



AGENDA MEMORANDUM

Future Item for the City Council Meeting of July 19, 2016
Action Item for the City Council Meeting of July 26, 2016

DATE: July 19, 2016

TO: Margie C. Rose, City Manager

FROM: Bill Mahaffey, Director of Gas Operations
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Natural Gas Supply

CAPTION:

Resolution authorizing the City Manager, or the City Manager's designee, to execute a five-year natural gas supply contract with NextEra Energy Power Marketing, LLC ("NextEra"), Juno Beach, Florida for an estimated amount \$125,000,000.00, of which \$1,500,000.00 is needed for the remainder of the FY 2015-2016, for the purchase of 100% of the City's natural gas requirement from August 1, 2016 to July 31, 2021.

PURPOSE:

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 as amended expires on August 1, 2016.

BACKGROUND AND FINDINGS:

On May 31, 2011, 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") for the purchase of 100% of the City's natural gas requirement to begin on July 1, 2011 and expire on August 1, 2016. During the fifth year of the contract NET was purchased by NextEra Energy Resources, LLC.

Currently, the City of Corpus Christi purchases 100% of its daily natural gas requirements from NextEra Energy Resources, LLC. The present five-year contract expires on July 1, 2016. An amendment for one month was executed to allow time for the new agreement to be approved. Current contract price is Houston Ship Channel Index daily (HSCI) plus \$0.40 per one million British thermal units (MMBTU). A reservation fee of \$0.0275 per MMBTU based on the capacity reservation of 60,000 MMBTU per day (or \$1,650 per day) is also included in the contract price.

Requests for proposals were advertised and one proposal was submitted by NextEra.

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. 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).

Current Price: (HSCI + \$0.40)/MMBTU + \$1,650/day

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 Resources, 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.

OTHER CONSIDERATIONS:

None.

CONFORMITY TO CITY POLICY:

This purchase conforms to the City's purchasing policies and procedures along with the State statutes regulating procurement.

EMERGENCY / NON-EMERGENCY:

Non-Emergency

DEPARTMENTAL CLEARANCES:

Gas Department

FINANCIAL IMPACT:

☒ Operating ☐ Revenue ☐ Capital ☐ Not applicable

Fiscal Year: 2015-2016	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget		\$21,736,499.00	\$123,500,000.00	\$145,236,499.00
Encumbered / Expended Amount		\$7,375,827.87	\$0	\$7,375,827.87
This item		\$1,500,000.00	\$123,500,000.00	\$125,000,000.00
BALANCE		\$12,860,671.13	\$0	\$12,860,671.13

Fund(s): Gas

Comments:

RECOMMENDATION:

Staff recommends approval of the resolution as presented.

LIST OF SUPPORTING DOCUMENTS:

Bid Tabulation

Resolution

Contract