



## CITY OF HOUSTON - CITY COUNCIL

Meeting Date:

ALL

Item Creation Date:

C75136.A2 – Second Amendment to Natural Gas Supply Agreement between CenterPoint Energy Services, Inc and the City of Houston - ORDINANCE

Agenda Item#:

### **Background:**

C75136.A2 - Approve an ordinance authorizing a second amendment to Contract No. 4600011967 extending the contract term from January 31, 2019 to April 30, 2019, to provide natural gas to the City of Houston and to amend Ordinance No. 2017-0983 (passed on December 13, 2017) to increase the maximum contract amount from \$35,367,302.24 to \$36,130,720.63

### **SPECIFIC EXPLANATION:**

The Director of the Finance Department and the Chief Procurement Officer recommend that City Council approve an ordinance authorizing a second amendment to the natural gas supply contract between the City of Houston and CenterPoint Energy Services, Inc. extending the contract term from January 31, 2019 to April 30, 2019; and to increase the maximum contract amount from \$35,367,302.24 to \$36,130,720.63.

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 and increased the maximum contract value to \$29,000,000.00 (ordinance No. 2016-0400 passed on May 25, 2016). On December 13, 2017 the Finance Department amended the contract to extend the term for an additional twelve and one-half (12.5) months and increased the maximum contract value to \$35,367,302.24 (Ordinance No. 2017-0983). The contract now ends on January 31, 2019.

The Finance Department recommends a second amendment to the contract to extend the term for an additional three (3) months and shall terminate on April 30, 2019. The extension would increase the maximum contract amount of \$35,367,302.24 by \$763,418.39 to \$36,130,720.63. The additional funding of \$763,418.39 will cover the extension and put the City of Houston in a better financial position as it conducts a thorough Request for Proposal ("RFP") process for the most qualified supplier to provide natural gas services citywide. The extension to April 30, 2019 would allow the City of Houston to negotiate during the Spring when natural gas prices tend to be lower, resulting in potential cost savings.

For the current contract term (July 1, 2018 – January 31, 2019), the cost of natural gas is budgeted at \$3.35 million. The projected cost of natural gas for the current contract term is \$3.15 million which is \$200,000 below budget due to risk management by the Finance Department.

It is recommended to approve increasing the maximum contract amount as stated above to ensure that the supplier continues to provide this vital service and represents an estimate for the additional 3-month extension.

### **M/WBE Subcontracting**

This contract was awarded with a 15% M/WBE participation level. CenterPoint Energy Services, Inc. is currently achieving 13.5%. The Office of Business Opportunity will continue to monitor this contract.

### **Fiscal Note:**

Funding for this item is included in the FY 2019 Adopted Budget. Therefore, no Fiscal Note is required as stated in the Financial Policies.

**Jerry Adams, Chief Procurement Officer**  
Finance/Strategic Procurement Division

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**Department Approval Authority**

**Prior Council Action:**

Ordinance No. 2013-0017, Passed January 9, 2013

Ordinance No. 2016-0400, Passed May 25, 2016

Ordinance No. 2017-0983, Passed December 13, 2017

**Amount of Funding:**

\$763,418.39 – Central Service Revolving Fund (1002)

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**ATTACHMENTS:**

Description	Type
<u>Prior Council Action - Ordinance No. 2013-0017</u>	Backup Material
<u>Prior Council Action - Ordinance No. 2016-0400</u>	Backup Material
<u>Prior Council Action - Ordinance No. 2017-0983</u>	Backup Material
<u>Form A - Campaign Finance Ordinance</u>	Backup Material
<u>Form B - Campaign Finance Ordinance</u>	Backup Material
<u>Affidavit of Ownership</u>	Backup Material
<u>Contract</u>	Backup Material
<u>Second Amendment</u>	Backup Material
<u>Financial Information</u>	Financial Information