



AGENDA ITEM EXECUTIVE SUMMARY

Agenda Item Number: 6c

Title:	Recommendation to Approve a Resolution Authorizing the Director of Finance to Enter into an Agreement for Natural Gas Based on the Results of a Reverse Online Auction to be Conducted by Transparent Energy
Presenter:	Joan M Schouten

Meeting: Government Operations Committee

Date: September 8, 2020

Proposed Cost: \$TBD

Budgeted Amount: \$200,000/year

Not Budgeted:

Executive Summary *(if not budgeted please explain):*

The city's current Natural Gas contract expires in October, 2020. The current contract was sourced via a reverse auction managed by Transparent Energy. Based on the results of that auction, a three-year commitment for distribution services was awarded to natural gas supplier Hudson in 2017 for \$0.3772 per therm.

There are three options to source a service provider for distribution of natural gas.

1. A broker who will conduct a reverse auction. Brokers are paid by the awarded distributor. Based on the city's past usage, this may range between \$.02 - .04/therm.
2. A consultant can be hired for a flat fee to conduct a sealed bid.
3. The city could bypass the broker or consultant and go to any distributor and negotiate a price. The distributor may charge between \$.01 - .015/therm. We would be limited to purchasing natural gas from one supplier if this option is chosen. It is a negotiated, not a competitive sourcing process.

Staff conducted a Request for Information/Request for Proposal to review the above sourcing options. Results were received from 2 consultants, 1 distributor, and the broker who serviced our last sourcing. Based on these responses, phone interviews, prior positive results, and internet research, staff recommends sourcing via the current broker, Transparent Energy and having them again conduct a reverse auction.

Transparent Energy will conduct a reverse auction inclusive of various time frames, and volume swings in City consumption patterns on a date in September. The results will be reviewed by staff and a sourcing strategy, focusing on Best Value, will need to be decided *on the day of the auction*. Because the price of natural gas continuously fluctuates, a contract must be executed *on the day of the auction*. The attached resolution authorizes Transparent to conduct the reverse auction process and authorizes the Finance Director to execute a supply contract based on the best value for the City.

Attachments *(please list):*

Resolution

Recommendation/Suggested Action *(briefly explain):*

Seeking a Motion Recommending Approval of a Resolution Authorizing the Director of Finance to Enter into an Agreement for Natural Gas Based on the Results of a Reverse Online Auction to be Conducted by Transparent Energy

**City of St. Charles, Illinois
Resolution No. 2020-**

**A Resolution Authorizing the
Director of Finance to Enter into an Agreement for Natural Gas
Based on the Results of a Reverse On-line Auction
to be Conducted by Transparent Energy.**

**Presented & Passed by the
City Council on September , 2020**

WHEREAS, in the opinion of at least three-fourths of the Corporate authorities of the City of St. Charles, it is necessary to provide Natural Gas to the city for the purpose of heating the city's buildings; and

WHEREAS, the City's current contract for procurement of natural gas expires in October of 2020; and

WHEREAS, Transparent Energy conducted the City's last reverse on-line auction for procurement of natural gas in 2017; and

WHEREAS, the City was pleased with the results of the reverse on-line auction in 2017; and

WHEREAS, the city has determined, based upon a Request for Information / Request for Proposal, that the most appropriate means to source Natural Gas is via a reverse auction hosted by a third party i.e. Transparent Energy; and

WHEREAS, once the reverse auction is conducted, the city would be required – within hours - to enter into an agreement with the provider offering the Best Value to the city in order to take advantage of the pricing achieved.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and City Council of the City of St. Charles, Kane and DuPage Counties, Illinois, that Transparent Energy will conduct a reverse on-line auction for the procurement of natural gas services, and upon the conclusion of the reverse on-line auction that the Director of Finance be authorized to enter into a contractual agreement for Natural Gas with a provider offering the Best Value to the city.

PRESENTED to the City Council of the City of St. Charles, Illinois, this
_____ day of September, 2020.

PASSED by the City Council of the City of St. Charles, Illinois this
_____ day of September, 2020.

APPROVED by the Mayor of the City of St. Charles, Illinois, this
_____ day of September, 2020.

Raymond P. Rogina Mayor

ATTEST:

City Clerk

COUNCIL VOTE:

Ayes:

Nays:

Absent:

Abstain: