

PUBLIC WORKS AND UTILITIES COMMITTEE

08-0654R

RESOLUTION AUTHORIZING PROFESSIONAL SERVICES AGREEMENT
WITH TENASKA MARKETING VENTURES FOR ASSET MANAGEMENT
SERVICES.

CITY PROPOSAL:

RESOLVED, that the proper city officials are hereby authorized to enter in an agreement, a copy of which is on file in the office of the city clerk as Public Document No. _____, with Tenaska Marketing Ventures for professional services relating to asset management of the city's underutilized gas pipeline and gas storage capacity with receipts therefrom to be paid to the gas utility fund.

Approved:

Approved for presentation to council:

Department Director

Chief Administrative Officer

Approved as to form:

Approved:

Attorney

Auditor

STATEMENT OF PURPOSE: This resolution authorizes the city to enter into an agreement with Tenaska Marketing Ventures to assist the city in managing its natural gas transportation and storage capacity to the best advantage of the city and its natural gas customers.

The city's major demand for natural gas service is as fuel for furnaces and hot water heaters during the colder months of the year. This makes the city's demand for natural gas both cyclical, with a higher demand in the winter, and also highly speculative, depending on when the heating season begins, how long it is and how cold the winter is. This variable demand situation is industry-wide. In order to insure that it has sufficient gas to meet the demands of a long and severe winter, the city purchases supplies in excess of normal anticipated demand.

However, the rate of production of natural gas is relatively constant. This requires that the city secure capacity in storage facilities, usually underground storage in the southern part of the country, to accumulate natural gas against the demands of winter. It also requires that the city purchase pipeline capacity (essentially the right to use existing pipelines for specific times) so that it can transport its gas from its storage facilities to a point from which the city can distribute it to its customers.

Because the city must purchase both natural gas and storage and transportation facilities based on a "worst case scenario," a normal or mild winter will leave the city with excess capacity including storage and pipeline capacity that would go to waste if not used.

The purpose of this agreement is to use Tenaska to market the unused portion of the city's storage and pipelines capacity. Under the agreement the city would transfer its entire capacity to Tenaska. Tenaska would commit to transfer back to the city that portion of the capacity that the city should prove to actually need and would market the remaining capacity to the larger market with the proceeds to be split between the parties, retaining 30 percent of the net proceeds and paying 70 percent of the net proceeds to the city.