



**AGENDA MEMORANDUM**

Action Item for the City Council Meeting June 29, 2021

**DATE:** June 22, 2021

**TO:** Peter Zaroni, City Manager

**FROM:** Bill Mahaffey, Director of Gas Operations  
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**Purchase of Natural Gas**

**CAPTION:**

Resolution authorizing the renewal of a five-year natural gas supply contract with NextEra Energy Marketing, LLC for an estimated amount \$125,000,000.00, of which \$1,500,000.00 is needed for the remainder of the FY 2020-2021, to meet the City's natural gas requirement from August 1, 2021 to August 1, 2026.

**SUMMARY:**

The purpose of this Agenda Item is to execute a five-year contract with NextEra to continue to provide natural gas. The current Natural Gas Supply contract expires on July 31, 2021.

**BACKGROUND AND FINDINGS:**

On July 26, 2016, the City Council approved a resolution to execute a five year natural gas supply, transportation, and facilities construction contract with National Energy & Trade, LP ("NET") which was later purchased by NextEra Energy Marketing, LLC for the purchase of 100% of the City's natural gas requirement to begin on August 1, 2016 and expires on July 31, 2021.

Currently, the City of Corpus Christi purchases 100% of its daily natural gas requirements from NextEra Energy Marketing, LLC. The present five-year contract expires on July 31, 2021.

NextEra, the City's current natural gas supplier, proposed a commodity price component and a fixed reservation fee of HSCI + \$0.40 or \$0.41 per MMBTU dependent on payment date and \$1,650 per day respectively. Both are for a sixty (60) month term and did not change from the previous contract. The reservation fee equates to approximately \$0.0275 per MMBTU and includes the cost of the facilities to be added, pipeline integrity management, any and all third party upstream pipeline fees, ad valorem taxes, legal, operations and maintenance (O&M) and general and administrative cost (G&A). Amendments to the contract also include more robust and flexible fixed price options

NextEra's Proposed Price: (HSCI + \$0.40 or \$0.41)/MMBTU + \$1,650/day

NextEra has existing interconnects to provide redundancy at the City's three major purchase points and meet all past supply obligations. Gas supplied has met quality requirements.

The City of Corpus Christi – Gas Department, with the assistance of ReSolved Energy Consulting, LLC, evaluated the proposal based on the weighted factors of deliverability, price, acquisition of interconnects, gas quality, marketing proposal and past performance, and recommends the 5-year natural gas supply contract be awarded to NextEra Energy Marketing, LLC.

The financial impact of this item is approximately \$25 million per year over the five-year term of the contract. The acquisition costs will be offset by the gas ratepayers.

**ALTERNATIVES:**

Not approve the contract and no longer have the capabilities of supplying natural gas to current and future customers.

**FISCAL IMPACT:**

The fiscal impact for Gas Operations is an amount of \$1,500,00.00 for FY 2021, with the remaining cost to be budgeted in future years through the annual budget process.

**Funding Detail:**

Fund:	4130	Gas Fund
Organization/Activity:	34100	Natural Gas Purchased
Mission Element:	022	Gas Distribution
Project # (CIP Only):	N/A	
Account:	520200	Natural Gas Purchases

**RECOMMENDATION:**

Staff recommends approval of the resolution as presented.

**LIST OF SUPPORTING DOCUMENTS:**

Resolution  
Contract