



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 12/12/2017

ALL

Item Creation Date: 12/5/2017

C75136-A1 – Natural Gas Supply Agreement between CenterPoint Energy Services, Inc and the City of Houston - ORDINANCE

Agenda Item#: 45.

Summary:

ORDINANCE approving and authorizing a first amendment to the natural gas supply agreement between the City of Houston and **CENTERPOINT ENERGY SERVICES, INC.** to provide natural gas to the City of Houston; amending Ordinance Number 2016-0400 (passed on May 25, 2016) to increase the maximum contract; containing provisions relating to the subject; and declaring an emergency.

Background:

C75136-A1 - Approve an ordinance authorizing a first amendment to Contract No. 4600011967 providing natural gas to the City of Houston to extend the contract term from January 15, 2018 to January 31, 2019, and to increase the maximum contract amount from \$29,000,000.00 to \$35,367,302.24 - Revolving Fund

SPECIFIC EXPLANATION:

The Director of the Finance Department and the Chief Procurement Officer recommend that City Council approve an ordinance authorizing a first amendment to the contract between the City of Houston and CenterPoint Energy Services, Inc. for natural gas and to extend the contract term from January 15, 2018 to January 31, 2019, and to increase the maximum contract amount from \$29,000,000.00 to \$35,367,302.24.

The original contract was awarded January 9, 2013 by Ordinance No. 2013-0017 for a three-year term with two one-year options with an initial maximum contract amount of \$19,000,000.00 representing an estimate for the first three years i.e. from 2013-2015 (average at \$4.09 per MMBtu). On September 18, 2015, the Finance Department exercised the first one-year option. On April 29, 2016, the Finance Department exercised the second one-year option. The Term now ends on January 15, 2018.

On May 25, 2016, City Council approved Ordinance No. 2016-400 increasing the maximum contract amount from \$19,000,000.00 to \$29,000,000.00.

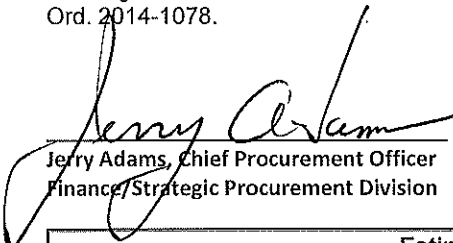
The Finance Department recommends an amendment to the contract to extend the term for an additional twelve and one-half (12.5) months until January 31, 2019. The extra one-half a month will synchronize the contract with monthly natural gas nominations and avoid pro-rating the last month.

Currently \$6.4 million is budgeted in FY18 for natural gas (based on \$4.37 per MMBtu). The FY18 projected cost of natural gas is \$5.5 million (based on \$4.25 per MMBtu) which is \$883k below budget due to market fluctuations. This accounts for the change in adder cost for the price per MMBtu from January 2018 to June 2018 which is increasing by \$0.055 from \$0.095 to \$0.15 in the new contract terms.

The ordinance will also increase the maximum amount of \$29,000,000.00 by \$6,367,302.24 to \$35,367,302.24.

Fiscal Note:

Funding for this item is included in the FY 2018 Adopted Budget. Therefore, no Fiscal Note is required as stated in the Financial Policy Ord. 2014-1078.


Jerry Adams, Chief Procurement Officer
Finance/Strategic Procurement Division

Department Approval Authority Signature

Estimated Spending Authority			
Fund	FY2018	OUT YEARS	TOTAL
Revolving Fund	\$3,010,180.03	\$3,357,122.21	\$6,367,302.24

Prior Council Action:

Ordinance No. 2013-0017, Passed January 9, 2013
Ordinance No. 2016-0400, Passed May 25, 2016

Amount of Funding:

\$6,367,302.24 – Central Service Revolving Fund (1002)

Contact Information:

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ATTACHMENTS:

<u>Description</u>	<u>Type</u>
<u>RCA#C75136-A1 CENTERPOINT ENERGY SERVICES, INC.</u>	Signed Cover sheet
<u>Prior Council Action - Ordinance No. 2013-0017</u>	Backup Material
<u>Prior Council Action - Ordinance No. 2016-0400</u>	Backup Material
<u>Form A - Fair Campaign Ordinance</u>	Backup Material
<u>Form B - Fair Campaign Ordinance</u>	Backup Material
<u>Affidavit of Ownership</u>	Backup Material
<u>Contract</u>	Backup Material
<u>Amendment</u>	Backup Material
<u>Financial Information (JH)</u>	Financial Information
<u>Ordinance (revised)</u>	Ordinance/Resolution/Motion
<u>FIN Dir Sign-Off</u>	Signed Cover sheet