

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5h

ACTION ITEM

Date of Meeting September 11, 2012

DATE: August 30, 2012

TO: Tay Yoshitani, Chief Executive Officer

FROM: Dave Soike, Director, Aviation Facilities and Capital Program

SUBJECT: Contract to Purchase Natural Gas

Est. Amount of This Request: \$2,000,000 **Est. State and Local Taxes:** \$195,000

ACTION REQUESTED:

Request Commission authorization for the Chief Executive Officer to execute a contract to provide natural gas for Seattle-Tacoma (Sea-Tac) International Airport. The contract will be structured as a one-year agreement with up to four years of additional service.

SYNOPSIS:

Puget Sound Energy (PSE) currently provides natural gas to Sea-Tac Airport. Natural gas was deregulated in Washington State in the 1980s, which allows Sea-Tac to publicly advertise, receive bids and contract with energy services providers other than the local utility. In addition to PSE, there are a number of independent providers of natural gas utilities in the state of Washington. The Port intends to issue a competitive solicitation to four qualified natural gas vendors and issue a contract by November 1, 2012, that will cover the next one-to-five-year period and should reduce the Airport's natural gas expense by 10 percent.

BACKGROUND:

Technology developments in the last few years have greatly increased the supply of natural gas in North America. The U.S. now produces more natural gas than it consumes and has become a net exporter of natural gas. This excess supply of natural gas has caused significant downward pressure on the local index and shorter-term markets. By executing this contract, the Port expects to reduce its natural gas expenses by 10% or more. The current provider, PSE, will have an opportunity to bid in the competitive solicitation.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

August 30, 2012

Page 2 of 3

PROJECT JUSTIFICATION:

Sea-Tac Airport is comprised of over 3,000,000 square feet of terminal space and operates 24 hours a day, seven days a week. Natural gas is utilized at the Airport's central mechanical plant boilers to provide heating to the Airport terminal building and the Airport consumes approximately 2,700,000 therms of natural gas annually.

This contract will ensure the Port is receiving natural gas at the best possible rates.

Project Objectives:

- Provide secure and reliable natural gas to Seattle-Tacoma International Airport at the best possible price.

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

Contract for natural gas energy services for Sea-Tac Airport.

Schedule:

The proposed contract is anticipated to be executed by November 1, 2012.

FINANCIAL IMPLICATIONS:

Budget Status and Source of Funds:

The annual contractual expenses included within the operating budget approved annually by the Port Commission.

ENVIRONMENTAL SUSTAINABILITY:

Natural gas is currently our cleanest and lowest cost fuel option.

BUSINESS PLAN OBJECTIVES:

Contracting for natural gas energy services supports the goal to reduce airlines cost per enplanement without compromising operational and capital needs.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

August 30, 2012

Page 3 of 3

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative 1 - Continue to receive natural gas services from our local utility without competing the service. This is not the recommended alternative.

Alternative 2 - Authorize the Chief Executive Officer to solicit bids and execute a new contract to purchase natural gas and energy services. The alternative allows competition. The resulting contract will be structured as one-year agreements with up to four years of additional service.

This is the recommended alternative.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

None.