

REQUEST FOR PROPOSAL



CITY OF ALEXANDRIA, LOUISIANA

Natural Gas Supply, Risk Management Services

Issue Date: November 2, 2009

Due Date: December 16, 2009



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1. PURPOSE AND INTENT

This Request for Proposal (RFP) is being issued by the City of Alexandria (City) in order to solicit proposals from parties that have an interest in selling natural gas supply and required services to the City for the term June 1, 2010 through May 31, 2012.

The City is committed to obtaining an economical and reliable supply of natural gas to serve its customers. The City seeks a firm natural gas supply sufficient to meet one hundred percent (100%) of the City's local distribution company (LDC) system daily gas requirements. In addition the City seeks proposals to supply natural gas for the City's D. G. Hunter Power Plant fuel requirements. Pricing and terms for serving the power plant should be separately identified from the pricing and terms for serving the LDC system.

The proposals will be evaluated based on the price of natural gas supply, the flexibility of that supply in meeting the City's supply requirements, and the reliability and financial stability of the supplier. If the City determines that more than one of the proposals meets the requirements of the City, it intends to enter into negotiations leading to an executed natural gas supply contract. The proposal submitted in response to this RFP will be the basis for such negotiations. The City has hired GDS Associates, Inc. (GDS) to assist the City with this RFP. GDS will issue, analyze, and provide an independent view of the findings and make the necessary recommendations associated with this RFP to the City. GDS and the City will negotiate the final terms of the contract awarded under this RFP.

Suppliers that intend to respond to this RFP should fax Attachment C, Notice of Intent to Respond, to Paul Wielgus of GDS by November 20, 2009. Although providing a Notice of Intent to Respond is not required as a prerequisite to submitting a bid to this RFP, it is highly encouraged and those providing this notice will be supplied by email any RFP updates and will receive answers to any material questions asked by those that have provided the notice. Deadline to ask questions verbally or in writing regarding this RFP is December 9, 2009. Responses to the RFP are due December 16, 2009.

2. BACKGROUND

2.1 City LDC System

The City has all of its natural gas distribution system supply requirements being supplied under an existing firm contract which is transported on the Crosstex LIG Pipeline (CLIG) with delivery to the Alexandria city gate.

The City distributes natural gas to residential and commercial customers in the City through its natural gas distribution system. All interconnections with the City's natural gas LDC system are with CLIG. The system's annual gas requirements have averaged approximately 1.64 Bcf per year over the past three years. For 2008, the LDC system maximum single day usage was 16,240 MMBtu in January and the minimum single day usage was 1,157 MMBtu in August. Average daily system requirement for 2008 was 4,700 MMBtu. The LDC system's historic peak day requirement over the last 10 years was 21,722 MMBtu in 2001. This information is detailed in Attachment A.

2.2 City Power Plant

The City also owns natural gas-fired generation at its D.G. Hunter Power Plant. The power plant's annual gas requirements have been minimal over the past two years. Annual gas usage for electric generation for 2008 was 49,306 MMBtu. The historic high annual usage was 2,392,773 MMBtu in 2000. The power plant can operate during periods of power shortages in the region, during periods of high electric power usage, and is usually always operated during an imminent, forecastable natural disaster. The City may dispatch its generation during the term of this contract under the RFP, independent any third party requests. The amount of natural gas purchased by the City for power generation will vary based on the economics of the dispatch of the City's generation. Such economic dispatch is often directly related to the competitiveness of the natural gas supply. Although the City is examining repowering the power plant, and additional natural gas consumption may result from a repowering, a repowering, when and if it occurs, will not occur during the original term of the contract intended under this RFP.

3. SUPPLY REQUIREMENTS

In this RFP the term "Supplier" refers to the party intending to contract with the City for delivery of natural gas into CLIG Pipeline for redelivery to the City under terms of the City's natural gas transport agreement with CLIG.

