City of Benson
City Council Communication

Regular Meeting **January 12, 2015**

To: Mayor and Council Agenda Item # 5

From: Bradley J. Hamilton, P.E. Director of Public Works/City Engineer

Subject:

Contract with Shell Energy North America for supply of Natural Gas and related services

Discussion:

On October 22, 2014 The City released a Request for Proposal (RFP) for Natural gas services. The purpose of this RFP is to solicit contract proposals from natural gas suppliers to provide for a firm natural gas supply and associated administrative services for Benson's local natural gas distribution utility. The City received one proposal Shell Energy North America which is our current supplier. Our current contract will expire on January 31, 2015 and this new contract would start on February 1, 2015.

Staff Recommendation:

Approval of Contract with Shell Energy North America for supply of Natural Gas and related services

BID OPENING

DATE: December 17, 2014

PROJECT: RFP - Natural Gas Supply

SUPPLIER:	Shell Energy North America	
Contract (4 copies):		
Financial Viability Documents: (3 copies)		
Cost:	1500.00 mo/adminfee	
BDQ price →	index + .05 per MMBtu	
DACQ price →	mid-pt + .05 per MMBtu	

December 12, 2014

Shell Energy North America
4445 Eastgate Mall, Suite 100
San Diego, CA 92121
Tel: (858) 526-2109
www.shell.com/us/energy

City of Benson
Clerk's Office
Attn: Vicki Vivian
120 W. 6th Street
Benson, AZ 85602

RE: Natural Gas Confirmation (As part of RFP)

Vicki,

On behalf of Tom Carlson, enclosed for your review is Shell Energy's proposed natural gas confirmation in response to the RFP for 2015-2017 natural gas supply.

Please review and feel free to call me at (858) 526-2115 if you have any questions. Thank you.

Sincerely,

Hannah Bayer

Hannah Bayer
Contract Coordinator
Shell Energy North America (US), L.P.

Contract:
Contract Date: June 19, 2000

CONFIRMATION

Date: December 11, 2014

CITY OF BENSON, ARIZONA

Attention:
Bradley J. Hamilton, P.E.
Director of Public Works / City Engineer
120 W. 6th Street
P.O. Box 2223
Benson, AZ 85602
Phone: 520-720-6325
Fax: 520-720-6339
E-mail : bhamilton@bensonaz.gov

This Confirmation ("Confirmation") shall confirm and effectuate the agreement between SHELL ENERGY NORTH AMERICA (US), L.P., formerly known as CORAL ENERGY RESOURCES, L.P. ("Shell Energy") and CITY OF BENSON, ARIZONA ("Benson") dated July 25, 2014 regarding the purchase and sale of natural gas under the following terms.

Seller: Shell Energy North America (US), L.P. **Buyer: City of Benson, Arizona**

Period of Delivery Start Date - End Date	Transporter/ Delivery Point(s)	Level of Service	Designated Qty** (MMBtu Per Day)	Contract Price*** (USD Per MMBtu)
2/1/15 – 1/31/17 (see below)	See Below	Firm	See Below	See Below

DELIVERY POINTS:

EPNG Pipeline at any receipt point Buyer is entitled to use under Buyer's EPNG's Transportation Service Agreements.

DESIGNATED QUANTITY:

Benson agrees to purchase Gas equal to its full requirements for all of its facilities located in the City of Benson, Arizona from Shell Energy (the "Contract Quantity").

Benson shall elect the amount of Contract Quantity each Month by designating a: (i) Baseload Designated Quantity, and (ii) any Day-Ahead Contract Quantity as follows:

"**Baseload Designated Quantity**" or "**BDQ**" means Benson's good faith estimate of its total Gas requirements for each Month during the Period of Delivery (which shall be a daily quantity in equal quantities each Day during the Month). For each Month, Benson shall provide the Baseload Designated Quantity to Shell Energy no later than 8 a.m. prevailing Central Time on the 6th Business Day prior to the first Day of that Month. If Benson fails to notify Shell Energy of the Baseload Designated Quantity on or before the 8 a.m. prevailing Central Time on the 6th Business Day prior to the first Day of any Month, then the Baseload Designated Quantity for such Month shall be deemed to be the same as the Baseload Designated Quantity for the previous Month.

