



City Council Report

Date: September 8, 2025
To: City Council
Through: Marc Heirshberg, Assistant City Manager
From: Scott Bouchie, Energy Resources Department Director
Anthony Cadorin, Energy Resources Program Manager
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 Maximum Eighteen (18) Months Term - Council Districts #1 & 4

Purpose and Recommendation

The City of Mesa Energy Resources Department ("Mesa") recommends the City Council authorize the City Manager or his designee to select and utilize a reverse auction platform to solicit qualified bids and enter into agreements for terms up to eighteen (18) months for the following two electric supply products to be purchased through a reverse auction process, a process in which Mesa will request electric power suppliers to provide supplier's lowest price:

- A. Base 2026:** This agreement will provide between five (5) and ten (10) megawatts (MW) of electric power and associated energy throughout 2026, which will vary monthly based on forecasted consumption needs (January, February, May, October, and December 2026, 7x24 Firm Energy, "Base").
- B. Base 2027:** This agreement will provide ten (10) megawatts (MW) of electric power and associated energy (May 2027, 7 x 24 Firm Energy, "Base").

Mesa requests authority to negotiate and secure power contracts using a reverse auction process supported by a reverse auction company and a reverse auction web platform, rather than releasing a traditional Request for Proposals procurement. 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 auction ("Suppliers") will bid on the predetermined products 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. Best offers from Suppliers will be chosen for each of the two products during the reverse

auction process. The contract(s) will be in the form of an EEI with associated Letter(s) of Confirmation (“Confirms”) documenting the quantities 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 participation in the Western Area Power Administration’s Resource Management Group.

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 July 2025, electric service is provided to 18,341 customers of whom 15,555 are residential and 2,801 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 June 2025 for the electric utility reached 84.1 MW.

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

- Western Area Power Administration (“WAPA”)
 - Parker-Davis Project (Hydroelectric): 10.4 MW (Summer); Expires September 2028.
 - Colorado River Storage Project (Hydroelectric): 4.3 MW (Summer); Expires September 2057
- Exelon Generation Company, LLC (Constellation)
 - 10 MW Base all year all hours (7 x 24); Expires December 2025.
- BP Energy Company
 - 15 MW Summer for June through September Summer Peak (6 x16); Expires September 2026.
- Citigroup Energy Inc.
 - 10 MW for July / August Peak, (7 x 16); Expires August 2027.
- 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 Peak (6 x 16)

This portfolio met nearly all of Mesa customers’ energy requirements of 341,722 megawatt-hours (MWhs) in Fiscal Year 24/25 with 27.1% through hydroelectric power, solar, and renewable contracts. 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. Western acquires these additional resources on behalf of Mesa (and other similarly situated publicly owned utilities on an aggregate basis) through its Resources Management Services (RMS) program. This multi-party aggregating allows Mesa to take advantage of economies of scale that would not otherwise be available.

Discussion

Beginning in June 2025, Mesa worked with Procurement to review various reverse auction platforms and determine the necessary steps to utilize reverse auction services at no cost to the City. Fees for all reverse auction platforms that were reviewed 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). The following dates, quantities, delivery points, and hours of delivery constitute the two Base 7 x 24 products that Mesa would like to secure through the reverse auction process:

Reverse Auction Products

PRODUCT OPTIONS	Dates	Quantity (MW)	Hours	Delivery Point	MWh	Price Cap per MWh	Price Cap per Product
Product A (Option 1)	Jan-26	5	24 x 7	Mead	3,720	\$90	\$2,110,320
	Feb-26	5	24 x 7	Mead	3,360		
	May-26	5	24 x 7	Mead	3,720		
	Oct-26	10	24 x 7	Mead	7,440		
	Dec-26	7	24 x 7	Mead	5,208		
TOTAL	Jan - Dec 2026	varies by month			23,448		
Product A (Option 2)	Jan-26	5	24 x 7	West Wing	3,720	\$90	\$2,110,320
	Feb-26	5	24 x 7	West Wing	3,360		
	May-26	5	24 x 7	West Wing	3,720		
	Oct-26	10	24 x 7	West Wing	7,440		
	Dec-26	7	24 x 7	West Wing	5,208		
TOTAL	Jan - Dec 2026	varies by month	24 x 7	West Wing	23,448		
Product B (Option 1)	May-27	5	24 x 7	Mead	3,720	\$60	\$446,400
	May-27	5	24 x 7	West Wing	3,720		
TOTAL		10			7,440		

Product B (Option 2)	May-27	10	24 x 7	Mead	7,440	\$60	\$446,400
Product B (Option 3)	May-27	10	24 x 7	West Wing	7,440	\$60	\$446,400
TOTAL (Product A + B)					30,888		\$2,566,720

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

The power Mesa intends to procure through the reverse auction process will fill in some gaps that will be created when the 10 MW Base energy contract with Constellation expires in December of 2025. Based on new resources including Downtown Solar 2, SRP Renewables, additional solar installations on residential and commercial premises, Mesa does not need as much power from market purchases to meet demand. By utilizing a reverse auction, Mesa can more precisely shape and procure its energy needs based on monthly demand. For the months when Mesa has ample power to meet demand forecasts, Mesa is not seeking bids for more energy. By selecting bids for specific months when power supplies are short, Mesa is also eliminating some of the summer months when prices are higher. In doing so, Mesa expect the bids for the reverse auction products to be lower than they would be if they included an entire year of base energy.

The pricing cap for Product A is set at \$90/MWh, which is comparable to the average price of Mesa's current contracts. However, Mesa expects to secure bids at a lower price than the cap.

The pricing cap for Product B is set at \$60/MWh, which is less expensive than all of Mesa's 2026 market power contracts. However, Mesa expects to secure bids at a lower price than the cap.

Alternatives

APPROVE POWER PURCHASE AGREEMENTS THROUGH A REVERSE AUCTION. This will enable Mesa to select a reverse auction provider to solicit offers for the aforementioned power supplies via a competitive process.

NOT APPROVE POWER PURCHASE AGREEMENTS THROUGH A REVERSE AUCTION. 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 participation in WAPA's Resource Management Group. Given that this is part of Mesa's Base power

requirements, this would subject a substantial portion of Mesa's base energy requirements 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 and less reliable.

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. Prices can vary significantly between indicative offers and refreshed best and final pricing depending on the movement of the wholesale energy market.

Coordinated With

The selection and administration of the Reverse Auction web platform is being coordinated with Procurement. The City Attorney's Office will assist with negotiation of any enabling agreement and transaction confirmation that would complete an electric power supply transaction pursuant to the requested Council authorization.