- The natural gas supply for the City's LDC system must be supplied on a firm basis for up to 25,000 MMBtu per day. The transportation and supply of the LDC system natural gas into CLIG Pipeline Points of Delivery and for eventual redelivery to the City must also be on a firm basis. Supplier should be willing to offer verification of possession of or ability and intent to acquire this firm transportation and related services.
- The natural gas supply for the power plant may be supplied on an interruptible basis for volumes up to 38,000 MMBtu per day. The Supplier may choose to submit a proposal to supply the power plant as an additional option to its proposal to serve the City LDC system. Daily natural gas usage for the City's Power Plant is contained in Appendix A, Table 3.
- The term of the natural gas supply contract should be from June 1, 2010 through May 31, 2012. Proposers have the option to provide pricing for two extensions of twelve (12) months each. All suppliers must include a proposal for the June 1, 2010 through May 31, 2012 period.
- Deliveries will be made into CLIG at delivery points mutually agreed to by the Supplier and CLIG. Attached as part of Appendix B are receipt points for the City. These points may be utilized by the Supplier to supply gas for the City's LDC system and Power Plant.
- CLIG requires daily balancing on its system. The Supplier will be responsible for working with CLIG and the City in managing natural gas imbalances on CLIG to minimize the cost impacts of balancing charges, and the Supplier should expect to make daily nomination changes from time to time as requested by CLIG or the City or as identified by the Supplier and approved by the City.
- The City reserves the right to utilize alternative delivery arrangements, either with Supplier or with Parties to be determined solely by the City, for natural gas supplies during the term of the natural gas contract requested under this RFP. The City will consider alternative delivery arrangements as may be requested by the Supplier, which are mutually beneficial to the Supplier and the City. The City will also consider reasonable adjustments to natural gas costs, as requested by Supplier, to account for City-requested delivery cost variations from the current arrangements, if necessary.

4. PRICING OPTIONS

Supplier is requested to submit pricing structures in response to this RFP according to guidelines listed below in Pricing Options 1 thru 5. The Supplier is encouraged to submit more than one Pricing Option.

- Pricing Option 1: Supplier shall provide the City's full LDC requirements at a fixed monthly unit price based on a representative published monthly index. The Supplier will be responsible for payment of or credit due for cashouts or penalties invoiced to the City by CLIG as a result of any daily or monthly imbalances. For those Suppliers who are not familiar with CLIG cashout policies, CLIG may be contacted directly to obtain this information. Other balancing arrangements can be proposed by the Supplier.
- Pricing Option 2: Supplier shall provide a daily baseload volume for the City's LDC at a fixed monthly unit price based on a representative published monthly index. Supplier will provide additional swing volumes as needed to meet the City's full requirements with swing volume prices based on a representative daily published index price. The Supplier will be responsible for payment of or credit due for cashouts or penalties invoiced to the City by CLIG as a result of any daily or monthly imbalances. Other balancing arrangements can be proposed by the Supplier.
- Pricing Option 3: Supplier shall provide daily LDC baseload volumes and additional swing volumes as needed to meet the City's full requirements at prices based on a representative daily published index price. The Supplier will be responsible for payment of or credit due for cashouts or penalties invoiced to the City by CLIG as a result of any daily or monthly imbalances. Other balancing arrangements can be proposed by the Supplier.
- Pricing Option 4: Supplier may offer alternate pricing structures to supply natural gas to fully serve the City's LDC natural gas requirements.
- Pricing Option 5: Supplier will provide natural gas to the City's power plant on an interruptible basis, in volumes up to 38,000 MMBtu per day as requested by the City, with pricing similar to that described in Option 1 thru 4 but allowing for a likely zero baseload volume.

5. PROPOSAL REQUIREMENTS

In order to evaluate each proposal, prospective Suppliers should submit the following information in conjunction with its pricing proposal:

1. Supplier should provide, as close as practical, a signature ready draft natural gas supply and services contract representative of its proposal.
2. Supplier's pricing should be specific with regard to pricing provisions, indexes, terms of supply and pricing, adjustments, price re-determinations, transportation, and other factors affecting the final price offered under the proposal. The proposal should state the mechanism for re-determination of the natural gas prices, if City and Supplier should desire and agree to an extension of an existing supply contract. Suppliers should utilize a full range of natural gas supply options to create a proposal that will ensure availability and reliability of natural gas supplies to the City at the lowest reasonable cost.
3. Supplier should provide the City the right and ability to fix prices on the contracted supplies for future month or months, at the option of the City, based on the NYMEX Henry Hub natural gas price or some other representative natural gas price index. Supplier shall define in detail the hedging mechanism to be offered to the City for this service and any requirements of the City needed to exercise any fixed price structures.
4. Supplier should specify Points of Delivery on the CLIG pipeline in its proposal and should include all costs, by component and in total, associated with supplying natural gas to each designated point in its proposal. Supplier is responsible for making all necessary arrangements to deliver the natural gas to the designated Point of Delivery and the City.
5. Supplier should provide the necessary details regarding the source(s) of its natural gas supply and its firm rights to that supply.
6. Supplier should provide details regarding its financial strength, stability, and credit. If the Supplier is a broker or marketing company, sufficient information must also be provided to evaluate the financial stability and reliability of the entities which will be physically providing the natural gas. Supplier should be in a position to provide at least an acceptable corporate warranty, letter of credit for price and supply security, or an equivalent method of security, for the proposed contract term. Description of how Supplier plans to provide evidence of the financial warranty shall be submitted with proposal. Alternative financial support structures can be proposed.
7. Supplier should provide a history of its natural gas supply service, particularly in states along the Gulf Coast and with customers like the City supplied on the CLIG pipeline.
8. Supplier should identify key operations personnel, and should provide contact information including office and cell telephone, 24 hour telephone dispatch, fax, and email addresses. Supplier shall designate customer contact that would be responsible for the City's account and also for negotiating the contract anticipated under this RFP with the