"**Day-Ahead Contract Quantity**" or "**DACQ**" means such quantity of Gas per Day (if any) by which Benson needs to increase above or decrease below the BDQ to satisfy its Gas requirements for a particular Day, as Benson may

nominate to Shell Energy for a particular Day, no later than 7:30 a.m. prevailing Central Time on the Trading Day immediately prior to the applicable Gas flow Day(s). "Trading Day" and applicable Gas flow Days shall be day(s) designated in the Next Day Trading Calendar for Physical Gas published by the Intercontinental Exchange ("ICE") for the applicable calendar year. If the DACQ is a decrease below the BDQ, then such amount shall be deemed to be a sale by Benson to Shell Energy at the **Contract Price** set forth below.

For avoidance of doubt, the Contract Quantity for any Day shall be the sum of (i) the BDQ for that Day, plus or minus (as applicable) (ii) any DACQ for that Day.

Maximum Daily Quantity. Notwithstanding anything to the contrary herein, the Contract Quantity for any Day shall not exceed a total delivery maximum of 3,500 MMBtus per Gas Day during the Period of Delivery (the "**Maximum Daily Quantity**") unless otherwise agreed by Shell Energy and Benson.

Monthly Administrative Fee:

In addition to the Contract Price set forth herein, an administrative fee of $1,500 per month for each month of the Period of Delivery will be paid by Deming to Shell Energy.

CONTRACT PRICE:

BDQ Contract Price:

For volumes delivered during the Period of Delivery, the BDQ for the San Juan Basin Delivery Point shall be priced at the First of Month *Inside F.E.R.C.'s Gas Market Report*, "El Paso Natural Gas Co.", "San Juan Basin" Index plus $0.05 per MMBtu, unless an alternative pricing arrangement is mutually agreed to between Buyer and Seller.

For volumes delivered during the Period of Delivery, the BDQ for the Permian Basin Delivery Point shall be priced at the First of Month *Inside F.E.R.C.'s Gas Market Report*, "El Paso Natural Gas Co.", "Permian Basin" Index **plus** $0.05 per MMBtu, unless an alternative pricing arrangement is mutually agreed to between Benson and Shell Energy.

DACQ Contract Price:

To the extent Benson purchases DACQ from Shell Energy in any Month, the per MMBtu price to be charged Benson for such DACQ shall be:

Where the Delivery Point is San Juan Basin, the price published in the applicable *Gas Daily*, "Daily Price Survey" "New Mexico – San Juan Basin" "El Paso, non-Bondad" Midpoint **plus** $0.05 and,

Where the Delivery Point is El Paso Permian Basin, the price published in the applicable *Gas Daily* "Daily Price Survey" "Permian Basin Area" "El Paso" Midpoint **plus** $0.05.

Special Conditions

Imbalances: Benson shall provide, or authorize Shell Energy to receive, all information necessary for Shell Energy to monitor Benson's usage. Shell Energy shall monitor Benson's usage and adjust deliveries at the Delivery Point(s) to eliminate or reduce any pipeline penalties or imbalance charges provided that such actions shall not increase delivered gas costs above the cost of any such penalty or charge. Shell Energy shall notify Benson, via telephone, electronic mail, or facsimile, within 24 hours of any such transaction. Benson shall pay the DACQ Contract Price for such quantities arranged by Shell Energy. Benson shall authorize Shell Energy as the sole and exclusive party to utilize Benson's imbalance trade mechanism(s) to balance Benson's account(s) for under- or over-deliveries of Gas. If Shell Energy's actions result in excessive gas costs or unnecessary pipeline penalties or imbalance charges, including cash outs and other charges properly imposed upon Benson by EPNG, Shell Energy shall reimburse such costs to Benson.

Delivery of Gas in Ratable Quantities: Unless otherwise agreed to by the parties in a separate written agreement, all Gas shall be delivered in ratable quantities in accordance with industry practices and standards.

PERIOD OF DELIVERY:

The Period of Delivery shall be February 1, 2015 through January 31, 2017. This Confirmation shall terminate upon the expiration of the Period of Delivery, unless extended in writing by the mutual agreement of both parties hereto no less than sixty (60) days before the end of the Period of Delivery set forth herein.

This Confirmation is being provided pursuant to and in accordance with the above referenced gas purchase and/or sale agreement between Benson and Shell Energy, formerly known as Coral Energy Resources, L.P. (the "Agreement") and constitutes part of and is subject to all of the provisions of the Agreement.

Effective as of February 1, 2015, this Confirmation shall terminate and supersede any prior transaction confirmations between the parties for the purchase and sale of Gas (including, without limitation, any prior monthly evergreen deals between the parties).

SHELL ENERGY NORTH AMERICA (US), L.P.	**CITY OF BENSON, ARIZONA**
BY: _____	BY: _____
NAME: _____	NAME: _____
TITLE: _____	TITLE: _____
DATE: _____	DATE: _____