

Mayor and Council Communication

DATE: 09/16/25

M&C FILE NUMBER: M&C 25-0874

LOG NAME: 21COKINOS NATURAL GAS CONTRACT FOR ALLIANCE AND VILLAGE CREEK_

SUBJECT

(CD 5 and CD 10) Authorize the Execution of a Four-Year Gas Sales Agreement with Cokinos Energy Corporation for the Village Creek Water Reclamation Facility Biosolids Drum Drying Facility in the Amount of \$5,306,045.62 and the Alliance Maintenance Facility in the Amount of \$820,078.64 for a Total Agreement of \$6,126,124.26

RECOMMENDATION:

It is recommended that the City Council authorize the execution of a four-year Gas Sales Agreement with Cokinos Energy Corporation, relative to the purchase of natural gas supply for the Village Creek Water Reclamation Facility Biosolids Drum Drying Facility in the amount of \$5,306,045.62 and the Alliance Maintenance Facility in the amount of \$820,078.64 for a total agreement of \$6,126,124.26.

DISCUSSION:

On November 14, 2023, City Council authorized the execution of City Secretary Contract No. 60508 a Gas Sales Agreement with Cokinos Energy Corporation, relative to purchasing natural gas supply for the Village Creek Water Reclamation Facility Biosolids Drum Drying Facility and the Alliance Maintenance Facility for a total agreement of \$1,544,859.00, set to expire December 31, 2025. To ensure a continued, cost-effective supply, City staff sought to extend contract terms with Cokinos Energy Corporation.

On June 13, 2025, City staff pursued a natural sales agreement through competitive Request for Proposals (RFP) for both facilities to ensure the City is getting the best value and quality for its natural gas supply needs. City staff have reached a proposed, negotiated, full requirements agreement with the top ranked supplier, Cokinos Energy Corporation (Cokinos) to support natural gas supply needs for both the Dryer Facility and Alliance. As previously described in Mayor & Council Communication (M&C) 23-0991, the Cokinos natural gas supply agreement will include both fixed price and index-variable pricing elements throughout the four-year term of the agreement from January 1, 2026, through December 31, 2029. Aggregate fixed price volumes shall be based upon the natural gas volumes hedged and the price of natural gas hedged. Volumes that are left unhedged (variable priced volumes), shall be equal to the monthly settlement price of natural gas as indicated at the first of the month equal to the index price posting in Platts Gas Daily price guide report, in section titled "Market Centers", under the heading "East Texas" and under the subheading Natural Gas-East Texas "Natural gas plant liquids (NGPL) Texok zone" plus \$0.05 per one million British thermal units (MMBTU), plus upstream fuel and applicable taxes.

The estimated gas utility expense for the Cokinos four-year contract term is \$6,126,124.26 (\$6.13 million) or \$1,531,531.07 annually for both Alliance and the Dryer Facility combined. This estimate includes the estimated Atmos delivery charges. Separately, the estimated four-year gas utility expense for Alliance is \$820,078.64 and \$5,306,045.62 for the Dryer Facility, or \$205,019.66 and \$1,326,511.41 annually; respectively. The estimated natural gas utility expense considers multiple assumptions; including natural gas consumption estimates at both facilities based upon consumption history, potential future natural gas hedges, current market indicative natural gas prices for future months, January 2026 through December 2029, adder cost of \$0.05 per MMBTU, and includes estimated Atmos Local Distribution Charges for the transportation of natural gas to facilities.

Extending the terms of the current agreement continues to allow the City active participation in the natural gas market, which allows the City to continue actively managing expenditures through potential strategic hedges for the majority of both facilities' natural gas requirements, and reduce the City's natural gas utility cost for the Alliance Maintenance Facility and the Village Creek Water Reclamation Facility Biosolids Drum Drying Facility.

Funding is budgeted in the Alliance Maintenance Facility Fund and the Water & Sewer Fund.

These are located in COUNCIL DISTRICTS 5 & 10.

A Form 1295 is not required because: This contract will be with a gas utility: COKINOS ENERGY CORPORATION

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the above recommendation and adoption of the Fiscal Year 2026-2029 Budgets by the City Council, funds will be available in the Fiscal Year 2026-2029 operating budgets, as appropriated, in the Alliance Maintenance Facility Fund and the Water & Sewer Fund. Prior to an expenditure being incurred, the Property Management and Water Departments have the responsibility to validate the availability of funds.

Submitted for City Manager's Office by: Valerie Washington 6199

Originating Business Unit Head: Marilyn Marvin 7708

Additional Information Contact: Juanita Rigsby 8518