

**PHYSICAL PLANT**  
**OPERATING POLICY AND PROCEDURE**

**PP/OP 05.09: Gas Supply and Transportation Contract Procedures**

**DATE: January 29, 2010**

**PURPOSE**

The purpose of this Physical Plant Operating Policy and Procedure (PP/OP) is to document established procedures for administering and coordinating renewal of the annual natural gas supply contract and gas transportation agreement when required for Texas Tech University.

**REVIEW**

This PP/OP will be reviewed in January of each even numbered year (ENY) by the associate director for physical plant with recommendations forwarded to the managing director for physical plant.

**POLICY AND PROCEDURE**

1. General

- a. Request For Proposal (RFP) - To obtain a contract for supply or transportation of gas to the University, an RFP is prepared and sent via e-mail or fax to interested companies to submit a proposal for supplying gas to the university. The RFP provides the necessary information required enabling a company to submit a proposal. A proposal is a means of using the competitive bid method to acquire natural gas for the university (buyer) for contract for periods of varying lengths to obtain the lowest possible price. See attachment A for sample RFP.
- b. Gas Sales Agreement - The gas sales agreement is the formal contract document between the supplier and the university outlining the terms of the agreement. The agreement will address the contract period, quality of gas, billing and payment procedures, delivery points, price, measurement, penalties, etc. This agreement and any change made must be reviewed and approved by General Counsel.
- c. Scope of Contract - The gas sales agreement serves Central Heating and Cooling Plants, Museum, International Cultural Center, Ranching Heritage, and the main campus facilities. This contract represents ninety-eight (98) percent of the gas purchased for the university. The remaining two (2) percent represents a few auxiliary facilities on campus and university facilities located off campus.

- d. Gas Transportation Agreement - Two main gas transportation lines serve the campus. One is owned by ATMOS Energy (Bart Armstrong 806-798-4409) and the other (Power Tex) operated and owned by MARKWEST Pinnacle Inc. (Bert Dillman 713-965-0742). The pipeline to be used will most likely be determined by the availability of that pipeline to the gas supplier. Each pipeline has different transportation fees and these fees in addition to the supply price must be analyzed prior to awarding the supplier contract. A transportation agreement must be in effect before gas is delivered. Texas Tech has master agreements in place with the two transportation companies. These contracts with amendments are reviewed a minimum of 30 days prior to the end of the contract period. At this time, these contracts are negotiated for amendment to reflect current gas transportation prices as applicable. Both of the agreements must reflect current transportation fees/prices prior to securing the supply agreement. The transportation agreement amendment will be finalized with the gas supply agreement. Note: It is imperative that all three parties involved in this transaction agree to the transportation contract. These parties are (1) Texas Tech University, (2) Gas Supplier, (3) Pipeline owner.
  - e. Contract Period - The gas supply and transportation agreements normally vary from 3 to 24 months depending on the most economical price obtained.
2. Procedures (Gas Procurement Flow Chart Attached)
- a. The Physical Plant Gas Contract Administrator will:
    - (1) Sixty (60) to 90 days prior to the end of the existing contract, review current gas supply contract documents and information used for award of last contract. Utilize NYMEX Futures Market price information to assist in determination of optimum gas price period. Award of the contract needs to be done when price index is at a low or stable level; however it must be performed 30 days prior to end of contract to provide sufficient time for processing. If changes to the contract are warranted, approval must be made by general counsel prior to contract presented to the supplier.
    - (2) Contact the Texas Land Commission's General Land Office (GLO) to determine their role in this year's gas supply contract negotiations. Senate Bill 2, 72 Legislature, Regular Session requires the GLO to review and approve contracts entered into by a state agency for purchase of natural gas. Kenton Odom, GLO, 512-475-3196, (Fax 512-475-1404) is the person to contact.

**Note:** At least 90 days prior to the end of the existing contract; determine if the university wants to enter into an Interagency Cooperation Contract (ICC) between the GLO and Texas Tech University. Note: This ICC is not required in order for the GLO to submit a proposal for supplying natural gas. Standard contract is available on the GLO website at <http://www.glo.state.tx.us/energy/in-kind/>.

