

Mayor and Council Communication

DATE: 02/28/23

M&C FILE NUMBER: M&C 23-0172

LOG NAME: 21VCWRF BIOSOLIDS & ALLIANCE FW NATURAL GAS SUPPLY CONTRACT

SUBJECT

(CD 5 and CD 7 / Future CD 5 and CD 10) Authorize the Execution of a Natural Gas Supply Agreement through an Interlocal Cooperative Agreement with the Texas General Land Office for the Village Creek Water Reclamation Facility Biosolids Drum Drying Facility and Authorize an Amendment to the Alliance Fort Worth Maintenance Facility Transportation Facility Agreement with Atmos Energy Corp, Mid-Tex Division to include a Delivery Point for the Village Creek Water Reclamation Facility Biosolids Drum Drying Facility

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize the execution of a natural gas supply agreement through an Interlocal Cooperative Agreement with the Texas General Land Office for the Village Creek Water Reclamation Facility Biosolids Drum Drying Facility with a contract term to end March 2024; and
 2. Authorize an amendment to the current Alliance Fort Worth Maintenance Facility Transportation Agreement with Atmos Energy Corp, Mid-Tex Division (City Secretary Contract No. 46579) to include a delivery point for the Village Creek Water Reclamation Facility Biosolids Drum Drying Facility located at 2501 Greenbelt Rd, Fort Worth, TX 76118-7606.
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DISCUSSION:

The City of Fort Worth's (City) contract with Synagro of Texas-CDR, Inc. (City Secretary Contract No. 53332), included construction of the biosolids drum drying facility. The new drum dryer requires natural gas service, and by the terms of the contract with Synagro, natural gas costs are the responsibility of the City.

Currently, natural gas supply from Atmos Energy is supplied at a commercial rate with Synagro of Texas-CDR, Inc. (Synagro) as its customer for the City's biosolids drum drying facility. The City reimburses Synagro for the natural gas expense under the commercial rate account. Under the terms of City Secretary Contract No. 53332, if during the course of the contract, the City finds a provider that can provide natural gas at a lower cost than the current provider, Synagro will be obligated to use the City's identified vendor. Also, the City can elect to arrange to have the commodity contract account name transferred from Synagro to the City in order to obtain the lower commodity costs as well as tax savings.

Due to the high cost of natural gas supply under Synagro's commercial rate account, City staff worked with consultants; Acclaim Energy Advisors LTD. (City Secretary Contract No. 53781), for natural gas procurement needs including; transitioning the natural gas account to the City, reclassifying the drying facility from the commercial rate to a transportation rate classification; including as a transportation delivery point, and securing a short-term natural gas supplier agreement for the Village Creek Water Reclamation Facility Biosolids Drum Drying Facility.

City staff recommends negotiating a short-term natural gas supply contract with the Texas General Land Office (GLO) to end March 2024 for the Village Creek Water Reclamation Facility Biosolids Drum Drying Facility. The short-term contact will end coterminous with the majority of supply associated with the current natural gas sales agreement for the Alliance Fort Worth Maintenance Facility.

City staff intends to pursue a natural gas sales agreement through Request for Proposals (RFP) for both facilities shortly after execution of the short-term agreement for the Synagro facility providing an opportunity to combine natural gas volumes to issue a more comprehensive request for proposals to various suppliers in the near future. The ability to issue an RFP when combining the Dryer facility and Alliance airport consumption requirements will be more attractive to suppliers and will enhance the City's ability to obtain more favorable contract terms and natural gas prices in today's volatile natural gas market for both facilities.

The short-term savings expectations for the biosolids drum drying facility when comparing historical costs and expected future consumption, yields approximate commodity savings of \$30,000.00 per month. Furthermore, the execution of this new agreement will allow the city to better manage expenditure through potential strategic hedges for the majority of the facilities' requirements.

Funding is budgeted in the Gas Utility Service account in the Alliance Maintenance Facility Fund and the Water & Sewer Fund for the Property Management and Water Departments.

The Alliance Fort Worth Maintenance Facility is located in COUNCIL DISTRICT 7 / Future COUNCIL DISTRICT 10

The Village Creek Water Reclamation Facility Biosolids Drum Drying Facility is located in COUNCIL DISTRICT 5 / Future COUNCIL DISTRICT 5

A Form 1295 is not required because: This contract will be with a gas utility: Texas General Land Office

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the recommendation, funds are available in the current operating budget, as previously

appropriated, in the Alliance Maintenance Facility fund and the W&S Capital Projects Fund for the VCWRF Biosolids Mgmt & Reuse project. Prior to an expenditure being incurred, the Property Management Department and the Water Department; respectively, have the responsibility to validate the availability of funds.

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Expedited