



**City of Rochester Hills
AGENDA SUMMARY
FINANCIAL ITEMS**

**1000 Rochester Hills Dr.
Rochester Hills, MI 48309
248.656.4630
www.rochesterhills.org**

Legislative File No: 2010-0453

TO: Mayor and City Council Members
FROM: Scott Cope, Director of Building Department
DATE: November 3, 2010
SUBJECT: Natural Gas

REQUEST:

City Council authorization of a blanket purchase order to Consumers Energy, Lansing, Michigan, in the amount not-to-exceed \$160,000.00 for the purchase of natural gas for various City owned buildings through December 31, 2011.

REASON FOR PURCHASE:

Through the State of Michigan's MiDeal Program, the City participates as a cooperative member in the purchase of natural gas, utilizing State qualified and selected vendors including no-charge consulting and natural gas brokering. In June 2009, the City began using Constellation Energy as its source of the natural gas commodity through the MiDeal Program, with firm pricing of \$5.37/Mcf for the commodity only. At that time the City was paying \$8.16/Mcf for the commodity to Consumers Energy. The gas customer charge and distribution charge from Consumers Energy continues and may fluctuate as specified by the natural gas utility and the Michigan Public Service Commission.

The City was able to lock into a fixed rate for the period beginning in June 2010 through 2011 at \$5.35/Mcf. The opportunity for a further reduction to \$5.18/Mcf for the subsequent period through July 2012 was presented and accepted by the City based on review of the futures for the gas commodity.

The savings for the initial period June 2009 through May 2010 was \$27,887.11.

It is recommended that the City continue its contract with Constellation Energy through its expiration on July 2012.

PROCESS:

Vendor Name and Address:

Consumers Energy
Lansing, Michigan 48937-0001

Reason for Selection:

Best Value

Method of Purchase:

Blanket Purchase Order

BUDGET:

Fund Name	Department Account No	Account No. Description	Budget Amount	Cost	Remaining Budget
Facilities	631.926000	Gas Utility	\$160,000	\$160,000	0

RECOMMENDATION:

It is recommended that City Council authorize a blanket purchase order to Consumers Energy, Lansing, Michigan, for natural gas in the amount not-to-exceed \$160,000.00 through December 31, 2011.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Budget Content: Finance Director		
Purchasing Process: Supervisor of Procurement		
Mayor		
City Council Liaison		