



MEMORANDUM

TO: Mayor Diane Wolfe Marlin and Members of City Council
FROM: Carol J. Mitten, City Administrator and Interim Public Works Director
Scott R. Tess, Environmental Sustainability Manager
DATE: February 14, 2019
RE: A RESOLUTION AUTHORIZING EXECUTION OF A SERVICE
AGREEMENT WITH THE LOWEST RESPONSIBLE BIDDER FOR THE
SUPPLY OF NATURAL GAS FOR CITY FACILITIES

Action Requested

City Council is requested to take action on a resolution to authorize the Mayor to execute a retail natural gas supply agreement for City-owned facilities.

Additionally, City Council is requested to suspend Rule 4 by a 2/3rds (5 of 7 or 4 of 6) voice vote to consider the matter. In 2017 as part of Resolution 2017-07-045R, Rule 4 “all resolutions to be acted upon by the City Council shall be first considered by the appropriate City Council committee (including the Committee of the Whole).” As time is of the essence for this matter, it was necessary to bring this to council now for a decision.

Background and Facts

Since natural gas supply is no longer a regulated monopoly in Illinois and since the City now receives cash payments for a utility company natural gas franchise agreement rather than free natural gas, the City has an opportunity to competitively purchase natural gas supply for City-owned facilities. The City’s electricity broker, Good Energy, has aggregated approximately 50 Illinois cities into an informal purchasing group to obtain favorable natural gas supply prices. By Illinois statute, new retail gas supply must notify the regulated utility of a switch from regulated supply to retail supply the first week of March and that retail service must begin May 1. If the City declines to authorize a retail natural gas purchase at this time, the City will not be able to join the larger purchasing group until the two year supply contract ends and would not be able to execute a standalone supply contract for one year.

Financial Impact

Supplier	Price per therm	@ 68,700 therms / year
Ameren Illinois	\$0.4084	\$28,057.08
Indicative Retail Pricing*	\$0.32040	\$22,011.48
Difference	\$0.088	\$6,045.60

*Includes \$0.03/therm broker fee.

Recommendations

It is recommended that “A RESOLUTION AUTHORIZING EXECUTION OF A SERVICE AGREEMENT WITH THE LOWEST RESPONSIBLE BIDDER FOR THE SUPPLY OF NATURAL GAS FOR CITY FACILITIES” be approved.

Attachments:

RESOLUTION NO. 2019-02-003R

**A RESOLUTION AUTHORIZING EXECUTION OF A SERVICE AGREEMENT WITH
THE LOWEST RESPONSIBLE BIDDER FOR THE SUPPLY OF NATURAL GAS FOR
CITY FACILITIES**

(Natural Gas Supply/2019)

WHEREAS, the City of Urbana is a home rule unit of local government pursuant to the Illinois Constitution of 1970, Article VII, Section 6; and

WHEREAS, it is in the best economical interests of the City to pursue purchases of commodities such as natural gas for City-owned facilities at economical rates; and

WHEREAS, purchasing natural gas through a buying consortium that includes dozens of Illinois municipalities who coordinate their purchases of this commodity is expected to generate cost-savings for the City; and

WHEREAS, the City has an opportunity to join in a municipal buying consortium that is anticipated to save the City money when purchasing natural gas for City-owned facilities.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Urbana, Champaign County, Illinois, as follows:

Section 1.

The Mayor of the City of Urbana, Illinois, shall be and is hereby authorized to execute and deliver and the City Clerk of the City of Urbana, Illinois, be and the same is hereby authorized to attest to said execution of a service agreement with the lowest responsible bidder for the supply of natural gas for City facilities, said execution and attestation to take place within the applicable time constraints required by the bidder.

Section 2.

This Resolution shall be effective immediately and shall remain in effect until such time that a bid for natural gas supply is accepted or rejected.

PASSED BY THE CITY COUNCIL this ____ day of _____, _____.

Charles A. Smyth, City Clerk

APPROVED BY THE MAYOR this ____ day of _____, _____.

