

Request for Committee Action

To: Ways & Means
Date: 9/21/2015
From: Finance & Property Services
Prepared by: Millberg, Brian A.
Presented by: Brian Millberg
File type: Action
Subcategory: Contracts & Agreements

Subject:

CenterPoint Energy Services Guaranteed Supply natural gas contracts for Water Treatment Plants

Description:

Authorizing proper City officials to execute natural gas contracts with CenterPoint Energy Services for two accounts serving the Water Treatment Plant (Fund 07400 6900400 512401).

Previous Actions:

- Both accounts are currently under contract, negotiated by staff, with CenterPoint Energy Services; but at a different rate than proposed with the new contracts.

Ward/Neighborhood/Address:

Not Applicable

Background/Analysis:

The Public Utilities Commission (PUC) provides for and allows large industrial users (accounts) to purchase their natural gas from CenterPoint Energy through several contracting options. The City has typically selected the "Firm Gas" (guaranteed supply 24x7x365) rate or at a lower cost rate for "Interruptible Gas" (supply can be curtailed during peak usage). To utilize the "Interruptible gas" rate, a back-up source of fuel is needed by the customer.

The water treatment plants located in Fridley and Columbia Heights are designated as larger industrial accounts and have traditionally taken advantage of the "Interruptible gas" rate utilizing diesel fuel oil in underground tanks as a backup fuel to qualify for the lower rate structure. The current underground tanks are at the end of their useful life and have been decommissioned. Therefore the treatment plants will have no backup fuel source this winter. Based on Public Utility Commission rules, the plants would either have to switch to a more expensive "Firm Gas" rate, install new diesel fuel oil tanks, or to switch to an alternate back up fuel source. Replacing the current tanks is not economically viable based on natural gas rate savings.

Center Point Energy has multiple suppliers of natural gas to service the regulated market. An alternative for back up fuel source, the City can purchase back-up natural gas from CenterPoint Energy Services (a subsidiary of CenterPoint Energy) utilizing a third rate option sanctioned by the PUC – "Guaranteed Supply" gas. This type of contract allows us to purchase gas at a savings from the "Firm" gas rate, while still guaranteeing gas supply 24/7/365 regardless of CenterPoint Energy declaring a gas shortage for interruptible customers. No competitive bidding is possible on these contracts as the rates are set by the Public Utilities Commission. Savings to the City are projected to be \$ 18,000.00 per year.

Financial Review:

No additional appropriation required, amount included in current budget.