

# Memorandum



CITY OF DALLAS

DATE May 19, 2011

TO Members of the Budget, Finance & Audit Committee:  
Jerry R. Allen, Chair, Ann Margolin, Vice-Chair, Vonciel Jones Hill,  
Angela Hunt, Delia D. Jasso, Ron Natinsky, David A. Neumann

SUBJECT Electricity Demand Curtailment Programs (June 8, 2011 Council Agenda Item)

Staff continues to work and develop ideas to generate additional revenue. Budget Brainstorming Ideas briefings presented to Council on January 20 and May 19, 2010 included the possibility of the City's participation in electricity demand curtailment programs offered by both ERCOT and Oncor. Both the ERCOT and Oncor programs are available only to Qualified Scheduling Entities (QSEs). In order for the City to participate, we would need to hire a QSE consultant. To that end we have gone through a Request for Proposal process over the past eight months.

The June 8, 2011 Council Agenda will include an item to award a three-year revenue contract to Comverge, Inc. for further developing the City's strategies for participation in both programs and contracting with ERCOT and Oncor on the City's behalf for their respective programs. This contract is anticipated to result in annual revenue to the City of at least \$105,400 per year based on participation at City Hall and Jack Evans Police Headquarters. Part of the consultant's scope includes analysis of additional City facilities to potentially participate in one or both programs.

Both programs provide payments to QSEs in exchange for temporarily reducing electricity consumption in situations where the grid is overloaded during various blocks of time established by the respective programs. The proposed revenue contract proposes that Comverge (the QSE) would contract with ERCOT and Oncor to reduce 2 Megawatts (MW) of City electricity demand should a demand curtailment event occur. ERCOT pays the QSE a market-based rate established at the time the agreement is executed between the QSE and ERCOT. The current ERCOT rate is approximately \$35,000/MW. Oncor pays the QSE a fixed rate of \$30,000/MW. The proposed revenue contract between the City and Comverge provides that the City receives at least 85% of the revenue. Should additional City facilities be added that significantly increase the amount of electric load beyond 2 MW, the City's share of the revenue may increase to as much as 92% of the revenue received from ERCOT and Oncor.

Detailed strategies on how our electric load would be reduced during demand curtailment events will be further developed as part of the Comverge scope. In general, we anticipate using existing generators to supplant electricity from the grid during the curtailment events. ERCOT has had three curtailment events declared in the past 22 years – the last being February 2, 2011. The Oncor program has never had a curtailment event since its inception in 2008.

Staff will be available to address questions at the May 23, 2011 meeting of the Budget, Finance, and Audit Committee. Please let me know if you need additional information.

A handwritten signature in black ink, appearing to read 'Forest E. Turner'.

Forest E. Turner  
Assistant City Manager

c: Mary K. Suhm, City Manager  
Thomas P. Perkins, Jr., City Attorney  
Craig D. Kinton, City Auditor  
Deborah A. Watkins, City Secretary  
Judge C. Victor Lander, Judiciary

Ryan S. Evans, First Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
A.C. Gonzalez, Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer  
Helena Stevens-Thompson, Assistant to the City Manager