- (3) Using the previous gas supply RFP (Request for Proposal), revise or prepare a new RFP and provide a copy to the Contracting Office for their review and file.
- (4) After the RFP has been finalized, and approved by Contracting, send (E-mail or Fax) a copy of the RFP to GLO for their review and use at the same time the RFP is sent to bidders.
- (5) Send out the RFP to prospective suppliers at least 3 days prior to the RFP submittal date. After bid proposals are received and evaluated, immediately send a copy of the most favorable proposal to GLO for their review and approval unless the GLO has already granted a waiver. GLO will either match or be lower than the lowest bid received or they will grant a waiver.

**Note:** The GLO also has natural gas reserves and is a bidder. If the state (GLO) can supply gas to Texas Tech at a lower cost than any proposals received, then Texas Tech will contract with the State. The selected gas supplier will be GLO or the most favorable bidder selected in par. (6) above with GLO waiver. Continuous follow-up with GLO is necessary to ensure timely response. GLO will give approval by telephone and then will follow-up with written waiver or signed RFP response form.

- (6) Once a gas supplier/seller is selected, a "Transaction Confirmation Letter" (see attachment B) is prepared confirming the contract terms and price and signed by gas contract administrator and the most favorable bidder. This document serves as the authorization to proceed with the contract until the amendment or new contract documents are processed.

**Note:** A separate agreement (contract) for each previous used vendor is prepared and on file in the filing cabinet located in the director's office (Physical Plant room 106). Only when a new vendor is selected, will a new contract/agreement be prepared. For previous used vendors, amendments are used to change the applicable information; e.g. pricing, contract period, pipeline, etc.

- (7) After coordination with the Contracting office to award the contract,

prepare either an amendment to the existing contract or prepare a new contract as appropriate and send to the selected vendor for their review and pre-approval.

Note 1: If the contract is new or significant changes are made to existing contract, the contract will be sent to General Counsel (Heather Heinrich) prior to presenting to the supplier/seller for review.

Note 2: Complete coordination of the gas transportation agreement at the same time the gas supply contract is being awarded. The transportation agreement may require appointment of an agent (see attachment C for a sample of the letter appointing agent). An agent is needed when the seller and the transporter are different companies. The agent (supplier) is appointed by the University to coordinate the daily gas nominations (consumption) with the transporter. The balancing process is included in the sales agreement document.

- (8) Send either the proposed amendment or the new sales agreement to the supplier for review. Upon mutual agreement to any changes in the gas agreement documents, review documents to ensure all information is correct and make required changes to the original document. Ensure required statements by GLO have been included. Make certain the dates of the contract are correct. Compare previous sales agreement documents with current agreement and make changes as appropriate.
- (9) When the agreement has been modified as necessary and is correct, prepare and forward four (4) original documents to the Contracting Office. Contracting will circulate the agreement documents for the required approval signatures that include the General Counsel's office. After approvals have been obtained, contracting will forward the four originals to the seller for their approval signatures.

If required, request the gas transportation agreement from either ATMOS or MARKWEST companies to be processed and coordinated with the gas sales company.

- (10) Contracting will send Physical Plant one original signed set of documents for file in Room 106, service bar area, official contract lateral file cabinet.
- (11) The original gas supply contract and gas transportation agreements will be kept on file in room 106.

- b. Accountant for purchased Utilities account will:
- (1) Review the gas sales and transportation agreements with regards to billing procedures.
  - (2) Make contact with the respective supply and transportation companies to establish billing and payment procedures.
- c. Physical Plant Gas Contract Administrator will:
- (1) Monitor the quantity and quality of gas received. Provide the supplier with gas consumption projections as agreed upon.
  - (2) Notify the gas supplier when quality of gas is less than satisfactory as outlined in the contract.
  - (3) Coordinate gas supply changeovers with new suppliers at the start of a contract.
  - (4) Notify the Associate Director for Physical Plant and the Managing Director for Physical Plant when there is unsatisfactory performance of a supply or transportation company.
  - (5) Maintain a history file of the actual monthly MMBtu gas usage figures for five (5) years. The gas transportation company provides these figures. Ensure it is only for the meters served by the contract. This information is provided in the Request for Proposal package.

**RESPONSIBILITIES**

<u>Position</u>	<u>Section</u>	<u>Month</u>
Associate Director for Physical Plant	Review	Jan (ENY)

Approved: \_\_\_\_\_  
Reviewer

Approved: \_\_\_\_\_  
Managing Director – Physical Plant