



Legislation Text

File #: 20-452, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Waive the applicable provisions of the Naperville Procurement Code and award a third extension to Contract 14-174, Natural Gas, to CenterPoint Energy for an amount not to exceed \$229,385, and for a one-year term (requires 6 positive votes)

DEPARTMENT: Department of Public Works

SUBMITTED BY: Richard Dublinski, Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

The Department of Public Works (DPW) assists in coordinating the purchase and delivery of utility natural gas to select City facilities. Contract 14-174 was awarded by the City Council in May 2014 for a two-year term with two, two-year options to extend. The awarded vendor, Center Point Energy Services, provides gas requirements and gas contract administration to the City for select sites. Specifically, Center Point Energy is responsible for buying, scheduling and transporting the natural gas to the City of Naperville.

Sites that are included with this contract are chosen based on gas usage. The buildings not included in this award are either too small and fall under the residential tariff, or in the case of some of our largest non-utility fund buildings, receive free natural gas under the City's franchise agreement with Nicor.

Center Point provides a "Build and Drain" program for securing natural gas for the City. The Build and Drain program purchases pre-determined amounts of incremental gas in non-winter months to be injected into storage for use when gas often costs less than in winter months (dollar cost averaging). This strategy is used to offset volatility during the winter months and take advantage of the historically lower prices in the summer/early fall months.

The City Council approved the first and second two-year extensions to Contract 14-74 in April 2016 and March 2018. There are no more options to extend.

DISCUSSION:

Approval of the award for Natural Gas Broker requires a Waiver of Section 1-9B-4 (Methods of Source Selection) of the Naperville Procurement Code because the recommended process is not one of the enumerated methods under the Code. Specifically, staff is asking the City Council to extend this contract for an additional year when another extension was not included in the contract.

Due to the complexity of the options for procuring natural gas, staff intends to use an outside consultant that specializes in the natural gas markets to assist the City in developing an RFP and analyzing the RFP responses. This process is expected to take six months to complete and will start this summer. Center Point Energy performed well during the initial contract term and the first and second two-year extensions. Since natural gas prices are stable, and staff was able to negotiate a zero percent increase to Center Point Energy's management fee, staff is seeking to extend the current contract for one additional year in order to fix the prices through April 2021. This contract allows the City to manage the risk associated with the often-changing natural gas prices.

The award amount includes the cost of the natural gas to the City and Center Point Energy's management fee for nominating, scheduling and transporting the natural gas to the appropriate city gate. The management fee, which has remained the same since the original award, is \$0.005 over the cost of gas per therm.

The term of the extension is one-year from May 1, 2020 to April 30, 2021, with no options to extend. DPW intends to develop an RFP for a new natural gas supplier in 2020 for award in 2021.

FISCAL IMPACT:

CIP #: N/A

This contract is expensed to the natural gas accounts across multiple funds as shown in the table below. A total of \$229,385 has been budgeted for this expense in 2020. This contract extends into 2021 and funding will be programed for the remainder of that term.

Account Number	Fund Description	Total Budget Amount
31101100-542413	General Fund	\$2,750
31341100-542413	General Fund	\$75,000
31251200-542413	Commuter Parking Fund	\$2,425
40271300-542413	Electric Utility Fund	\$24,000
41251510-542413	Water Utilities Fund	\$10,100
41251520-542413	Water Utilities Fund	\$6,250
41251530-542413	Water Utilities Fund	\$4,100
41101500-542413	Water Utilities Fund	\$24,250
51343200-542413	Naper Settlement Fund	\$45,510
50102910-542413	Library Fund	\$13,000
50102920-542413	Library Fund	\$7,000
50102930-542413	Library Fund	\$15,000