



Legislation Text

File #: 17-0763R, **Version:** 1

RESOLUTION AUTHORIZING ASSET MANAGEMENT AGREEMENT WITH UNITED ENERGY TRADING LLC FOR THE MANAGEMENT OF THE CITY'S GAS SUPPLY, TRANSPORTATION, STORAGE AND DELIVERY CONTRACTS.

CITY PROPOSAL:

RESOLVED, that the proper city officials are hereby authorized to enter into an agreement, substantially in the form of that attached hereto as Exhibit A, with United Energy Trading LLC for the management of the city's contracts for the purchase, transportation, storage and delivery of natural gas to the city's distribution system and for the sale of excess capacity under those contracts with all resulting income to be payable to Fund 520-500-1900-4805 (Gas Fund, Public Works and Utilities, Public Works Directors Office, Reimbursements

STATEMENT OF PURPOSE: The purpose of this resolution is to authorize the city to enter into an agreement with United Energy Trading LLC ("UET") pursuant to which the city will turn over management of the city's contracts for the purchase, transportation and storage of natural gas required by the city's gas utility and its customers and for the delivery of gas needed by the city to the city's distribution system and the sale of unneeded capacity on the open market.

The city has historically determined that the most economical way to provide natural gas to its customers is to purchase it from suppliers located at or near the points of production and then to contract for its transportation by pipeline to the "City gates" where it enters the city's own distribution system. Also, because of the cyclical nature of the city's demand for gas, caused by weather and varying uses by its customers, the city also needs to store gas during periods of lower usage in order to have it available when demand peaks. This storage is accomplished by renting underground storage capacity, much of which is located in the south-central part of the country.

In addition, because the city's actual needs for gas are difficult to predict because they are driven by not only customer demand but also and more importantly by weather conditions, it is necessary for the city to have available more gas and more transportation and storage capacity than is expected to be needed in order to meet "worst case demand" conditions.

All of this requires multiple contracts with a variety of entities involved in the nation-wide market for the sale and distribution of natural gas, a process which is rendered more complicated by the volatility of the nation-wide natural gas market.

UET is a national company in the business of assisting utilities to manage their various agreements for the purchase, transportation, storage and delivery of gas. Pursuant to this agreement, the city will turn over management of its contracts to UET which will then be responsible for managing them in the most efficient manner. UET will be responsible to secure the best purchase price available in the market and will be responsible for insuring that an adequate supply of gas is delivered to the city to meet its customers' demands. In addition, UET will be responsible for marketing any unneeded capacity under the city's gas purchase agreements and its transportation and storage contracts in the open market at the best available price. The city would be entitled to seventy-five (75%) percent of the profits from any such remarketing and UET would be entitled to keep the remaining twenty-five (25%) percent. UET has guaranteed that the city's share of

Optimization Transaction revenues would be at least \$150,000 for the first year of the Agreement.

The Agreement has an initial term of one year with four additional one-year options to renew.