



Yovani Baez-Rose
Interim Assistant City Manager/DPD Director

MEMORANDUM

TO: Thomas A. Golden, Jr., City Manager *TA*

FROM: Yovani Baez-Rose, Interim Assistant City Manager/DPD Director

CC: Katherine Moses, Energy Manager

SUBJECT: MOTION RESPONSE: 10/4/2022 – Councilor Gitschier - Req. City Mgr. Update the City Council on Current Utility Rates, Agreement Terms and Cost Saving Measures Going Forward

Summary of Rates/Agreements:

Municipal energy accounts are covered by multiple contracts with energy suppliers. The City of Lowell primarily uses an energy broker, Tradition Energy, to assist with procurement of energy supply contracts. In order to secure the best pricing for municipal accounts, portions of the electric load are bid out separately, depending on load profiles. Newer accounts not included in the competitive solicitation were added to the City’s Community Choice Aggregation. A summary of rates, accounts, and expiration dates are summarized in the table below.

Type of Supplier Contract	Rate	Number of Accounts Included	Expiration
Large accounts - electricity	9.117 cents/kWh	42	12/1/2024
Small accounts – electricity	9.5 cents/kWh	186	11/1/2024
Newer accounts – electricity	14.4449 cents/kWh	44	12/31/2024
Natural gas accounts	\$5.77/MMBTU	82	9/1/2024

Cost Saving Measures Going Forward

Although the City is protected from large spikes in energy supply costs through the fall of 2024, if current trends continue utility costs for gas and electricity will likely double in FY 25. It is important for the City to be proactive in mitigating such cost increases using multiple strategies now.

Continued Auditing of Utility Bills for Accuracy

Since the Energy team assumed the responsibility of paying utility bills in FY 16, emphasis has been placed on ensuring that bills received are accurate before payment is made. These internal control processes have helped the City avoid or recover almost \$1.2 million in utility billing errors since that time. Already in FY 23, Energy Coordinator, Jay Tobin, has helped the City avoid or recover over \$92K in utility costs.

Energy Efficiency:

Aggressive investment in energy efficiency is a key strategy to help save on utility costs going forward. Energy efficiency not only reduces volumetric energy charges, but also has the potential to reduce energy demand charges, which have been accelerating at a faster rate than volumetric charges in recent years. In FY 22, the City implemented projects that are projected to save over 1 million kWh and \$175K. In FY 23, projects currently in progress are projected to save another 400,167 kWh; 46,916 therms; and \$87,446. Grant funding applications that have been submitted could potentially save another 91,116 kWh and \$14,579. It is anticipated that there will be additional opportunities for funding energy efficiency improvements in the coming fiscal years through provisions in the Bipartisan Infrastructure Law, Climate Leaders program, ARPA funding, ESSR funding, and the City's Strategic Energy Management Partnership with the utility.

Net Metering Credits:

Solar net metering credit rates are projected to nearly double this winter due to the increased supply cost of Basic Service – from an average last winter of 22 cents/kWh to an expected 41 cents/kWh for November 2022-April 2023. If solar production levels are similar to those seen during the same period last winter, this will result in an additional savings of around \$230K for municipal electric accounts.

Solar allocation schedules are currently being updated to best distribute increased credit values. With nearly \$7 million in annual electricity costs, Lowell has a sufficient number of accounts to absorb the increased value of the credits. The Energy team believes there might be opportunities to acquire additional net metering and/or alternative on-bill credits from existing solar projects or those in development. A Request for Proposals has been sent to the Purchasing Department for release in order to evaluate and take advantage of such opportunities for current and future cost savings.

Behind-the-Meter Solar:

In September, the City of Lowell released a Request for Information for developing further behind-the-meter solar solutions across our portfolio. The Energy team is currently reviewing the results of this solicitation in order to craft an appropriate procurement path for additional solar development. A high level analysis of information received indicates that there could be solar potential for between 700 kW-4,400 kW of additional installed capacity for roof-mounted and canopy systems. Additionally, there might be a limited opportunity for integrating EV charging into canopy systems and pairing solar systems with energy storage. A more comprehensive procurement strategy will be developed over the next quarter.

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