City. Supplier should provide resumes or qualification sheets on these persons in its proposal. Provisions for emergency and 24/7 communication procedures should be outlined, with appropriate contact and back up contact information.

9. A list of at least three references with which the Supplier has natural gas supply agreements similar to that proposed to the City should be provided with contact persons and telephone numbers. References relating to supply to municipal LDCs are requested where they exist.

Proposals must remain valid for at least 45 days. Proposals that do not substantially meet the requirements stated above cannot be accepted. The City reserves the right to reject all offers and makes no commitment to purchase natural gas under this RFP. The City will not assume any responsibility for expenses associated with responding to this RFP or for expenses associated with discussions or negotiations of a contract under this RFP with Suppliers. The Supplier must agree to and adhere to all City purchasing requirements.

6. EVALUATION CRITERIA

The City will be placing considerable reliability and financial responsibility on the Supplier selected. Care will be taken to thoroughly consider all qualifications and relevant experience of the Supplier, including its ability to deliver natural gas and the reliability of that supply. The City will assess the depth and commitment of the supplying entity and its organization to ensure a successful relationship and commitment. A well-prepared, explanatory, comprehensive, and concise proposal will be considered favorably.

The following areas of review, in addition to others, will be considered in evaluating the proposals:

- Quality and cost of proposed natural gas supply services
- Credit worthiness of Supplier
- Overall experience of the organization
- Experience in supplying natural gas to municipalities in Louisiana
- Experience in supplying natural gas on the CLIG system
- Dispatching operations
- Capabilities to offer and execute natural gas price hedges
- Representative contract draft
- Power Plant fuel requirement proposal
- References

7. GENERAL PROCEDURES

All proposals should be submitted on or before 4:00 p.m. on Wednesday, December 16, 2009 to the office of:

GDS Associates, Inc.
Attention: Paul Wielgus
1850 Parkway Place, Suite 800
Marietta, GA 30067
FAX Number: 770-426-0303
Email: paul.wielgus@gdsassociates.com
Phone: 678-825-7369

With a copy to:

City of Alexandria
Attention: Michael P. Marcotte
915 Third St.
Alexandria, LA 71301
FAX Number: 318-449-5080
Email: michael.marcotte@cityofalex.com
Phone: 318-449-5008

Questions regarding this RFP should be directed to Paul Wielgus of GDS. Proposals may be provided via fax or email, but all proposers are required to submit at least three (3) complete proposals in hard copy form to the above address by 4:00 p.m. central time December 16, 2009. All hard copy proposals shall be submitted in a sealed envelope clearly marked "City of Alexandria Gas Supply Proposal" on the outside. So as to remain fair to all participants, proposals received after the deadline will be returned unopened. Cooperation with these requirements will be appreciated.

