Municipality Saves Estimated $1.2 Million Annually on Electricity Procurement

with Tradition Energy

In November of 2010, a city with a population of over 50,000, conducted their own RFP process and signed a 3-year electricity contract amidst a run up in market rates that were heavily based on projections for colder weather that year. Industry energy market intelligence at the time was indicating to either address 2011+ pricing much earlier in 2010, or to secure a short-term contract to weather the pricing bubble. In contrast, a longer-term contract was signed in the midst of this bubble.

As the current contract was expiring in December 2013, the City opted to engage the services of Tradition Energy and their U.S. Communities contract to coordinate the procurement of the upcoming electricity contract.

Results

With the new contract, the City will see an overall estimated term savings of close to $6 million dollars. In addition, because the City is under contract with the GLO, additional savings will be achieved by not paying Gross Receipts Taxes and PUC Assessments, which would normally be paid if the City were contracted with any other supplier. This leads to a total estimated annual savings of over $1.2 million.

The Process

With only two months prior to the expiration of the current contract, it was extremely important that procurement be concluded quickly since market prices were trending upwards leading in to winter. Amid the upward movement in pricing, a dip was seen the week of October 25, 2013. As prices came in, Tradition evaluated the financial benefit to the City by not having to pay Gross Receipts Taxes and PUC Assessment (GRT & PUCA) through the General Land Office (GLO) contract, however this still did not put the GLO contract as the best option for the City.

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By leveraging our knowledge of where the underlying wholesale cost of power was, Tradition pushed the GLO price lower to bring the overall cost to the City just below the second best offer available. Soon, all documentation was in place and ready to execute, however the market moved upwards during the day. Tradition put additional leverage on the GLO to hold the price, even though prices had gone up.

Tradition Energy services were for Electricity Procurement. Natural gas, Demand Response, Bill Auditing & Tariff Analysis, and Bill Processing Services are also being evaluated by the City.

U.S. Communities™ Government Purchasing Alliance is a nonprofit government purchasing cooperative that assists local and state government agencies, school districts (K-12), higher education, and nonprofits in reducing the cost of purchased goods through pooling the purchasing power of public agencies nationwide. This is accomplished through competitively solicited contracts for quality products through lead public agencies.

Tradition Energy is one of the world’s largest energy management and procurement advisors to commercial, industrial and governmental organizations with over 300 energy specialists in 13 offices covering both the wholesale and retail energy markets since 1986. Tradition Energy is part of the Tradition Group, a leading global institutional broker of financial and commodity products. Tradition employs over 2,400 people in 28 countries around the world and is publicly listed on the Swiss stock exchange (CFT).