

RESOLUTION NO. 2014-86

AUTHORIZING AN INCREASE TO CONTRACT NO. 2011-036 WITH DIRECT ENERGY BUSINESS MARKETING, LLC DBA DIRECT ENERGY BUSINESS TO PROVIDE ADDITIONAL NATURAL GAS SUPPLY REQUIREMENTS IN AN AMOUNT NOT TO EXCEED \$1,400,000.00 FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$7,650,000.00 (GENERAL FUND, OFFICE OF MANAGEMENT AND BUDGET DEPARTMENT BUDGET)

WHEREAS, the Authority requires natural gas to heat its facilities; and

WHEREAS, by Resolution 2011-068, the Board of Trustees authorized contract No. 2011-036 with Hess Corporation with an office located at One Hess Plaza, Woodridge, New Jersey 07095 to provide natural gas supply requirements in an amount not to exceed \$6,250,000.00; and

WHEREAS, Hess Corporation has since been acquired by Direct Energy Business Marketing, LLC dba Direct Energy Business and the Authority has assigned the contract to Direct Energy Business; and

WHEREAS, the Authority will require additional natural gas supply requirements to fuel its CNG bus fleet scheduled to be delivered March 2015 through June 2016; and

WHEREAS, Direct Energy Business has offered to provide such additional requirements through the duration of the contract; and

WHEREAS, the General Manager/Secretary-Treasurer deems the negotiated offer of Direct Energy Business to be in the best interest of the Authority, price and other factors considered, and recommends acceptance thereof by the Board of Trustees.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Greater Cleveland Regional Transit Authority, Cuyahoga County, Ohio:

Section 1. That the offer of Direct Energy Business to provide additional natural gas supply requirements is hereby accepted.

Section 2. That the General Manager/Secretary-Treasurer of the Authority be and he is hereby authorized to modify the contract with Direct Energy Business to provide said additional requirements.

Section 3. That said increase shall be payable from the General Fund, Office of Management and Budget Department budget in an amount not to exceed \$1,400,000.00 for a total contract amount not to exceed \$7,650,000.00.

Section 4. That said contract shall be binding upon and an obligation of the Authority contingent upon appropriation of funds for future years, compliance by the contractor to the Specifications and Addenda, if any; the Affirmative Action Plan adopted by the Board of Trustees in Resolution No. 2013-031; bonding and insurance requirements and all applicable laws relating to contractual obligations of the Authority.

Section 5. That all other terms and conditions of the original contract shall remain unchanged.

Section 6. That this resolution shall become effective immediately upon its adoption.

Adopted: September 16, 2014



President

Attest: 

CEO, General Manager/Secretary-Treasurer



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| TITLE/DESCRIPTION: CONTRACT: INCREASE TO CONTRACT 2011-036 WITH DIRECT ENERGY BUSINESS MARKETING, LLC DBA DIRECT ENERGY BUSINESS TO PROVIDE ADDITIONAL NATURAL GAS SUPPLY REQUIREMENTS VENDOR: DIRECT ENERGY BUSINESS MARKETING, LLC DBA DIRECT ENERGY BUSINESS AMOUNT: NTE \$1,400,000.00 | Resolution No.: 2014-86 |
| | Date: September 11, 2014 |
| | Initiator: Office of Management & Budget |
| ACTION REQUEST: <input checked="" type="checkbox"/> Approval <input type="checkbox"/> Review/Comment <input type="checkbox"/> Information Only <input type="checkbox"/> Other _____ | |

- 1.0 **PURPOSE/SCOPE:** This action will allow the Authority to enter into a change order on contract 2011-036 with Direct Energy Business Marketing, LLC dba Direct Energy Business for additional natural gas supply requirements through the current contract's expiration on July 31, 2017.
- 2.0 **DESCRIPTION/JUSTIFICATION:** The current natural gas contract establishes supply requirements for the Authority's facilities. The Authority has purchased 112 CNG buses, which will be delivered between March 2015 and June 2016. Operating the new fleet of CNG buses will increase the Authority's natural gas supply requirements by approximately 330,000 Dth over the life of the contract. This action will enable the Authority to lock in pricing, at currently favorable market rates, to procure these additional requirements.
- 3.0 **PROCUREMENT BACKGROUND:** In August, 2011, the Board of Trustees by Resolution 2011-068 authorized award for the furnishing of natural gas supply requirements to the Authority's facilities to Hess Corporation for a period of two (2) years at a projected amount not to exceed \$2,500,000.00 with three (3) one (1) year options at a projected amount not to exceed \$1,250,000.00 per year for a total contract amount not to exceed \$6,250,000.00. Hess Corporation has since been acquired by Direct Energy Business and the Authority has assigned the contract to Direct Energy Business. There have been no other increases to the contract to date.

Natural gas costs are comprised of two components, basis and NYMEX. Basis charges include interstate transportation, pooling, and risk premium. NYMEX is the commodity, which the Authority has the ability to lock in future rates on. The Authority received a proposal for this change order which will eliminate the basis charge (NYMEX plus \$0.00/DTH basis) moving forward for both the original facility requirements and the additional requirements associated with this change order. With current contract basis charges for facilities at \$0.37/DTH, the Authority stands to achieve considerable savings in addition to the ability to lock in favorable NYMEX futures to fuel the CNG buses.

A price analysis was performed and the Procurement Department has determined the proposal of Direct Energy Business to be fair and reasonable to the Authority.

The Change Order Committee has reviewed the change and recommends the General Manager/Secretary-Treasurer approve that this change order increase in the amount of \$1,400,000.00 be accepted for a total contract amount not to exceed \$7,650,000.00.

- 4.0 AFFIRMATIVE ACTION/DBE BACKGROUND: All Affirmative Action requirements have been met. A 0% DBE goal was established for this procurement due to a lack of certified DBE firms.
- 5.0 POLICY IMPACT: Does not apply.
- 6.0 ECONOMIC IMPACT: This increase will be funded through the General Fund, Office of Management and Budget Department budget, in an amount not to exceed \$1,400,000.00 for a total contract amount not to exceed \$7,650,000.00.
- 7.0 ALTERNATIVES: Reject this offer. Rejection of this offer would result in higher natural gas costs and less budget stability.
- 8.0 RECOMMENDATION: This change order was discussed at the September 2, 2014 Finance Committee meeting. It is recommended that this change order be accepted and the resolution passed authorizing the General Manager/Secretary-Treasurer to modify the contract.
- 9.0 ATTACHMENTS: None.

Recommended and certified as appropriate to the availability of funds, legal form and conformance with the Procurement requirements.



CEO, General Manager/Secretary-Treasurer