ATTACHEMENT A

Monthly Gas Consumption City Of Alexandria, Louisiana

Table 1. 1998-2009 Monthly LDC Gas Consumption (MMBtu)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2008
1998	260,181	226,116	205,270	107,329	77,160	65,051	57,394	67,882	62,657	89,124	147,262	279,523	1,644,949
1999	260,990	180,293	176,063	91,268	80,871	72,845	69,531	67,394	73,759	107,001	158,633	279,270	1,617,918
2000	280,371	184,356	130,295	107,937	76,519	69,088	75,641	67,016	70,647	105,456	221,306	414,365	1,802,997
2001	383,777	192,081	212,026	87,313	76,185	68,429	64,552	65,427	67,883	107,833	133,751	227,750	1,687,007
2002	278,874	265,731	194,609	91,415	77,403	67,205	65,429	64,522	63,858	84,191	181,597	269,469	1,704,303
2003	361,867	253,698	153,356	90,179	64,671	64,300	63,463	62,220	66,933	86,850	139,730	282,263	1,689,530
2004	288,464	286,785	121,385	97,050	77,442	66,216	64,527	64,776	65,488	73,419	129,381	276,639	1,611,572
2005	258,632	201,441	174,607	92,448	76,712	63,486	62,671	61,958	62,706	93,157	150,596	273,315	1,571,729
2006	206,240	234,415	138,117	79,245	74,427	65,318	68,104	69,063	70,126	93,492	166,663	242,747	1,507,957
2007	302,938	250,153	130,513	119,566	88,343	76,040	79,021	78,087	78,716	108,845	162,219	222,519	1,696,960
2008	317,272	198,451	164,930	106,610	86,342	76,789	74,438	75,427	79,662	109,028	175,249	255,845	1,720,043
2009	272,513	187,299	164,472	108,752	86,141	67,560	70,218	70,135	0	0	0	0	1,027,090
Avg	289,343	221,735	163,804	98,259	78,518	68,527	67,916	67,826	63,536	88,200	147,199	251,975	1,606,838

Table 2. 2008 City LDC Gas Use Profile (MMBtu)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2008
Total	317,272	198,451	164,930	106,610	86,342	76,789	74,438	75,427	79,662	109,028	175,249	255,845	1,720,043
Daily Avg	10,235	6,843	5,320	3,554	2,785	2,560	2,401	2,433	2,655	3,517	5,842	8,253	4,700
Minimum Day	3,710	3,656	2,684	2,707	1,962	1,980	1,831	1,157	1,809	2,183	3,055	2,861	2,466
Maximum Day	16,240	12,168	13,138	6,525	3,376	2,958	2,855	2,881	3,199	7,809	11,439	15,179	8,147

Table 3. 2008 D.G. Hunter Power Plant Gas Use Profile (MMBtu)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2008
Total	0	0	0	0	0	17,409	0	7,750	21,515	0	0	2,632	49,306

ATTACHMENT B

The information below is as received from CLIG pipeline. Suppliers are responsible for coordination of all scheduling into the CLIG pipeline and must be prepared to supply gas in accordance with CLIG's delivery requirements at the time of scheduled delivery.

Interstate Delivery Points

The following points may be available for monthly baseload volumes as determined by the City and CLIG. CLIG has designated Point Number 8, TGT - Bayou Pompey, as the primary point of delivery for transportation service to the City of Alexandria. Additional points may be available for baseload supply from time to time, with CLIG's prior approval. As with baseload volumes, Point Number 8, TGT - Bayou Pompey shall be designated as the primary point of delivery for daily volumes required in excess of baseload volumes. Additional points may be available from time to time for daily volumes required in excess of baseload supply, with CLIG's prior approval.

Location

1. Existing interconnection between Transporter's facilities and ANR Pipeline Company located in Section 59, Township 14 South, Range 9 East, St. Mary Parish, Louisiana. (2107/Weeks Island)
 2. Existing interconnection between Transporter's facilities and Columbia Gulf Transmission Company located in Section 77, Township 16 South, Range 15 East, Terrebonne Parish, Louisiana. (1063-40-5/Gibson)
 3. Existing interconnection between Transporter's facilities and Nautilus Pipeline Company located in Section 45, Township 15 South, Range 10 East, St. Mary Parish, Louisiana. (2103/Garden City)
 4. Existing interconnection between Transporter's facilities and PanEnergy Louisiana Intrastate LLC (Duke) located in Section 14, Township 11 North, Range 6 West, Natchitoches Parish, Louisiana. (1377-01-9/Black Lake)
 5. Existing interconnection between Transporter's facilities and Transcontinental Gas Pipeline Corporation located in Section 39, Township 17 South, Range 16 East, Terrebonne Parish, Louisiana. (1062-40-9/Humphrey)
 6. Existing interconnection between Transporter's facilities and Texas Gas Transmission located in Section 22, Township 2 North, Range 1 East, Rapides Parish, Louisiana. (1764-40-3/Bayou Pompey)
 7. Existing interconnection between Transporter's facilities and Texas Gas Transmission located in Section 62, Township 14 South, Range 9 East, St. Mary Parish, Louisiana. (1055-01-1/Franklin)
-

