



August 12, 2015

Item No. 9

AUTHORIZATION TO EXERCISE TWO ONE-YEAR EXTENSION OPTIONS WITH CONSTELLATION NEWENERGY – GAS DIVISION FOR THE SUPPLY AND DELIVERY OF NATURAL GAS TO VARIOUS CHA RESIDENTIAL SITES AND FACILITIES

To the Honorable Board of Commissioners:

RECOMMENDATION

It is recommended that the Board of Commissioners approve the attached resolution authorizing the Chief Executive Officer or his designee to exercise the second and third one year extension options under Contract No. 11228 with Constellation NewEnergy – Gas Division for the supply and pipeline delivery of natural gas to various CHA residential sites and facilities in an amount not-to-exceed \$ 8,168,449.

FUNDING: General Fund

Contractor: Constellation NewEnergy – Gas Division, LLC
500 West Madison
Suite 3300
Chicago, IL 60661

Contract Type: Supply and Delivery

Original Contract Amount:	\$ 11,800,000
Amount of Contract Amendment No.1:	\$ 6,496,740
Amount of Contract Amendment No.2:	\$ 8,168,449
New Total Contract Amount:	\$ 26,465,189
Original Contract Base Term:	April 1, 2013 - March 31, 2015
First Contract Extension Term:	April 1, 2015 - March 31, 2016
Second Contract Extension Term:	April 1, 2016 - March 31, 2017
Third Contract Extension Term:	April 1, 2017 - March 31, 2018

M/W/DBE Participation:

Direct: MBE 20 % WBE % DBE %
Indirect: MBE % WBE % DBE %
Waiver: Yes/No

Section 3:

() Hiring (\$) Subcontracting (\$) Other Economic Opportunities \$

EXPLANATION

In April 2013, the Board of Commissioners approved the award of an agreement with Constellation NewEnergy – Gas Division for the supply and delivery of natural gas to various CHA residential sites and facilities for a base period of two (2) years.

The base term of the contract began on April 1, 2013 and expired March 31, 2015. In February 2015, the Board approved the first of three contractual one year extension options, which set the current contractual expiration date on March 31, 2016.

The Natural Gas Supply and Delivery Agreement offers CHA the opportunity to purchase its natural gas needs at wholesale instead of retail, and enables the CHA to hedge against potential market price fluctuations through use of multi-tiered price/risk management options.

The CHA is planning to utilize this contractual capability and current low pricing in the energy market to lock in favorable natural gas commodity and interstate pipeline delivery rates for two (2) one year periods in an effort to decrease our exposure to market volatility.

Market indicators suggest that the current natural gas commodity rates are expected to increase in the next two years. Therefore, it is in the best interest of the CHA to present to the Board a request for authorization to exercise both of the two remaining options spanning two (2) one year periods before the current first year extension option of the contract has expired. This will enable the CHA to more flexibly lock in current rates for future usage, for up to two years from the expiration date of the first option period, instead of waiting for the expiration of the current term and only exercising a one year extension option at that time.

Under this contract, Constellation provides the supply and interstate delivery of wholesale natural gas to the Chicago central utility gate. Peoples Gas then delivers this natural gas to all CHA family, senior and scattered site properties in the CHA traditional public housing portfolio, as well as four locations in the mixed income portfolio. The CHA continues to utilize Peoples Gas for the distribution of natural gas from Chicago's central delivery gate to actual CHA buildings. The associated local distribution costs are not included within the scope or budget of this contract and will continue to be billed separately.

The CHA is recommending that the Board authorize the Chief Executive Officer or his designee to execute an amendment to Contract #11228 with Constellation Energy Services, Inc., to exercise both the second and third extension options reserved under the contract, extending the contract from April 1, 2016 through March 31, 2018. This amendment will also increase the existing not to exceed compensation funding by an amount not to exceed \$ 8,168,449.

RESOLUTION NO. 2015-CHA-68

WHEREAS, the Board of Commissioners of the Chicago Housing Authority has reviewed the memorandum dated August 12, 2015 - entitled **“AUTHORIZATION TO EXERCISE TWO ONE-YEAR EXTENSION OPTIONS WITH CONSTELLATION NEWENERGY – GAS DIVISION FOR THE SUPPLY AND DELIVERY OF NATURAL GAS TO VARIOUS CHA RESIDENTIAL SITES AND FACILITIES”**

THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY

THAT, the Board of Commissioners authorizes the Chief Executive Officer or his designee to execute a contract amendment exercising both the second and third options reserved under Contract #11228 with Constellation NewEnergy – Gas Division for the period from April 1, 2016 through March 31, 2018, to purchase natural gas supply and delivery services and to increase the existing not to exceed compensation amount under Contract #11228 by an amount not to exceed \$ 8,168,449, resulting in a new aggregate compensation in an amount not to exceed \$ 26,465,189.



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