



City of Rochester Hills
AGENDA SUMMARY
FINANCIAL ITEMS

1000 Rochester Hills Dr.
Rochester Hills, MI 48309
248.656.4630
www.rochesterhills.org

Legislative File No: 2017-0019 Version 2

TO: Mayor and City Council Members
FROM: Scott Cope, Director of Building/Facilities
DATE: February 26, 2018
SUBJECT: Electric Energy for City Facilities

REQUEST:

City Council authorization for the purchase and delivery of electric energy for City facilities from DTE Energy, Detroit, Michigan and Michigan Municipal Risk Management Authority, Livonia, Michigan in the amount of \$51,000.00 for a new not-to-exceed amount of \$402,000.00

REASON FOR PURCHASE:

The requested increase is due to 2016 invoices being released inadvertently from the 2017 blanket, which resulted in a shortage to finalize 2017 invoice processing. Purchasing, Accounting and the Building/Facilities Department have met to discuss how this occurred and have put into place processes to assist in appropriate recording and tracking of invoices to ensure this does not occur again in the future. This does not affect the expenditures recorded for each fiscal year, however it has resulted in the 2016 blanket being understated and the 2017 blanket being overstated.

As a member of the Michigan Municipal Risk Management Association (MMRMA) Electric Choice Program, the City participates in a cooperative community purchase for electrical power. The City purchases its electric energy for City Hall, Fire Station #1 and DPS Garage through the program from an alternate electricity supplier. Though the cost of electrical energy has varied during the past years, the City enjoys a modest (cumulative) savings below DTE rates. The smaller City facilities do not benefit from the cost savings of the larger buildings and will continue to receive electrical energy and its delivery from DTE Energy. Participation in electric choice is capped by the Public Service Commission at 10%.

Due to the nature of the Electric Choice Program, payments for electrical energy and delivery will be made to MMRMA and DTE Energy. The administrative charges from MMRMA and the customer and distribution charges from DTE Energy continues and may fluctuate as specified by the utility and the Michigan Public Service Commission.

PROCESS:

Vendor Name and Address:

DTE Energy
PO Box 2859
Detroit, MI 48260

Michigan Municipal Risk Management Authority
14001 Merriman
Livonia, MI 48154

Reason for Selection:
Best Value

Method of Purchase:
Blanket Purchase Order

BUDGET:

Funding is included in the FY 2016 and 2017 Adopted Budgets.

Please note: The proposed blanket increase will not need to increase the 2016-17 budget amounts needed as adequate funds are budgeted in the respective years, it will only increase the amount of the 2017 blanket.

| Fund Name | Department Account No | Account No. Description | 2016-17 Budget Amounts | 2016-17 Costs | Remaining Budgets |
|------------|-----------------------|-------------------------|------------------------|---------------|-------------------|
| Facilities | 631.923000 | Electric Utility | \$402,000 | \$402,000 | \$0 |

RECOMMENDATION:

It is recommended that the Rochester Hills City Council authorize the purchase and delivery of electric energy for City facilities from DTE Energy, Detroit, Michigan and Michigan Municipal Risk Management Authority, Livonia, Michigan in the amount of \$51,000.00 for a new not-to-exceed amount of \$402,000.00.

| APPROVALS: | SIGNATURE | DATE |
|--|-----------|------|
| Department Review | | |
| Department Director | | |
| Budget Content: Chief Financial Officer | | |
| Purchasing Process: Supervisor of Procurement | | |
| Mayor | | |
| Deputy Clerk | | |