

FOR BOARD ACTION

Agenda Item # 7

Meeting Date:

2/24/09

SUBJECT: Firm Gas Reservation Transaction Confirmation
Cornerstone Energy / Constellation New Energy

PREPARED BY: Wally Schlink
Director of Power Resources

ITEM DESCRIPTION:

The Board has approved an Addendum to Gas Transportation Agreement with Minnesota Energy Resources Corporation for the transportation of natural gas to the RPU Silver Lake Plant facility. That agreement is for firm delivery of gas to the Silver lake Plant that cannot be interrupted by the gas company.

We also need to have an agreement in place with Constellation New Energy for 200 Mcf per day of firm transportation to guarantee that the plant facilities can be operated safely even if gas delivery is interrupted. This coordinates the firm delivery of gas we need from both Minnesota Energy and Cornerstone / Constellation New Energy to reflect the same arrangement for firm gas transportation.

Attached is a copy of the Transaction Confirmation from Constellation Energy.

FOR CAPITAL PURCHASES/BIDS/MAJOR PROJECTS:

Not applicable

UTILITY BOARD ACTION REQUESTED:

Staff requests that the Board approve and that the Mayor execute a Firm Gas Reservation Transaction Confirmation with Cornerstone Energy, LLC d/b/a/ Constellation New Energy – Gas Division CEI, LLC.


General Manager

2/24/09
Date

ROCHESTER PUBLIC UTILITIES

FIRM GAS RESERVATION (Full Year) TRANSACTION CONFIRMATION

This Transaction Confirmation (f/k/a Ordering Exhibit) is dated October 31, 2008 and delivered pursuant to and in accordance with a natural gas sales Base Agreement executed on the 13th day of May, 2003 (the "Agreement"), by and between Cornerstone Energy, LLC d/b/a Constellation NewEnergy – Gas Division CEI, LLC ("CNEG") and City of Rochester Minnesota, a Minnesota Municipal Corporation acting through it's Public Utilities Board – Silver Lake ("Customer"), and is subject to and made part of the terms and conditions of such Agreement. This Transaction Confirmation supersedes and replaces any and all previous firm reservation agreements, confirmations or exhibits currently in place and known as "Capacity Select" or "Guaranteed Delivery" between CNEG and Customer, including without limitation that certain Guaranteed Delivery Agreement dated the 7th day of March, 2007. Capitalized terms used herein but not defined will have the meanings ascribed to them in the Agreement.

Facility Name/ Service Address: City of Rochester Minnesota, a Minnesota Municipal Corporation acting through it's Public Utilities Board Silver Lake, 425 W. Silver Lake Drive NE, Rochester, MN 55906

Term: November 1, 2008 – June 30, 2010

Nature of Obligation: CNEG will make available Firm Gas up to Daily Firm Contract Quantity ("DCQ")

Daily Firm Contract Quantity: 200 MMBtu

Rate: \$12.50 per MMBtu of DCQ

Delivery Point: Utility Citygate

Utility: Minnesota Energy Resources

Special Provisions:

1. Customer requests that CNEG reserve and make available upon Customer's request, on any day during the Term, Firm Gas up to the Daily Firm Contract Quantity. Subject to the terms and conditions of the Agreement and this Transaction Confirmation, CNEG agrees to reserve and make available to Customer at Customer's request, on any day during the Term, Firm Gas up to the Daily Firm Contract Quantity. This Transaction Confirmation reflects only the reservation by CNEG of Firm Gas supply up to the Daily Firm Contract Quantity. The Parties will enter into a separate Transaction Confirmation at the time and each time that Customer requests physical delivery of Gas. The price of Gas delivered by CNEG will be the Contract Price and will be reflected in such separate Transaction Confirmations.
2. In consideration of CNEG reserving and making available to Customer Firm Gas up to the Daily Firm Contract Quantity, Customer agrees to pay to CNEG a monthly fee ("Monthly Fixed Fee"). The Monthly Fixed Fee is determined to be the Daily Firm Contract Quantity times the Rate. The Monthly Fixed Fee is in addition to (i) the Contract Price for Gas supply under the Agreement, (ii) distribution charges assessed by the Utility, or (iii) if applicable, services provided by CNEG under other agreements. Invoicing and payment of the Monthly Fixed Fee will be in accordance with the Agreement.
3. Delivery Obligation: CNEG shall be obligated to deliver Firm Gas up to the Daily Firm Contract Quantity to the Delivery Point. CNEG's delivery obligation may only be suspended without liability as a result of events prohibiting CNEG's Gas supply from entering the interstate pipeline upstream of the Delivery Point (e.g., well freeze-offs) or the allocation, disruption or interruption of primary firm transportation service by the upstream Transporter to the Delivery Point. In the event the upstream Transporter declares an event of Force Majeure or other condition that limits, allocates, interrupts, or in any manner affects the supply or transportation of natural gas for the maintenance, repair, overhaul, replacement or construction of any facilities or equipment; or to assure the availability of capacity equitably, then CNEG may reduce or suspend service under this Transaction Confirmation for the duration of the limitation, allocation or interruption without liability.
4. Customer agrees that for so long as this Transaction Confirmation is in effect, CNEG will be Customer's exclusive Gas supplier for all of Customer's Gas supply requirements to the Delivery Point.
5. At the end of the Term set forth above ("Initial Term"), this Transaction Confirmation will automatically renew for successive twelve month periods (each a "Renewal Term") unless terminated by either Party giving the other Party written notice no less than sixty (60) days prior to the end of the Initial Term or any Renewal Term.

Please confirm that the foregoing correctly sets forth the terms and conditions of our agreement by returning via facsimile to the number 402-829-3903 an executed copy of this Confirmation within five (5) Business Days (or as agreed upon in the Agreement applicable to this transaction) of your receipt of this Confirmation, to the attention of Contract Administration.

Cornerstone Energy, LLC d/b/a Constellation NewEnergy – Gas Division CEI, LLC

CITY OF ROCHESTER MINNESOTA, A MINNESOTA MUNICIPAL CORPORATION
ACTING THROUGH IT'S PUBLIC UTILITIES BOARD SILVER LAKE

By: _____
Name: _____
Title: _____

By: See attached signature page
Name: _____
Title: _____

Dated: _____

ROCHESTER PUBLIC UTILITIES

General Manager

CITY OF ROCHESTER

Mayor

Attest:

City Clerk

Reviewed By:

City Attorney



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a Firm Gas Reservation Transaction Confirmation with Cornerstone Energy, LLC d/b/a/ Constellation New Energy – Gas Division CEI, LLC, and request the Mayor and the City Clerk to execute the agreement.

The term of the agreement to be November 1, 2008 through June 30, 2010.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 24th day of February, 2009.

President

Secretary