Location

8. Existing interconnection between Transporter's facilities and Trunkline Gas Company located in Section 11, Township 15 South, Range 11 East, St. Mary Parish, Louisiana. (1059-40-8/Calumet)
 9. Interconnection as described in following paragraph is currently INACTIVE.
Existing interconnection between Transporter's facilities and Trunkline Gas Company located in Section 136, Township 4 North, Range 3 West, Rapides Parish, Louisiana. (1376-40-3/Boyce)
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Points of Re-delivery

Location

1. For Purposes of Redelivery:
At the City of Alexandria D. G. Hunter Power Plant.

For Purposes of Measurement:
At Transporter's City of Alexandria No. 5 Metering Station.
 2. Transporter's existing metering station for the City of Alexandria Distributing System referred to as Alexandria No. 1, No. 2, No. 3, and No. 4.
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INTRASTATE DELIVERY POINTS

Intrastate Delivery Points are available solely for the receipt of intrastate gas produced within the state of Louisiana. Specific Intrastate Delivery Points shall be available with CLIG's prior approval.

ATTACHEMENT C

Notice of Intent to Respond
(Due 11/20/09)

Date: _____
Via Fax or Hand Delivery

Paul Wielgus
GDS Associates, Inc.
Fax: 770-426-0303

Dear Mr. Wielgus:

The undersigned intends to respond to the RFP for natural gas supply.

Name of Contact Person: _____

Address: _____

Telephone/Fax: _____

E-mail Address: _____

Proposer Signature: _____

Company Name: _____



ATTACHEMENT D

Target Schedule for Natural Gas Supply and Services RFP

Target Schedule	
<u>Event</u>	<u>Date</u>
RFP Issuance	11/02/09
Notice of Intent to Respond Due	11/20/09
AFEAT Proposal Due	11/20/09
Deadline for Submission of Questions	12/09/09
Proposals Due	12/16/09
Short List Notification	01/15/10
Final Award	04/21/10

ATTACHMENT E
City of Alexandria's Diversity in Action Program

Under the City's AFEAT (Alexandria Fairness, Equality, Accessibility, and Teamwork Program), participation by minority and/or disadvantaged business enterprise firms is encouraged. The AFEAT Program should be inquired about through the Division of Finance. The goals for qualifying disadvantaged, minority and female owned business in the use of professional service agreements with prime contractors will help effectuate the goals of increasing: the competitive viability of small business, minority, and women business enterprise by providing contract, technical, educational, and management assistance; business ownership by small business persons, minority persons, and women (including professional service opportunities); and the procurement by the City of professional services, articles, equipment, supplies, and materials from business concerns owned by small business concerns, minority persons, and women.

Prime contractors offering subcontracting should take specific action to ensure that a bona fide effort is made to achieve maximum results towards meeting the established goals. Primes shall document efforts and shall implement steps at least as extensive as the following in a good faith effort to reach or exceed the established goals:

- A. *Establish and maintain a current list of minority and female owned businesses in Alexandria, in Rapides Parish, and in the State of Louisiana.*
- B. *Document and maintain a record of all solicitations of offers for subcontracts from minority or female construction contractor and suppliers in Alexandria, in Rapides Parish, and in the State of Louisiana.*
- C. *Secure listing of minority and women owned businesses from the City of Alexandria Purchasing Department, the Central Louisiana Business Incubator, and the State of Louisiana Department of Minority Affairs.*
- D. *Participate in associations which assist in promoting minority and women owned businesses such as the Central Louisiana Business League, the Central Louisiana Business Incubator, and the Entrepreneurial League System.*
- E. *Designate a responsible official to monitor all activity made in the effort to achieve or exceed the established goals; record contacts made, subcontracts entered into with dollar amounts, and other relevant information.*

Further information can be found at: <http://www.gdsassociates.com/rfp/rfp.html>

Proposals will be received until 4:00 P.M. central time, December 16, 2009 by Director of Utilities Office, 915 North Third Street, Alexandria, LA 71301 or mailed to both:

One copy to:
Michael P. Marcotte
Assistant Director of Utilities
P.O. Box 71
Alexandria, LA 71309-0071

Three copies to:
Paul Wielgus
GDS Associates, Inc.
1850 Parkway Place, Suite 800
Marietta, GA 30067

