

Submitted by: Chair of the Assembly at the
Request of the Mayor

Prepared by: Dept. of Law

For reading: March 13, 2012

Failed 3/13/12

**ANCHORAGE, ALASKA
AR No. 2012-79**

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.**
5

6
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

19
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 meets its full gas requirement on some heavy peak use
23 days; and

24
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

28
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

31
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,
35

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

THE ANCHORAGE ASSEMBLY RESOLVES:

Section 1. 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

AM No. 178-2012

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**
5 **OTHER TRANSFER AGREEMENTS, NATURAL GAS TO MEET ITS**
6 **SHORT-TERM REQUIREMENTS.**
7

8 Due to a lack of success in receiving responses from any of the Cook Inlet gas
9 providers to several competitive solicitations for alternative gas supplies, ML&P
10 sought approval from the Municipal Assembly (AR 2009-195) in August, 2009 to
11 directly negotiate and acquire, by purchase, exchange or other transfer agreements,
12 natural gas needed to meet its short-term requirements, notwithstanding Title 7.
13 The term of the resolution was three years from its passage, or August 11, 2012. In
14 September, 2011 the Assembly approved AR 2011-267 extending the term of the
15 resolution to October 1, 2012. This was done in order that ML&P could enter into
16 two directly negotiated short-term gas supply agreements intended to be in place
17 through September 30, 2012.
18

19 ML&P has recently negotiated two new short-term gas supply agreements
20 necessary to augment production from the Beluga River Unit gas field; one
21 agreement will run from March 31, 2012 through March 30, 2013 and the other
22 agreement will run from October 1, 2012 through September 30, 2013. Therefore, it
23 is again necessary to assign ML&P the authority to directly negotiate gas supply
24 agreements necessary to insure it can meet its generation load.
25

26 Attached is a proposed Assembly resolution authorizing ML&P to directly negotiate
27 supply agreements. Other than necessary changes in dates, the proposed
28 resolution is exactly the same as the resolution approved by the Assembly in 2009,
29 *with one difference*. Due to the fact that the two gas purchase agreements of
30 immediate interest are for firm quantities at firm prices, it is certain that ML&P will
31 make payments to each of the two proposed gas suppliers in excess of \$500,000.
32 Therefore, instead of reporting gas cumulative purchases in excess of \$500,000 as
33 required by the 2009.AR, ML&P is proposing in the new resolution that it report all
34 gas purchases and the price paid for them to the Assembly on a quarterly basis. As
35 with the original resolution, the proposed resolution has a term of three years.
36

37 This AM constitutes the Purchasing Officer's written determination under AMC
38 7.20.080A.5 that the Municipality's requirements reasonably limit the source for
39 procurement. To the extent necessary, this AM also constitutes the Mayor's waiver
40 of formal procedures under AMC 7.20.120.
41
42
43

1
2
3
4
5
6
7
8
9
10
11
12

**THE ADMINISTRATION RECOMMENDS APPROVAL OF A RESOLUTION
AUTHORIZING MUNICIPAL LIGHT & POWER TO NEGOTIATE AND ACQUIRE,
BY PURCHASE, EXCHANGE, OR OTHER TRANSFER AGREEMENTS,
NATURAL GAS TO MEET ITS SHORT-TERM REQUIREMENTS.**

Prepared by: Dennis A. Wheeler, Municipal Attorney
Approved by: Ron Hadden, Purchasing Officer
Approved by: James M. Posey, General Manager, ML&P
Concur: George J. Vakalis, Municipal Manager
Respectfully submitted: Daniel A. Sullivan, Mayor