

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date	March 9, 2009
	Agenda Item No. 29 Roll Call No. <u>09-</u> Communication No. <u>09-160</u> Submitted by: Allen McKinley, Finance Director	

AGENDA HEADING:

Approving renewal of contract to purchase natural gas from Constellation NewEnergy – Gas Division, LLC.

SYNOPSIS:

Authorize the Finance Director to execute agreements with Constellation NewEnergy – Gas Division, LLC. for two one-year renewal terms. Continuing the current contract arrangement will provide the City with options to control costs, including the ability to take advantage of today’s market prices.

FISCAL IMPACT:

Amount:

Energy commodity pricing has been extremely volatile the last few years. If the City purchased a winter strip at early March market pricing, estimated natural gas expenses would be \$174,000 less than the current Nov 08 – March 09 prices. Calendar year natural gas purchases from Constellation NewEnergy were approximately 109,000 MMBTU for about \$1.3 million.

Funding Source:

Annual funding for natural gas purchases under the current contract come from:

- General Fund 45%
- Aviation 31%
- Housing 11%
- Others 13%

ADDITIONAL INFORMATION:

The Iowa Utilities Board approved a tariff change effective September 2004 to allow state and local governments the option to participate in the natural gas transportation program, an option that was already available to large natural gas users. A consultant was hired in November 2004 to assist staff in evaluating this option. Attempting to reduce costs and increase purchase options for natural gas, an RFP was issued in March 2005. Cornerstone Energy provided the best pricing and the most options to choose in purchasing natural gas and in May 2005, Council authorized staff to negotiate a contract with Cornerstone Energy (now Constellation NewEnergy) for natural gas supply. The authorization of the initial contract was for a term of up to three years.

Cornerstone (Constellation NewEnergy) has demonstrated satisfactory performance and offers purchasing options to meet City needs. Current market prices for natural gas purchasing have been favorable for the city to purchase natural gas for next winter. Renewal of the contract will allow the City the option to lock in a rate if prices start to trend up. Over the next year staff will work to develop a Natural Gas Purchase and Use Reduction Plan with a strategy to lower cost and carbon footprint.

PREVIOUS COUNCIL ACTION(S):

Date: May 23, 2005

Roll Call Number: 05-299

Action: Issuance One year contract with two 12 month renewal terms with Cornerstone Energy for natural gas supply. Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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