



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

**1000 Rochester Hills Dr.
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Legislative File No: 2008-0578 Version 2

TO: Mayor and City Council Members
FROM: **Roger H. Rousse, Director of Public Service**
DATE: May 1, 2009
SUBJECT: Natural Gas for City Facilities

REQUEST:

City Council authorization for a blanket purchase order to Consumers Energy, Lansing, Michigan in the amount not-to-exceed \$115,995.04 for the purchase of natural gas for various City owned buildings through December 31, 2009 and further authorize the Mayor to execute a contract with Constellation Energy, Port Huron, Michigan to supply the natural gas commodity for the City.

REASON FOR PURCHASE:

On November 17, 2008, City Council authorized a blanket purchase order for natural gas for various City owned buildings to Consumers Energy. The City has continued to work with the members of the Michigan Intergovernmental Trade Network (MITN) cooperative group to obtain professional assistance in selecting a reliable and cost effective natural gas provider.

Through the State of Michigan's MiDeal Program, local governments can participate as a cooperative in the purchasing of natural gas utilizing State qualified and selected vendors for no-charge consulting and natural gas brokering. After review of the cooperative programs and rates offered by Consumers Energy, the MiDeal Program and MMRMA (Michigan Municipal Risk Management Authority), it is recommended that the City utilize Constellation Energy for its source of the natural gas commodity through the MiDeal Program.

Natural gas is currently trading at a four year low and it is recommended the City lock in rates until March 31, 2010 through the Customer Choice Program. An alternative gas supplier will be used instead of the utility company for the natural gas commodity. The natural gas pricing for the commodity only is \$5.18/Mcf. The City's pricing with Consumers Energy per Mcf has ranged over the past year from a low of \$7.67/Mcf in December 2007 to a high of \$9.68/Mcf. The last billing period reflects a rate of \$8.16/Mcf. The MMRMA program rate is \$6.50/Mcf plus a \$.10/Mcf administration fee. The gas customer charge and distribution charge from Consumers Energy will also continue and may fluctuate as specified by the natural gas utility and the Michigan Public Service Commission.

Based on usage and charges from mid-February through mid-March at \$8.16/Mcf from Consumer Energy for the gas commodity alone, with the alternate supplier's rate at \$5.18/Mcf, a savings of \$2.98/Mcf or approximately \$8100.00 is calculated. The Gas Customer Choice Program will provide the City with both better pricing and price certainty through March 31, 2010.

It is recommended that the City entered into a contract with Constellation Energy, Port Huron, Michigan for one (1) year. The contract is renewable on a yearly basis for future years.

PROCESS:

Vendor Name and Address:

Consumers Energy
Lansing, Michigan 48937-0001

Reason for Selection:

Cooperative Purchase/Best Value

Method of Purchase:

Contract/Blanket Purchase Order

BUDGET:

Fund Name	Department Account No	Account No. Description	Budget Amount	Cost	Remaining Budget
Facilities	631.926000	Gas Utility	\$200,000	\$200,000	0

RECOMMENDATION:

It is recommended that the Rochester Hills City Council authorize for a blanket purchase order to Consumers Energy, Lansing, Michigan, in the amount not-to-exceed \$115,995.04 for the purchase of natural gas for various City owned buildings through December 31, 2009 and further authorizes the Mayor to execute a contract with Constellation Energy, Port Huron, Michigan to supply the natural gas commodity for the City.

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