

Memorandum



CITY OF DALLAS

DATE April 4, 2019

TO Honorable Members of the Quality of Life, Arts & Culture Committee: Sandy Greyson (Chair), Mark Clayton (Vice Chair), Rickey D. Callahan, Jennifer S. Gates, Scott Griggs, B. Adam McGough, Omar Narvaez

SUBJECT **Recommended Resolution for Green Energy Policy**

Staff has drafted the attached resolution for consideration by the Quality of Life, Arts and Culture Committee. The proposed resolution documents an initial, clear and aggressive Dallas Green Energy Policy and builds upon our current de-facto energy policy to ensure continued forward momentum and is an important component of and may be updated as part of the on-going Comprehensive Environmental and Climate Change Action Plan initiative endorsed by the Committee and City Council in January.

The City's electricity bill for Fiscal Year 2018 was \$54.2m including both de-regulated retail electricity and regulated (Oncor) transmission and distribution charges. Our current electricity contract with TXU Energy expires May 31st and includes renewable energy credits (RECs) to offset 100% of the City's electricity consumption.

RECs have significantly contributed to the City's greenhouse gas emissions reductions since 2008 when the City first purchased RECs to offset 40% of electricity consumption. Dallas currently ranks #2 on the U.S. Environmental Protection Agency's Green Power Partnership Top 30 Local Government List and ranks #18 on their National Top 100 List (including local, state, and federal agencies as well as the private sector) based on our commitment to green energy as demonstrated by the REC offsets.

On April 10th City Council will consider adoption of the resolution that includes the green energy policy and direction for the City Manager negotiate and execute a new electricity contract that is consistent with the green energy policy. It is important to note that specifications for the electricity contract purposely includes language that the any electricity contract will not preclude the City from developing on- or off-site renewable energy. This is important flexibility needed to support future City efforts to develop renewable energy projects of our own as we transition away from RECs and to more environmentally impactful energy.

The dynamic nature of de-regulated electricity market and state law exemption from public bidding requirements support greater flexibility in the procurement process as contract execution for volumes of our size is typically completed within a couple of hours based on near real-time market prices. Indicative preliminary pricing suggests electricity rate reductions of as much as 14% (approx. \$7.4m annually) based on the

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length of contract. Tradition Energy, the City's independent third-party energy procurement advisor, is conducting a competitive reverse auction with participation by multiple retail electricity providers. As provided in the resolution, the resulting contract will be consistent with proposed Dallas Green Energy Policy.

Feel free to contact me if you have questions or concerns.



Joey Zapata
Assistant City Manager

c: Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Chris Caso, City Attorney (I)
Carol Smith, City Auditor (I)
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager

Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer
M. Elizabeth Reich, Chief Financial Officer
Laila Alequresh, Chief Innovation Officer
Directors and Assistant Directors

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WHEREAS, the City of Dallas is committed to energy efficiency and being a good steward of resources in the procurement of energy for municipal operations; and

WHEREAS, the City of Dallas is similarly committed to protecting its residents by reducing emissions, improving regional air quality, and addressing the real consequences of climate change; and

WHEREAS, the City of Dallas achieved a 68% reduction of municipal greenhouse gas (GHG) emissions from 1990 levels by 2017, exceeding a strategic goal of 39% reduction; and

WHEREAS, the municipal emissions reductions were achieved in large part through the procurement of renewable energy, municipal energy efficiency retrofit projects, and on-site renewable energy projects such as landfill gas capture at McCommas Bluff Landfill and co-generation of electricity at Southside Wastewater Treatment Plant; and

WHEREAS, the City of Dallas is the most populous municipality in the United States to use 100% renewable energy according to the U.S. Environmental Protection Agency Green Power Partnership Top 30 Local Government list dated February 5, 2019; and

WHEREAS, the City of Dallas currently achieves its 100% renewable energy usage in part through the purchase of renewable energy credits (RECs); and

WHEREAS, the City of Dallas desires to expand renewable energy use and generation through on- and off-site options; and

WHEREAS, solar or wind energy sources accounted for approximately 18% of the energy generated in Texas last year, and Texas led the nation in wind energy generation and was sixth in solar energy generation; and

WHEREAS, on June 15, 2016, City Council adopted a resolution encouraging the State of Texas to explore changes that would promote “net metering” and the creation of distributed energy districts or additional programs to expand the use of solar power and other renewable green energy sources by Resolution No. 16-0974; and

WHEREAS, on January 23, 2019, City Council adopted a resolution calling for federal action on climate change and continued local efforts to develop a comprehensive environmental and climate action plan with goals that will ensure that the City of Dallas is addressing climate change in a manner that is effective and equitable by Resolution No 19-0223; and

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WHEREAS, the City of Dallas' comprehensive environmental and climate action plan will chart the path forward towards additional emissions reduction goals that will help ensure that we improve the environment and avoid the most severe impacts of climate change; and

WHEREAS, by adopting a green energy policy through this resolution, the City of Dallas will ensure that emissions reductions achievements to date will continue; and

WHEREAS, the energy policy should be re-evaluated and, as appropriate, updated subject to Dallas City Council approval as part of the comprehensive environmental and climate action plan process and other actions hereby resolved; and

WHEREAS, Texas Government Code Section 252.022 (a)(15), exempts electricity purchases from the standard purchasing procedures; and

WHEREAS, due to the nature of the energy market, an electricity procurement process with greater flexibility is necessary that authorizes the City Manager to negotiate the final process and enter into an electricity services contract; and

WHEREAS, on December 13, 2018, Administrative Action No. 19-5149 authorized the City of Dallas to enter into a consulting contract with TFS Energy Solutions, LLC d/b/a Tradition Energy to provide energy procurement and management advisory services.

Now, Therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

SECTION 1. That the City of Dallas Green Energy Policy shall read as follows: The City of Dallas is committed to clean and efficient energy use and the commitment is embodied by our use of 100 percent renewable energy for municipal operations. The City of Dallas further recognizes the advantage presented by green energy produced by on- and off-site renewable energy projects. Accordingly, we will seek to sustain and promote renewable energy projects and partnerships that reduce emissions and environmental impacts for the benefit of Dallas residents and the region.

SECTION 2. That the City Manager is hereby authorized to determine the most advantageous proposal and enter into an electricity services contract, approved as to form by the City Attorney, consistent with the adopted City of Dallas Green Energy Policy and the direction presented in Section 1.

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SECTION 3. That the City Manager (1) examine the feasibility of on- and off-site renewable energy projects at City and other properties; (2) establish a citywide energy management system to include continued benchmarking of municipal energy efficiency efforts and identification of areas for improvement to ensure Dallas remains an energy leader; and (3) continue to explore options to expand the use of renewable energy beyond municipal operations in the Dallas community.

SECTION 4. That this electricity service contract will be designated as Contract No. BSD-2019-00009705.

SECTION 5. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.