

Submitted by: Chair of the Assembly at the
Request of the Mayor
Prepared by: Municipal Light & Power
For reading: March 13, 2012

NOT INTRODUCED 3/13/12

**ANCHORAGE, ALASKA
AR No. 2012-76**

1 **A RESOLUTION AUTHORIZING MUNICIPAL LIGHT & POWER TO**
2 **NEGOTIATE AND ACQUIRE, BY PURCHASE, EXCHANGE OR OTHER**
3 **TRANSFER AGREEMENTS, NATURAL GAS TO MEET ITS SHORT-TERM**
4 **REQUIREMENTS NOTWITHSTANDING TITLE 7.**
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7 **WHEREAS**, Municipal Light & Power (ML&P) meets the majority of its natural
8 gas requirements for electric power generation from its reserves in the Beluga
9 River Unit (BRU) gas field; and

10
11 **WHEREAS**, gas curtailments, interruptions (e.g. planned or un-planned field
12 maintenance, gas transportation system interruptions) or emergencies (such as a
13 gas compressor trip or loss of production from wells) may occur at the BRU; and

14
15 **WHEREAS**, it is imperative to the health, safety and welfare of the Municipality
16 for ML&P to have other gas supply arrangements in place to meet its generation
17 needs, particularly during periods of peak seasonal demand when Cook Inlet gas
18 availability and deliverability is severely strained; and

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20 **WHEREAS**, declining BRU field production, coupled with existing contractual
21 gas supply requirements, indicate that ML&P's share of production from the field
22 may be insufficient to meet its full gas requirement on some heavy peak use
23 days; and

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25 **WHEREAS**, the terms and conditions precedent to acquiring short-term gas
26 supplies to accommodate short notice gas supply requirements are dictated by
27 Cook Inlet market and supply conditions; and

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29 **WHEREAS**, ML&P has been unsuccessful in securing an alternate supply of
30 natural gas through the normal competitive procedures under Title 7; and

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32 **WHEREAS**, it is in the best interests of the Municipality and the public for ML&P
33 to maintain continuous access to an uninterrupted flow of natural gas for its
34 electric generating turbines at the most favorable terms; now, therefore,
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THE ANCHORAGE ASSEMBLY RESOLVES:

Section 1. Notwithstanding the competitive requirements of Title 7, ML&P is authorized to negotiate and acquire, by purchase, exchange or other transfer agreements, natural gas from producers on terms and conditions that the Municipality deems to be most favorable to it and ML&P customers.

Section 2. Volumes of gas purchased and related expenditures for those volumes resulting from agreements entered into pursuant to Section 1 shall be reported to the Assembly on a quarterly basis in an informational memorandum; PROVIDED proprietary information which a producer reasonably requires to be kept confidential shall be omitted from such reporting.

Section 3. The term of any such agreement shall not extend beyond three (3) years from passage and approval of this resolution.

Section 4. This resolution shall be effective immediately upon passage and approval by the Assembly.

PASSED AND APPROVED by the Anchorage Assembly this ____ day of _____, 2012.

Chair of the Assembly

ATTEST:

Municipal Clerk

MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 172-2012

Meeting Date: March 13, 2012

1 **From: MAYOR**

2
3 **Subject: A RESOLUTION AUTHORIZING MUNICIPAL LIGHT & POWER TO**
4 **NEGOTIATE AND ACQUIRE, BY PURCHASE, EXCHANGE OR OTHER**
5 **TRANSFER AGREEMENTS, NATURAL GAS TO MEET ITS SHORT-TERM**
6 **REQUIREMENTS NOTWITHSTANDING TITLE 7.**
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8 Due to a lack of success in receiving responses from any of the Cook Inlet gas providers to
9 several competitive solicitations for alternative gas supplies, ML&P sought approval from the
10 Municipal Assembly (AR 2009-195) in August, 2009 to directly negotiate and acquire, by
11 purchase, exchange or other transfer agreements, natural gas needed to meet its short-term
12 requirements, notwithstanding Title 7. The term of the resolution was three years from its
13 passage, or August 11, 2012. In September, 2011 the Assembly approved AR 2011-267
14 extending the term of the resolution to October 1, 2012. This was done in order that ML&P
15 could enter into two directly negotiated short-term gas supply agreements intended to be in
16 place through September 30, 2012.
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18 ML&P has recently negotiated two new short-term gas supply agreements necessary to
19 augment production from the Beluga River Unit gas field; one agreement will run from March
20 31, 2012 through March 30, 2013 and the other agreement will run from October 1, 2012
21 through September 30, 2013. Therefore, it is again necessary to assign ML&P the authority
22 to directly negotiate gas supply agreements necessary to insure it can meet its generation
23 load.
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25 Attached is a proposed Assembly resolution authorizing ML&P to directly negotiate supply
26 agreements, notwithstanding Title 7. Other than necessary changes in dates, the proposed
27 resolution is exactly the same as the resolution approved by the Assembly in 2009, *with one*
28 *difference*. Due to the fact that the two gas purchase agreements of immediate interest are
29 for firm quantities at firm prices, it is certain that ML&P will make payments to each of the
30 two proposed gas suppliers in excess of \$500,000. Therefore, instead of reporting gas
31 cumulative purchases in excess of \$500,000 as required by the 2009.AR, ML&P is
32 proposing in the new resolution that it reports all gas purchases and the price paid for them
33 to the Assembly on a quarterly basis. As with the original resolution, the proposed resolution
34 has a term of three years.
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36 **THE ADMINISTRATION RECOMMENDS APPROVAL OF A RESOLUTION AUTHORIZING**
37 **MUNICIPAL LIGHT & POWER TO NEGOTIATE AND ACQUIRE, BY PURCHASE,**
38 **EXCHANGE, OR OTHER TRANSFER AGREEMENTS, NATURAL GAS TO MEET ITS**
39 **SHORT-TERM REQUIREMENTS NOTWITHSTANDING TITLE 7.**
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41 Prepared by: James M. Posey, General Manager, ML&P
42 Approved by: James M. Posey, General Manager, ML&P
43 Concur: George J. Vakalis, Municipal Manager
44 Respectfully submitted: Daniel A. Sullivan, Mayor
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