

RESOLUTION NO. 2003-181

AUTHORIZING THE GENERAL MANAGER TO EXECUTE AN ELECTRIC SERVICE CONTRACT WITH THE CLEVELAND ELECTRIC ILLUMINATING COMPANY, AS REQUIRED, FOR A PERIOD OF TWO (2) YEARS, AT A PRICE NOT TO EXCEED \$12,573,686 (GENERAL FUND, RAIL DISTRICT AND SERVICE MANAGEMENT DEPARTMENT BUDGETS)

WHEREAS, the Greater Cleveland Regional Transit Authority ("Authority") has multiple facilities that are provided with electric power by the Cleveland Electric Illuminating Company ("CEI"); and

WHEREAS, the Authority has determined that it is in its best interest for electric service to be provided to the Authority by CEI; and

WHEREAS, the Authority, as a political subdivision of the State of Ohio is exempted some competitive procurements under the provisions of O.R.C. 306.43(H)(8); and

WHEREAS, the Authority is a political subdivision of the State of Ohio, and CEI has agreed to provide reduced rates as authorized by O.R.C. 4905.34.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Greater Cleveland Regional Transit Authority, Cuyahoga County, Ohio:

Section 1. That the General Manager/Secretary-Treasurer be and he is hereby authorized to execute an agreement with CEI for electric service provided to the Authority for a period of two years.

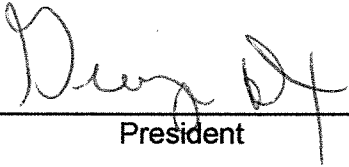
Section 2. That this agreement shall supersede any other agreements between the Authority and CEI.

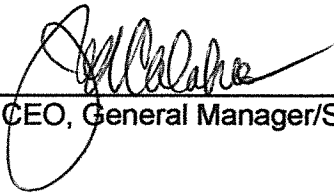
Section 3. That said contract shall be payable from the General Fund, Rail District and Service Management Department budgets, at an amount not to exceed twelve million five hundred seventy three thousand six hundred eighty six &00/00 dollars (\$12,573,686), for a period of two (2) years.

Section 4. That said contract shall be binding upon and an obligation of the Authority contingent upon appropriation of funds for future years, compliance by the contractor to the Specification and Addenda, if any; the Affirmative Action Plan adopted by the Board of Trustees in Resolution 2003-107; bonding and insurance requirements and all applicable laws relating to the contractual obligations of the Authority.

Section 5. This resolution shall become effective immediately upon its adoption.

Adopted: December 16, 2003

  
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President

Attest:   
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CEO, General Manager/Secretary-Treasurer



Greater Cleveland Regional Transit Authority  
**STAFF SUMMARY AND COMMENTS**

F.3

TITLE/DESCRIPTION: AUTHORIZING THE GENERAL MANAGER TO EXECUTE AN ELECTRIC SERVICE CONTRACT WITH THE CLEVELAND ELECTRIC ILLUMINATING COMPANY, AS REQUIRED, FOR A PERIOD OF TWO (2) YEARS, AT A PRICE NOT TO EXCEED \$12,573,686. (GENERAL FUND, RAIL DISTRICT AND SERVICE MANAGEMENT DEPARTMENTS BUDGETS)	Resolution No.: 2003-181
	Date: December 11, 2003
	Initiator: Rail District and Service Management Departments
ACTION REQUEST: <input checked="" type="checkbox"/> Approval <input type="checkbox"/> Review/Comment <input type="checkbox"/> Information Only <input type="checkbox"/> Other _____	

- 1.0 PURPOSE/SCOPE: This resolution will authorize a contract with CEI for electric service to both rail and non-rail facilities on a requirement basis.
- 2.0 DESCRIPTION/JUSTIFICATION: The vast majority of GCRTA's electric power is purchased from CEI, primarily under a contract dated August 18,1992. CEI is the only local electric service provider that has the capacity to meet GCRTA's electric requirements for rapid transit propulsion. CEI also provides electric power to numerous other GCRTA facilities, including bus garages and rapid transit stations.
- 3.0 PROCUREMENT BACKGROUND: This is a negotiated contract for the purchase of a public utility service exempt from competitive bidding by Ohio Revised Code Section 306.43. The Authority has hired Siemens Building Technologies to assist in both the survey of the market, as well as, the negotiation of a contract with CEI. Our consultants established that due to the current rate freeze by CEI, along with a significant discount off the tariff rates, and CEI's unique ability to provide collective billing, it is in the best interest of the Authority to enter into an agreement with CEI. Natural Gas prices are at an historic high and those costs are the predominant variable in the production of and therefore in determining the marginal cost of electricity. Consequently, private electricity providers are not able to lock in rates near the levels agreed to with CEI in that they are required to go to the market and buy Wholesale Power at a time when costs are reaching record highs.

CEI offered GCRTA reduced electric rates and other considerations. A new contract was then negotiated between GCRTA and CEI. The significant features of this agreement are:

- a. This agreement includes all the electric service purchased from CEI.
- b. Costs for electricity at 21% below tariff rates (.078 cents/kwh) will result in significant savings in comparison to rates charged by other providers.
- c. CEI and GCRTA representatives will meet at least annually to review GCRTA's electric use and determine which steps may be taken to reduce future costs.
- d. Under this agreement, CEI will continue to be the sole provider of electricity to GCRTA facilities they currently service. The new agreement does not affect GCRTA facilities that are served by other providers (i.e., Cleveland Public Power).
- e. A budget billing procedure will allow GCRTA to estimate annual electric cost and pay on a monthly basis. This will result in better fiscal and administrative management. CEI will submit two monthly bills for electric service, one for rapid transit propulsion and one for operating facilities, to be calculated at reduced rates.

A price analysis has been performed by the Procurement Department and the price has been determined to be fair and reasonable to the Authority.

- 4.0 DBE/AFFIRMATIVE ACTION BACKGROUND: Due to the nature of this procurement, the Office of Business Development did not receive the information necessary to complete the affirmative action review in a timely manner. The results of the evaluation will be provided at the December 16, 2003 Board meeting or prior to contract execution.
- 5.0 POLICY IMPACT: Does not apply.
- 6.0 ECONOMIC IMPACT: The agreement will ensure better fiscal and administrative management by GCRTA in determining annual budgetary allocations for purchased electric power. The contract will be funded from the General Fund, Rail District and Service Management Department budgets, at an amount not to exceed twelve million five hundred seventy three thousand six hundred eighty six & 00/00 Dollars (\$12,573,686), for a period of two (2) years.
- 7.0 ALTERNATIVES: Rejection of this offer will result in GCRTA paying higher rates for electricity than the proposed rates.
- 8.0 RECOMMENDATION: It is recommended that the offer of CEI be accepted and the General Manager be authorized to enter into an electrical service agreement.
- 9.0 ATTACHMENTS: None.

Recommended and certified as appropriate to the availability of funds, legal form and conformance with the Procurement requirements.



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CEO, General Manager/Secretary-Treasurer