

Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: AUG 21 2007

SUBJECT: Fiscal Impact Statement: "Procurement of Natural Gas and Electricity Exemption Amendment Act of 2007"

REFERENCE: Draft Legislation to be Introduced – No Number Available

Conclusion

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the proposed legislation. No additional staff or resources will be required.

Background

The proposed legislation would approve an exemption from District procurement practices¹ when executing service provider contracts between the District and electricity and natural gas providers. The legislation would authorize the Office of the Chief Procurement Officer to solicit electricity and natural gas providers to provide energy to support District government operations by participating in reverse auctions² for their services.

Upon successful execution of a reverse auction the District must accept and lock-in the rate for the services offering within 24 hours. Under the conditions of the auction, the service supplier is entitled to add a premium to the rate of their services. The premium is added to the rate offered for every day that passes after the 24 hours and before the full execution of the contract by all parties.

¹ The District of Columbia Procurement Practices Act of 1985; D.C. Official Code Title 2 § 303.20.

² A reverse auction (also called procurement auction, e-auction, sourcing event, e-sourcing or 'eRA') is a tool used in industrial business-to-business procurement. It is a type of auction in which the role of the buyer and seller are reversed, with the primary objective to drive purchase prices downward. In an ordinary auction (also known as a forward auction), buyers compete to obtain a good or service. In a reverse auction, sellers compete to obtain business.

Financial Plan Impact

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the proposed legislation. No additional staff or resources will be required. The objective of the reverse auction process is to procure electricity and natural gas contracts at lower costs. Savings as a result of cost avoidance cannot be quantified at this time.