



MEMORANDUM

TO: Mayor Linda Gorton
Urban County Council

FROM: James Bush, CEM
Division of Environmental Services

THROUGH: Susan Plueger, Director
Division of Environmental Services

DATE: April 15, 2020

SUBJECT: Natural Gas Contracts

Request

The Division of Environmental Services requests approval of three price contracts for the supply of natural gas, including one CHOICE contract, and two Delivery Service contracts.

Why are you requesting?

Existing natural gas contracts expire on 6/30/2020. Trane Energy Solutions, LFUCG's natural gas consultant, is soliciting competitive bids, and bid recommendations and respective contract agreements will be submitted on April 23, 2020. With Council approval, contracts would be finalized on April 24, 2020 based on the available market price.

CHOICE Contract: Since 2011, LFUCG has solicited competitive bids from eligible suppliers of Columbia's CHOICE Marketer program for the purchase of natural gas under a long-term, fixed price rate. The rate would apply to LFUCG's commercial accounts. This approach is recommended because it (1) provides cost certainty during the contract term and (2) improves budget forecasting.

The method allows LFUCG to secure an average, anticipated price of natural gas to guard against price volatility, but does not guarantee the lowest cost of procurement. This was the case in our most recent contract, as our rate started out below Columbia's benchmark, but is now higher as a result of continual declining energy prices. The CHOICE rate has resulted in a cost premium of +0.3% (\$4,883) over the first 30 months of the 36 month term.

Delivery Service Contracts: The Delivery Service (DS) rate is restricted to high volume accounts. For LFUCG, only the Detention Center and CNG Fueling Station are eligible. The DS rate allows the customer to purchase wholesale gas with limited markup. Historically, the discount has resulted in savings of approximately 20% when compared against the standard commercial rate.



The Detention Center has utilized the DS rate since at least 2010. The CNG Fueling Station is more recently eligible. A contract with a natural gas supplier is required for each facility.

What is the cost in this budget year and future budget years?

N/A

Are funds budgeted?

Yes. Funds are budgeted for natural gas under the utility accounts (XXXX-XXXXXX-XXXX-72102).

File Number: 0392-20

Director/Commissioner: Susan Plueger/Nancy Albright

