

**Report to the
Business Administration Committee
Recommendation to Modify the Current Natural
Gas Contract
For
Ronald Reagan Washington National Airport
October 2015**

Purpose

Staff requests that the Business Administration Committee approve and recommend to the Board of Directors that the Airports Authority modify the existing three-year contract with Washington Gas Energy Services (WGES) for the supply of natural gas for Ronald Reagan Washington National Airport, to include the two-year option period from December 1, 2015 to November 30, 2017.



Background

- In 2012, the Airports Authority participated in a Metropolitan Washington Council of Governments (COG) Invitation For Bid (IFB) for the purchase and delivery of natural gas. The COG IFB allows COG members to combine their total usage into one solicitation, in order to obtain economies of scale pricing. Seven natural gas bids were obtained and COG awarded the contract to the lowest qualified bidder, WGES, in October 2012. The contract allowed COG members to select a base term of either one, two or three years. The contract also include two unpriced option years.

Background (cont.)

- Due to the historically-low bid price, the Airports Authority chose to enter into a contract with WGES for the maximum base term of three years.
- The COG contract structure also included two unpriced option years. The Airports Authority did not include these in the executed 2012 contract since the financial implications could not be determined at the time of award.

Discussion

- WGES has now refreshed its pricing, providing current rates for the two option years in the COG contract, and the price is about 3 percent less than the Airports Authority is currently paying.
- Energy Enablement, an energy consultant to COG, has checked pricing from other natural gas suppliers, determined the pricing from WGES is advantageous and recommended executing the two-year option.

Discussion (cont.)

- Airports Authority staff conducted independent market research and found a NYMEX Forward Gas Price History forecast by another energy broker, Constellation Energy. The forecast shows that the price of natural gas is currently near the 2012 historically-low price which validates that the pricing available through the COG contract is the most advantageous pricing available to the Airports Authority at this time.

Discussion (cont.)

- Considering the pricing that WGES is offering, it would be advantageous to the Airports Authority to modify the WGES contract to include the two option years.
- Inclusion of the two-year option will allow the Airports Authority to lock-in the savings and to avoid the risk of market fluctuations that could arise in the event of an extreme winter.



Discussion (cont.)

- The two-year cost is estimated to be \$2,108,000.
- In accordance with the Contracting Manual, the exercise of an unpriced option requires Board approval as a sole source procurement action.
- As required by the Airports Authority's Contracting Manual and procurement procedures, the recommendation to use the sole source award methodology was published on the website for the specified time period.

RECOMMENDATION

Staff requests that the Business Administration Committee approve and recommend to the Board of Directors that the Airports Authority modify the existing three-year contract with Washington Gas Energy Services (WGES) for the supply of natural gas for Ronald Reagan Washington National Airport to include the two-year option period.



Ronald Reagan Washington National Airport



Dulles Corridor Metrorail Project



Dulles Toll Road



Washington Dulles International Airport



METROPOLITAN WASHINGTON
AIRPORTS AUTHORITY

Proposed Resolution

Modifying the Existing Washington Gas Energy Services Natural Gas Contract for Ronald Reagan Washington National Airport

WHEREAS, The Authority participated in a Metropolitan Washington Council of Governments (COG) Invitation for Bid (IFB) for the purchase and delivery of natural gas which allowed COG members to combine their total usage into one solicitation in order to obtain economies of scale pricing;

WHEREAS, Seven natural gas bids were obtained and COG awarded the contract to the lowest qualified bidder, Washington Gas Energy Services (WGES), in October 2012;

WHEREAS, The contract allowed COG members to select a base term of either one, two or three years, and included two unpriced option years and the Authority chose to enter into a contract with WGES for the maximum base term of three years;

WHEREAS, The Authority did not include the two unpriced option years in the 2012 contract because the financial implications could not be determined at the time of the award;

WHEREAS, Energy Enablement, an energy consultant to COG, checked pricing from other natural gas suppliers, determined the pricing from WGES, which is about 3 percent less than the cost that the Authority is currently paying, is advantageous and recommended executing the two-year option;

WHEREAS, Staff conducted independent market research and found that a forecast conducted by another energy broker shows that the price of natural gas is currently near the 2012 historically-low price which validates that the pricing through the COG contract is the most advantageous pricing available to the Authority at this time;

WHEREAS, It would be advantageous to the Authority to modify the WGES contract to include the two option years at an estimated cost of \$2.1 million;

WHEREAS, In accordance with the Contracting Manual, the exercise of an unpriced option is considered a sole source procurement action, which requires Board approval;

WHEREAS, The anticipated sole source award was published on the Authority's website for the specific time period as required by the Contracting Manual; now, therefore, be it

RESOLVED, That the President and Chief Executive Officer is authorized and directed to modify the existing three-year contract with WGES for the supply of natural gas for Reagan National to include the two-year option period, consistent with the terms presented to the Business Administration Committee at its October 21, 2015 meeting.

*For Consideration by the Business Administration Committee and
Board of Directors on October 21, 2015*