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APPROVED
3-13-12

Submitted by: ASSEMBLY MEMBER STARR
Prepared by: Assembly Counsel
For reading: March 13, 2012

ANCHORAGE, ALASKA
AR No. 2012-80

1 **A RESOLUTION AUTHORIZING MUNICIPAL LIGHT & POWER TO**
2 **NEGOTIATE AND ACQUIRE, BY PURCHASE, EXCHANGE OR OTHER**
3 **TRANSFER AGREEMENTS, NATURAL GAS AND OTHER ENERGY**
4 **PRODUCTION TO MEET ITS SHORT-TERM REQUIREMENTS.**

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6 WHEREAS, Municipal Light & Power (ML&P) meets the majority of its
7 natural gas requirements for electric power generation from its reserves in the
8 Beluga River Unit (BRU) gas field; and
9

10 WHEREAS, gas curtailments, interruptions (e.g. planned or un-planned
11 field maintenance, gas transportation system interruptions) or emergencies (such
12 as a gas compressor trip or loss of production from wells) may occur at the BRU;
13 and
14

15 WHEREAS, it is imperative to the health, safety and welfare of the
16 Municipality for ML&P to have other gas supply arrangements in place to meet its
17 generation needs, particularly during periods of peak seasonal demand when
18 Cook Inlet gas availability and deliverability is severely strained; and
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20 WHEREAS, declining BRU field production, coupled with existing
21 contractual gas supply requirements, indicate that ML&P's share of production
22 from the field may be insufficient to meet its full gas requirement on some heavy
23 peak use days; and
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25 **WHEREAS, recent technologies, including wind power and methane**
26 **gas power production, have expanded alternative energy opportunities:**
27 **Wind Power generation from Fire Island Wind LLC will be available**
28 **beginning in September 2012 and presents a viable alternative to peak**
29 **demand natural gas purchases; and**
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31 WHEREAS, the terms and conditions precedent to acquiring short-term
32 gas supplies to accommodate short notice gas supply requirements are dictated
33 by Cook Inlet market and supply conditions; and
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35 WHEREAS, ML&P has been unsuccessful in securing an alternate supply
36 of natural gas through the normal competitive procedures under Title 7; and
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38 WHEREAS, it is in the best interests of the Municipality and the public for
39 ML&P to maintain continuous access to an uninterrupted flow of natural gas for
40 its electric generating turbines at the most favorable terms: now, therefore,
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1 **THE ANCHORAGE ASSEMBLY RESOLVES:**

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3 **Section 1.** ML&P is authorized to negotiate and acquire, by purchase,
4 exchange or other transfer agreements, natural gas from producers on terms and
5 conditions that the Municipality deems to be most favorable to it and ML&P
6 customers.

7
8 **Section 2.** ML&P is authorized to negotiate and acquire, by purchase,
9 exchange, or other transfer agreements, alternative energies, including
10 wind power, on terms and conditions that the Municipality deems to be
11 most favorable to it and ML&P customers.

12
13 **Section 3.** Volumes of gas and energy purchased and related expenditures
14 for those volumes resulting from agreements entered into pursuant to Section 1
15 shall be reported to the Assembly on a quarterly basis in an informational
16 memorandum; PROVIDED proprietary information which a producer reasonably
17 requires to be kept confidential shall be omitted from such reporting. In addition,
18 a summary of efforts to purchase excess wind energy and other alternative
19 energy from local sources shall be included in the quarterly report to the
20 Assembly.

21
22 **Section 4.** The term of any such agreement shall not extend beyond three (3)
23 years from passage and approval of this resolution.

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25 **Section 5.** This resolution shall be effective immediately upon passage and
26 approval by the Assembly.

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28 PASSED AND APPROVED by the Anchorage Assembly this 13th day of
29 March, 2012.

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33 _____
34 Chair of the Assembly

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36
37 ATTEST:

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39 
40 _____
41 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.
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**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



MUNICIPALITY OF ANCHORAGE
ASSEMBLY MEMORANDUM
No. AM 179-2012

Meeting Date: March 13, 2012

1 **From:** ASSEMBLY MEMBER STARR
2 **Subject:** **AR 2012-80 — A RESOLUTION AUTHORIZING MUNICIPAL LIGHT &**
3 **POWER TO NEGOTIATE AND ACQUIRE, BY PURCHASE, EXCHANGE OR**
4 **OTHER TRANSFER AGREEMENTS, NATURAL GAS AND OTHER ENERGY**
5 **PRODUCTION TO MEET ITS SHORT-TERM REQUIREMENTS.**
6

7 Recent technologies, including wind power and methane gas power production, have
8 expanded alternative energy opportunities. AR 2012-80 recognizes that wind power
9 generation from Fire Island Wind LLC will be available beginning in September 2012 and
10 presents a viable alternative to peak demand natural gas purchases.
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12 Under AR 2012-80, the Assembly authorizes ML&P to negotiate and acquire, by purchase,
13 exchange, or other transfer agreements, alternative energies including wind power, in
14 addition to natural gas, on terms and conditions that the Municipality deems to be most
15 favorable to it and ML&P customers. That is, with the development of recent technologies,
16 ML&P is encouraged to look at alternative energies to meet short term peak needs, in
17 addition to natural gas.
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19 Under AR 2012-80, a summary of efforts to purchase excess wind energy and other
20 alternative energy from local sources will be included in the quarterly report to the Assembly.
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22 The above listed additional provisions in AR 2012-80 not found in AR 2012-79 are highlighted
23 in bold for ease of reference.
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25 Respectfully submitted:

26
27 Bill Starr
28 Assembly Member, Section 2
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