



City Council Report

Date: April 6, 2026
To: City Council
Through: Marc Heirshberg, Assistant City Manager
From: Scott Bouchie, Energy and Sustainability Director
Deb Ferraro, Energy Resources Coordinator
Subject: Power Purchase Agreements: Approval of Power Purchase Agreements of Electric Power and Energy through a Reverse Auction Process for Summer 2026 - Council Districts #1, 3 & 4

Purpose and Recommendation

The City of Mesa Energy Resources Department (“Mesa”) recommends the City Council authorize the City Manager or his designee to utilize a reverse auction platform to solicit qualified bids and enter into agreements for summer 2026 off-peak power. Specifically, Mesa recommends the following electric supply product to be purchased through the reverse auction process, a process in which Mesa will request electric power suppliers to provide lowest price bids:

Product A: Summer 2026 Off-peak Power: This agreement will provide twelve (12) Megawatts (MW) of electric power during the off-peak hours of 10pm through 6am Monday through Saturday and all hours on Sunday and NERC holidays (4th of July and Labor Day) during the months of June, July, August, and September 2026 at a cost per MWh not to exceed \$90.

Background

Mesa operates an electric service area (ESA) of approximately 5.5 square miles encompassing the heart of the City, including the original town-site. As of February 2026, electric service is provided to 18,517 customers of whom 15,721 are residential and 2,766 are commercial, interdepartmental or another public authority. The City itself is the largest customer within the ESA (based on the combined use of all City facilities in the ESA). Summer peak demand in 2025 for the electric utility reached 89.04 MW. Both customer count and peak demand continue to trend upward.

Mesa’s current electric power supply portfolio consists of the following power supplies:

- Western Area Power Administration (“WAPA”) Hydropower
 - Parker-Davis Project (Hydroelectric): 10 MW Summer and 8 MW Winter; Expires September 2028.
 - Colorado River Storage Project (Hydroelectric): 4.3 MW Summer and

3.7 MW Winter; Expires September 2057

- Constellation Energy Generation
 - 15 MW Base all year all hours (7 x 24); Expires April 2028.
- SRP
 - Up to 16 MW Summer and up to 14 MW Winter of firm energy and renewable attributes; Expires December 2034
- Brookfield Renewable Trading and Marketing LP
 - 15 MW June 2026 through September 2026 Summer On-Peak (6 x 16)
- BP Energy Company
 - 15 MW Summer for June through September On-Peak (6 x16); Expires September 2026.
- Citigroup Energy Inc.
 - 10 MW for July / August On-Peak, (7 x 16); Expires August 2027.
- Brookfield - Various Monthly Reverse Auction 7 x 24 Products
 - 5 MW for May 2026
 - 10 MW for Oct 2026
 - 7 MW for Dec 2026
 - 10 MW for May 2027

The above portfolio, combined with existing solar generation, meets nearly all of Mesa customers' power demand requirements. However, the remainder of the customers' requirements can vary significantly due to weather fluctuations and therefore are met by real-time purchases from the regional wholesale markets on an *ad hoc* basis. WAPA acquires these additional resources on behalf of Mesa.

Discussion

Mesa requests authority to secure a power contract using a reverse auction process supported by a pre-qualified and pre-selected reverse auction company and a reverse auction web platform, rather than releasing traditional Request for Proposals for power procurement. Mesa held its first reverse auction, with the help of Procurement, in November of 2025, and Mesa electric customers realized significant savings because of Mesa entering into short-term energy trades through the reverse auction process. There is no cost for the City of Mesa to utilize reverse auction services, and fees for the reverse auction platform are built into the price that counterparties bid on for each electric supply product (which is to say that the Supplier(s) will ultimately pay for the cost of the auction and the City will not see any cost for this service).

Various qualified counterparties who have already executed an Edison Electric Institute (EEI) Master Power Purchase & Sales Agreement ("Enabling Agreement") or are willing to accept City's standard EEI terms and conditions at the time of the reverse auctions ("Suppliers") will bid on the predetermined product and quantities described above. EEI-enabled bidders will be qualified to sell to the City a supply of electric power and energy as long as the bids do not exceed the maximum price per Megawatt hour (MWh), which is set by Mesa and built into the reverse auction web platform. The best offer from bidding Suppliers will be chosen for the summer off-peak power product

during the reverse auction process. The contract will be in the form of an EEI with an associated Letter of Confirmation (“Confirm”) documenting the quantity and pricing (collectively, “the Agreement”). In the instance that bids from Suppliers are not favorable because they exceed the maximum price per MWh, then Mesa will continue to purchase such energy on the wholesale market through WAPA.

The following dates, quantity, hours of delivery, and delivery points constitute the off-peak summer product options that Mesa would like to secure through the reverse auction process:

Reverse Auction Products

PRODUCT OPTIONS	Dates	Quantity (MW)	Hours	Delivery Point	MWh	\$ Cap per MWh	\$ Cap for product
Product A (Option 1)	June - Sept 2026	12	off-peak	Mead	15,360	\$90.00	\$1,382,400
Product A (Option 2)	June - Sept 2026	12	off-peak	West Wing	15,360	\$90.00	\$1,382,400
Product A (Option 3)	June - Sept 2026	12	off-peak	Pinnacle Peak	15,360	\$90.00	\$1,382,400

One option from Product A will be chosen to meet Mesa’s summer 2026 off-peak power needs, based on lowest bids received. The reverse auction web platform will include price caps or maximum price per MWh, which will be determined using forward pricing estimates obtained from Mesa’s scheduling and balancing agent, WAPA.

Product A will fill in the gap that exists in Mesa’s power portfolio during off-peak summer hours. Mesa’s current portfolio includes various on-peak summer contracts that have been secured, but Mesa is short power resources during summer off-peak hours. By utilizing a reverse auction, Mesa can more precisely shape and procure its energy needs based on summer demand by selecting bids for specific hours when power supplies are short. The pricing cap for Product A is set at \$90/MWh, which is less than the cost of all three (3) of Mesa’s current summer bilateral contracts. The average cost of Mesa’s summer bilateral contracts is \$122.18/MWh. However, Mesa expects to secure bids at a lower price than both the cap and the average. Product A cost will not exceed \$1,382,400.

Alternatives

APPROVE POWER PURCHASE THROUGH THE REVERSE AUCTION PROCESS. This will enable Mesa to utilize a reverse auction process to solicit offers for the aforementioned power supply via a competitive process.

NOT APPROVE POWER PURCHASE THROUGH THE REVERSE AUCTION PROCESS. An alternative to procuring these supplies and/or if bids from Suppliers are not favorable, Mesa could issue another RFP to solicit alternative proposals or opt to purchase such energy on the wholesale market through WAPA. Given that this is part of Mesa's summer power requirements, this would subject summer power demand to price and availability risks on the spot market and is not recommended. The power that Mesa procures for its customers would likely be less affordable, as fuel prices are beginning to increase, which could result in energy prices for both natural gas and electricity also increasing.

Fiscal Impact

The costs resulting from the proposed supplies are recovered from electric utility customers through an energy cost adjustment mechanism which is revised as frequently as monthly ("EECAF"). The EECAF decreases when supply costs decline and increases when supply costs increase. The power that Mesa procures for its customers would likely be less affordable if purchased on the market, rather than by locking in prices through a reverse auction.

Coordinated With

The City Attorney's Office will assist with negotiation of any enabling agreement and transaction confirmation that would complete the electric power supply transaction pursuant to the requested Council authorization.