Diane Wolfe Marlin, Mayor

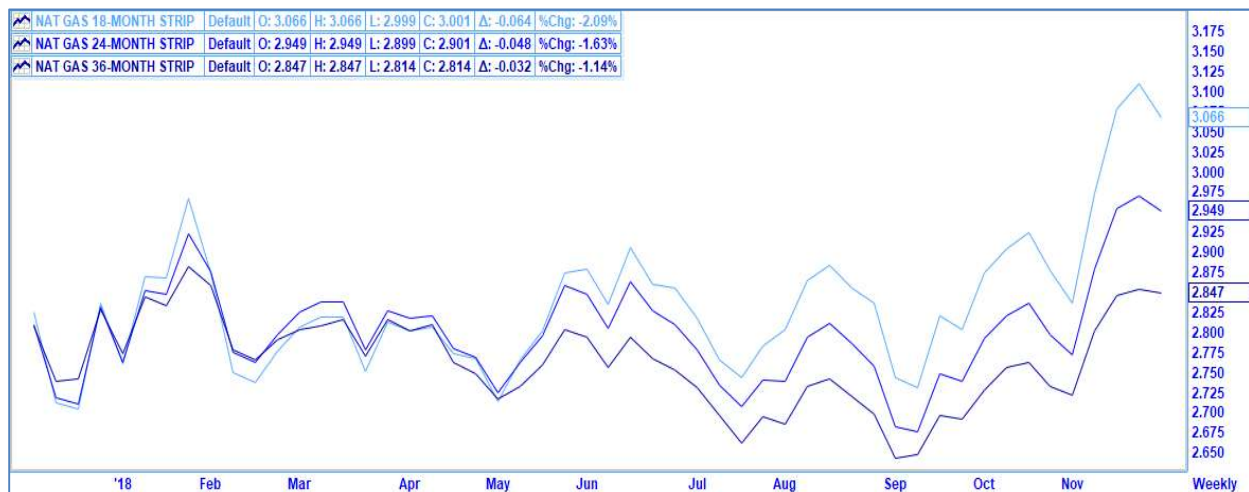
City of Urbana

Opportunity: Natural Gas Purchasing will result in savings and budget stability

1. Purchasing natural gas from marketers certified to supply in Ameren's service area rather than the Ameren Illinois utility will likely result in material savings to the City of Urbana. At current market conditions the savings could be in excess of \$10,000 annually on a stand-alone basis and potentially more on an aggregate basis. Good Energy has over 50 municipalities and counties on the same schedule.
2. Most large-volume gas consumers such as industrials, universities and agri-business have purchased natural gas from competitive suppliers for many years. They are referred to as "transport" customers.
3. The City of Urbana has not previously considered gas transport because the former franchise agreement with Ameren provided a discount on gas supply. The recent restructuring of the City of Urbana's franchise agreement has replaced the discount with a fixed cash payment. This has opened up a gas transport opportunity for the city's municipal gas accounts.
4. Good Energy will be bidding out an informal group of municipalities in early March for a May 1st commencement.
5. New transport customers must "nominate" their natural gas purchases once annually. Ameren requires that all May 1st procurements notify the utility no later than March 10th.
6. To prepare for this opportunity, Good Energy requested a gas agency agreement to review the city's gas account usage and solicited the interested of established gas marketers
7. By pooling the city's gas load with other communities, the city can attract the interest of suppliers with a combined load similar to large consumers. Good Energy has received interest from numerous regional communities in the Ameren service area to explore the opportunities for transporting natural gas to their government-owned accounts.
8. Several suppliers have provided consistent indicative market bids, which provides assurance that market savings can be achieved when a firm price is locked in via contract.

Background: Natural Gas Transport for Communities in Ameren

1. Natural gas is a volatile commodity which is highly correlated to weather patterns.
2. Cold weather in winter (particularly unseasonable cold periods) triggers an increase in demand for natural gas beyond the “normalized” demand patterns. Prices tend to spike in such events. The winter of 2018-2019 presents such a pricing pattern.



3. During summer, sustained hot weather triggers an increase in demand by power plants using natural gas for fuel. The number of power plants burning gas rather than coal has increased in recent years due to emissions restrictions.
4. Smaller gas consumers, such as office buildings and retail establishments, typically have not taken advantage of gas transport opportunities since suppliers focus only on larger consumers.