact amount of additional revenue we can expect from adding these facilities until a complete electrical load analysis is done and approved by PJM, the Mid Atlantic electric grid operator. However, we are under a deadline of February 12, 2010 to have Energyconnect submit our application to PJM.

In accordance with City Charter Section 62, we are requesting that Council waive bidding requirements and authorize the City Manager to execute an agreement with Energyconnect, Incorporated to provide Demand Response Services in accordance with the contract that they currently have with the Commonwealth of Virginia.

I concur with the above recommendations and request your approval of R-9-10.

DJD:RJH

RESOLUTION

OF THE COUNCIL OF THE CITY OF BOWIE, MARYLAND
BY TWO THIRDS VOTE AUTHORIZING THE WAIVING OF BIDDING
REQUIREMENTS TO AUTHORIZE THE CITY MANAGER TO EXECUTE AN
AGREEMENT FOR ELECTRIC DEMAND RESPONSE SERVICES THROUGH A
COMMONWEALTH OF VIRGINIA CONTRACT

WHEREAS, Demand Response is a means to allow large electric users to be reimbursed monetarily for curtailing electric use during periods of peak demand and pricing; and

WHEREAS, by participating in a Demand Response program, the City of Bowie would receive revenue for curtailing electric service; and

WHEREAS, by participating in a Demand Response program, the City of Bowie will reduce the demand on the electric grid during periods of peak energy demand, thus reducing the need for expensive infrastructure improvements to the electrical grid; and

WHEREAS, the Commonwealth of Virginia issued a publicly advertised Request for Proposals for Demand Response Services and awarded a contract to Energyconnect, Inc. for said services; and

WHEREAS, Energyconnect, Inc. has offered to extend to the City of Bowie the same terms, prices and conditions afforded in the Commonwealth of Virginia contract; and

WHEREAS, it is in the best interest of the public to enter into an agreement with Energyconnect, Inc. for Demand Response Services.

NOW, THEREFORE, BE IT RESOLVED, by the Council of the City of Bowie, Maryland, that the Council, by a two-thirds vote in accordance with the City Charter Section 62, hereby waives bidding for a good cause; and

NOW FURTHER, BE IT RESOLVED, by the Council of the City of Bowie, Maryland, that the Council authorizes the City Manager to execute an agreement with Energyconnect, Inc. to provide Demand Response Services in conformance with the terms and prices in the Commonwealth of Virginia contract.

INTRODUCED AND PASSED by the Council of the City of Bowie, Maryland, at a Regular Meeting on February 1, 2010.

G. Frederick Robinson, Mayor

Attest:

Pamela A. Fleming, City Clerk