

ITEM#: 26  
DATE: 09-26-23  
DEPT: ELECTRIC

**COUNCIL ACTION FORM**

**SUBJECT: ASSET MANAGEMENT AGREEMENT / PIPELINE SERVICES  
FOR POWER PLANT**

**BACKGROUND:**

The City's Power Plant combusts natural gas in two boilers to generate electricity. **An asset management firm is retained on a contract basis to manage the natural gas transactions and gas pipeline transportation contracts. The company also balances the demand of the City by buying and selling incremental natural gas to match supply to actual demand as closely as possible to minimize expenses to the utility.**

**This contract is to provide Asset Management Agreement (AMA)/Pipeline Services for the period from November 1, 2023 through October 31, 2024. The agreement manages (1) the pipeline capacity the City has under contract with Northern Natural Gas Company, (2) the natural gas supply the City purchases, and (3) the scheduling and balancing of the Power Plant's natural gas. "Balancing" involves matching the amount scheduled with the amount consumed. The contract includes a provision that would allow the City to renew the contract for up to two additional one-year terms.**

On August 14, 2023, a Request for Proposals (RFP) was posted to AmesBids. On August 31, two proposals were received. Proposals were independently scored by a review team with respect to the following criteria:

- Experience in the electric generation and natural gas markets
- Customer Service (i.e. hours of operation)
- Ability to make adjustments when needed that will hold the City of Ames harmless
- Assets to provide services
- EMA terms of vendor's agreement
- Cost to provide base services for managing the City of Ames' natural gas needs
- Cost, if any, to provide additional services

Overall, there were 3,000 possible points available. Based on the results of the committee members' evaluations, the total scores were as follows:

Firm	Total Score
World Kinect Energy Services Minnetonka, MN	2,745
WoodRiver Energy LLC Denver, CO	1,240

**Based on the scores and a unanimous decision by the evaluation committee, staff is recommending that the contract be awarded to World Kinect Energy Services, Minnetonka, MN.**

World Kinect will charge the City of Ames \$3,400 per month for the basic services, or \$40,800 for the 12 months of the contract.

**The agreement also outlines the terms and conditions when the actual amount of natural gas burned in a day is less than the total dekatherms purchased for that day. This can typically occur at times when Unit #8 is down for maintenance. For these events, World Kinect will sell or store the excess gas on behalf of the City and credit the City the revenue, less \$0.03 per dekatherm.**

**Conversely, when the actual amount of natural gas burned in a day is greater than the total dekatherms purchased for that day, World Kinect will purchase additional gas along with natural gas transportation service, if needed, on behalf of the City at cost plus \$0.03 per dekatherm. This can typically occur at peak times in the summer when Unit #8 is operated at higher generation levels or when both Unit #7 and Unit #8 are operating at the same time.**

It is not possible to predict how much natural gas must be bought or sold on the spot market under the contract. Therefore, staff is requesting that a net amount not to exceed \$300,000 be approved so that staff, together with World Kinect, can manage the daily gas needs over the coming year. If the net purchases of additional gas approach this limit, staff will return to City Council for additional purchasing approval at that time.

**The approved FY 2023/24 operating budget currently includes \$13,980,000 for the purchase of natural gas to operate the Power Plant. Of that amount, \$12,639,360 will be used to purchase natural gas, leaving \$1,160,640 to meet the obligations of this contract. Because the natural gas purchase agreement and this AMA/Pipeline Services agreement extend into FY 2024/25, there will be an unfunded FY 2024/25 obligation of \$7,070,400 for natural gas purchases and \$313,600 for AMA/Pipeline services because next year's budget has not yet been approved by the City Council. However, the proposed FY 2024/25 Electric Services budget will include appropriate funding to cover the remainder of these contracts.**

**ALTERNATIVES:**

1. Award a contract to World Kinect Energy Services, Minnetonka, MN, for Asset Management /Pipeline services that will include: a) a not to exceed \$40,800 fee for base services, b) a not to exceed net total of \$300,000 for the purchase of additional natural gas plus delivery as needed to manage the day-to-day fuel needs of the Power Plant, c) a term of November 1, 2023 through October 31, 2024, and d) two additional one-year renewal options.
2. Award a contract to the other bidder.
3. Reject both proposals and direct staff to coordinate the nominating and balancing of the natural gas.

**CITY MANAGER'S RECOMMENDED ACTION:**

This contract provides Electric Services with a crucial service that will manage the natural gas needed to operate the Power Plant and burn refuse derived fuel. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as stated above.