AUTHORIZE A RENEWAL AGREEMENT FOR NATURAL GAS SERVICES THROUGH THE SCHOOL PROJECT FOR UTILITY RATE REDUCTION (SPURR) FOR THE MUNICIPAL UTILITIES DEPARTMENT

RECOMMENDATION

It is recommended that the City Council approve a motion authorizing the City Manager to execute the Renewal Agreement for natural gas services with the School Project for Utility Rate Reduction (SPURR) to provide natural gas to the Municipal Utilities Department (MUD) at a reduced fixed unit price for members (Attachment A).

It is further recommended that the City Manager be authorized to take appropriate actions to carry out the purpose and intent of this motion.

Summary

The School Project for Utility Rate Reduction is a Joint Powers Authority established to increase the purchasing power and expertise among public agencies to reduce the cost of natural gas supplied to those agencies. For over 15 years, the City has participated in SPURR to reduce the overall cost of natural gas purchased by MUD to produce electric power at the Regional Wastewater Control Facility’s (RWCF) Cogeneration Facility. The Renewal Agreements are for a period of five years. The most current agreement will expire on June 30, 2014. With this action, the City Council will authorize the continued participation in SPURR.

DISCUSSION

Background

The School Project for Utility Rate Reduction is a Joint Powers Authority (JPA) formed in 1989 for the purpose of aggregating the purchasing power and expertise among public agencies to reduce the cost of natural gas. This program serves over 200 agencies, including UC and CSU campuses, municipalities, and other California public agencies.

The City’s natural gas purchases are currently made under a city-wide agreement with SPURR. Natural gas used by the MUD is paid by the City and charged to the appropriate MUD account in the same manner as charges for other PG&E utility services. MUD has participated for over 15 years in the SPURR natural gas procurement program.

This agency buys natural gas at the wholesale level from multiple suppliers including, but not limited to, Shell Energy, ConocoPhillips, BP, United Energy Trading, Constellation Energy. SPURR provides its participating agencies with reduced pricing through its relationship with multiple suppliers and the
purchasing power of the participating agencies.

**Present Situation**

On average, the RWCF uses 100,000 therms (thm) of natural gas per month. Using the average monthly usage of 100,000 thms, the table below demonstrates the average cost savings realized in the past five years through participation in SPURR when compared with normal PG&E prices.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>SPURR, $/thm</th>
<th>PG&amp;E, $/thm</th>
<th>Monthly Cost Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2009</td>
<td>$0.616</td>
<td>$0.751</td>
<td>$13,500</td>
</tr>
<tr>
<td>2009-2010</td>
<td>$0.500</td>
<td>$0.525</td>
<td>$2,500</td>
</tr>
<tr>
<td>2010-2011</td>
<td>$0.449</td>
<td>$0.564</td>
<td>$11,500</td>
</tr>
<tr>
<td>2011-2012</td>
<td>$0.376</td>
<td>$0.474</td>
<td>$9,800</td>
</tr>
<tr>
<td>2012-2013</td>
<td>$0.399</td>
<td>$0.451</td>
<td>$5,200</td>
</tr>
</tbody>
</table>

Over a five-year period, this is on average an annual savings of about $100,000 and just over $500,000 for the period. The cost savings will vary depending on the negotiated bulk prices and the quantity of natural gas purchased. If purchases are reduced MUD, it will reduce the total cost savings over PG&E prices. There is a nominal administration fee charged by SPURR to its participating members. The fee is determined based on the number of participating agencies and their respective consumption volume. The fee is included in the per thm cost and is reflected in the comparison table above. For Fiscal Year 13-14, the administrative fee for the City was $0.0075/thm. It is anticipated the future administration fees will be similar to the current rate, but may adjust depending on the number of participating members in SPURR.

It is expected the City will continue to realize natural gas cost savings by participating in SPURR. Therefore, staff recommends the City Council approve executing a five-year Renewal Agreement for Natural Gas Services with SPURR.

**FINANCIAL SUMMARY**

The charges for natural gas are paid for by the City and charged to the appropriate MUD account in the same manner as charges for other PG&E utility services. There is no separate membership fee for participation in SPURR, and the administration fees are included in the price per therm used.

There is no impact to the General Fund, or any other unrestricted fund, from this action.

Attachment A - SPURR Renewal Agreement