



Legislation Text

File #: 20-1673, **Version:** 1

Resolution to Re-Authorize the City Administrator to Direct Purchase Natural Gas and Choice Electric for all Relevant City Facilities

This resolution requests that the City Administrator be given the authority to enter into contracts for the direct purchase and delivery of natural gas and choice electric for relevant City of Ann Arbor facilities. The ability to move fast to purchase natural gas and electricity for the deregulated portion of the market, is necessary to obtain the best possible prices in the market. The City purchased approximately 890,000 CCF of natural gas in 2019, with a cost of approximately \$528,000. In 2019, the City purchased approximately \$111,000 of electricity on the deregulated market. Because these figures are so high, even a modest increase in commodity pricing can have a significant impact on the City's operating budget.

Granting purchasing authority to the Administrator for natural gas and choice electric is not unprecedented. In September of 1988, the City Council authorized the City Administrator to directly purchase natural gas for major natural gas using facilities (i.e., water and wastewater treatment plants). This resolution recognized that to successfully operate a program for the direct purchase of natural gas, the City needed the ability to act swiftly to take advantage of attractive prices on the natural gas market. A second resolution passed on January 19, 1999 expanded the natural gas purchase powers of the Administrator to cover all City facilities in response to the deregulation of the natural gas markets in Michigan. In March of 2002 City Council passed a resolution authorizing the City Administrator to enter into contracts for the purchase of electricity for any of all City facilities.

This resolution seeks to re-affirm the ability of the City Administrator to enter into natural gas and choice electric contracts in a timely manner, after legal review, without bringing each contract to Council. Without this authority, the City will have a difficult time pursuing natural gas or choice electric contracts that are cost competitive since prices change very quickly and supplies are unwilling to lock in prices without a signed contract.

In addition, this resolution provides the City Administrator the option of working with any viable natural gas or choice electric provide on the open market to ensure the City secures the best price and the best product. The Office of Sustainability and Innovations will continue to work with the City Administrator to secure the best contracts while also working to reduce the amount of natural gas used at City operations and to increase the percentage of renewable energy within our choice market.

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Reviewed by: Betsy Blake, Senior Assistant City Attorney

Reviewed by: Tom Crawford, City Administrator

Whereas, The direct purchase of natural gas is a commodities market, which necessitates quick action to take advantage of low prices;

Whereas, A portion of the City's electricity accounts are deregulated, meaning the City can competitively procure electricity on the open market;

Whereas, The City Council approved a resolution authorizing the City Administrator to purchase natural gas for the Water and Wastewater Treatment Plants on September 6, 1988, to facilitate the purchase procedure;

Whereas, In 1999, the City Council passed a resolution authorizing the City Administrator to enter into contracts for the purchase of natural gas for all City facilities;

Whereas, In March 2002, City Council passed a resolution authorizing the City Administrator to enter into contracts for the direct purchase of electricity for the City accounts eligible to participate in the deregulated portions of the market; and

Whereas, The City has successfully applied the direct purchase of natural gas and choice electricity to lock in natural gas and electricity prices and reduce uncertainty on the market;

Resolved, That the City Administrator be re-authorized to enter into direct contracts for the purchase of energy, for the City's natural gas and choice electric requirements for up to three years as long as the price is the same or less than currently available through DTE or its successor, for any or all relevant City facilities, subject to the City Attorney's review and approval of such contracts; and

Resolved, That City Council directs the City Attorney's Office to investigate whether an ordinance change is required to support this resolution going forward.