



AGENDA MEMORANDUM

Action Item for the City Council Meeting of July 30, 2024

DATE: July 30th, 2024

TO: Peter Zanoni, City Manager

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Professional Services Contract **Underground Natural Gas Storage**

CAPTION:

Motion authorizing a professional services contract with NITEC, LLC, of Denver, Colorado in the amount of \$4,571,582 for the identification of a reservoir location and design of the Underground Natural Gas Storage project with FY 2024 funding available from the Gas Capital Fund.

SUMMARY:

This motion authorizes approval of a professional services contract to perform professional engineering design and various supporting services for an underground natural gas storage facility.

BACKGROUND AND PURPOSE:

Every day CCGAS buys 7 to 40 MMCF (Million cubic feet) of Natural Gas for its 60,000 customers. The daily price changes frequently and is based on a fluctuating daily market index price. Changes in upstream production, demand, and weather events have a dramatic impact on the daily price of natural gas from a low price of \$2 to over \$300 per MCF (1000 Cubic Feet). In a low market year, CCGAS spends around \$10 million to purchase over 3 BCF (1 Billion Cubic Feet) of natural

gas for our customers. During high market years CCGAS can spend over \$21 million, and in extreme cases over \$51 million. The supply shortage in February of 2021 caused by Winter Storm Uri drove the price of Natural Gas over \$300 per MCF. CCGAS was forced to spend over \$40 million in one month to keep the gas flowing to its customers. Since 2021, CCGAS has been looking for a long-term solution to provide price and supply security to our valuable customers. An underground Natural Gas Facility is the best solution to control our future supply and secure natural gas at affordable prices. The Facility could also provide the same security to new industrial customers in the region and a new business opportunity and revenue stream for CCGAS.

The primary purpose of the facility is to purchase and store natural gas at affordable rates during low market days, then withdrawal gas during high market rate days. The facility is comprised of large natural gas compressors used to inject natural gas through multiple wells into depleted natural gas reservoirs miles below the earth's surface. Years worth of natural gas can be stored and ready to withdrawal when gas prices are high or during supply shortages. During the withdrawal process natural gas from the reservoirs is processed through a central gas plant to ensure a quality product is delivered to customers.

The overall projected cost, encompassing design, construction, and other associated costs, amounts to \$46 million.

PROJECT TIMELINE:

| 2024 - 2026 | 2026 |
|------------------|------------------|
| August - January | February - April |
| Design | Bid/Award |

Projected schedule reflects City Council award of professional services in July 2024 with anticipated design completion by January 2026.

COMPETITIVE SOLICITATION PROCESS:

NITEC Inc. was selected in March of 2024 under RFQ 5507 for the Underground Natural Gas Storage project, which was the only project announced under the GAS CIP 2023 Projects category of the RFQ. The Request for Bid solicitation was advertised on Civcast Portal that is widely used for commercial bid advertisements nationally. The project plans were downloaded and viewed by seventy-eight interested contractors. Six firms submitted qualifications for the Underground Natural Gas Storage project.

The selection committee was comprised of representatives from the Gas Operation Department and Engineering Services Department. The final evaluation ranked NITEC Inc., as the highest ranked firm based on seven (7) factors:

1. Firm Experience on Projects of Similar Scope and Complexity
2. Firm Capability & Capacity on Comparable Projects
3. Past performance
4. Team Member Experience & Qualifications
5. Team Experience on work of similar Scope and Complexity
6. Team Availability of resources to accomplish the work
7. Demonstrated understanding and experience with a public agency

NITEC Inc. has worked on gas projects for over thirty years and has completed multiple comparable gas projects. NITEC has not worked on any gas project associated with the city of Corpus Christi but has worked around surrounding areas, e.g., Eagle Ford and Permian Basin in West Texas. Services include unconventional reservoir evaluation, integrated data reservoir studies, reservoir characterization, reservoir engineering and analysis, stimulation, gas storage modeling, and technical reports.

ALTERNATIVES:

The City Council could elect not to award the contract to NITEC Inc. Not awarding the contract for these professional services will continue to subject City of Corpus Christi to increased prices in times of high demand.

FISCAL IMPACT:

The fiscal impact for FY 2024 - 2025 is an amount not-to-exceed \$4,571,582.00 with funding available from the Gas Capital Fund.

FUNDING DETAIL:

Fund: GASCP RR 032950 2023 (Fund 4563)
Department: Gas (11)
Organization: Grants & Capital Projects Funds (89)
Project: Underground Natural Gas Storage (Project No.22123)
Account: Outside Consultants (550950)
Activity: 22123-4563-EXP
Amount: \$4,571,582

Year 1 (FY2024): \$1,500,000
Year 2 (FY2025): \$3,071,582
Total: \$4,571,582

RECOMMENDATION:

Staff recommends approval of the professional services agreement contract with NITEC, Inc., in an amount not to exceed \$4,571,582 for the Underground Natural Gas Storage project. The design phase will begin in August 2024 with its estimated completion by January 2026.

LIST OF SUPPORTING DOCUMENTS:

Evaluation Matrix
CIP Page
Presentation