



REQUEST FOR QUOTE FOR NATURAL GAS SUPPLY

Reference ITQ Contract # 4400002702

DATE: October 13, 2014

RFQ NUMBER: 2014-GAS-LAV-23

SPECIAL CONTRACT TERMS AND CONDITIONS

SECTION I GENERAL INFORMATION

I.1 OVERVIEW

This Request for Quote (RFQ) is issued by the Pennsylvania State System of Higher Education (OFFEROR) to all Qualified Suppliers identified as Natural Gas Suppliers on the Pennsylvania Department of General Services (DGS) statewide contract 4400002702, identified herein as the "Contract," and will cover the supply of natural gas requirements for the facilities listed in *Appendix A*.

OFFEROR will utilize an internet based bidding platform provided by the Penn State Facilities Engineering Institute (PSFEI). To take better advantage of natural gas marketplace conditions, response dates for receiving Qualified Supplier price quotes in accordance with this RFQ are not set. The Issuing Office will determine a due date for price quotes and will notify qualified suppliers in advance of the due date.

I.2 PURPOSE

The purpose of this RFQ is to solicit prices for the direct purchase of natural gas commodities from Qualified Suppliers for various locations. The participating facilities in this RFQ are listed in *Appendix A*.

I.3 ISSUING OFFICE

This RFQ is issued by:

Pennsylvania State System of Higher Education
Office of the Chancellor
2986 North Second Street
Harrisburg, PA 17710
Attn: Linda Venneri, CPSM.
Collaborative Contracts Manager
Phone: 717-720-4135
Fax: 717-720-4111
Email: lvenneri@passhe.edu

I.4 UTILITY MANAGERS

A Utilities Manager for each facility shall be provided to the Selected Supplier(s) shortly after notification of award. The Utilities Manager will serve as the sole point of contact for each account and meter location during the purchase order period.

PSFEI shall act on behalf of the facility regarding billing, service, and information management issues.

The Pennsylvania State University
Penn State Facilities Engineering Institute
Attn: Paul Meister
135 E. Nittany Avenue
State College, PA 16801
Phone: 814-865-3368
Fax: 814-863-7835
Email: pmeister@enr.psu.edu

I.5 CONTRACTING OFFICER

A designated Contracting Administrator shall be provided to the Selected Supplier(s) shortly after notification of award.

I.6 REJECTION OF QUOTES

OFFEROR reserves the right to reject any and all quotes received and to waive any technical defects if it determines that it is in the best interest of the facility.

I.7 INCURRING COSTS

OFFEROR is not liable for any costs or expenses incurred by Qualified Suppliers in the preparation of their quotes.

I.8 RESPONSE DATE

Qualified Suppliers may offer price quotes for any and all accounts. When OFFEROR accepts and awards a price quote for a particular account, no further price quotes will be considered. In order to take better advantage of market conditions, the response date for this RFQ is not officially set and is subject to change. Qualified Suppliers shall be notified at least 48 hours in advance at minimum of the official response date. Notification will be sent via electronic mail to the designated Qualified Suppliers on file with the Issuing Office.

Qualified Suppliers must submit their price quotes to the Issuing Office no later than 11:00 AM EST on the due date to be determined by the Issuing Office. Qualified Suppliers must submit their price quotes via the internet bidding platform found at the following web address.

<https://fei.psu.edu/dotnetapps/ERMA/>

Qualified Suppliers are responsible for ensuring that they have fully registered to participate and understand how the bidding platform operates using the above website in advance of the response time for quotes. If you have questions, trouble registering, or encounter technical difficulties in registering, contact Diane Haldeman of PSFEI at 814-865-9760 no later than 1:00 PM one business day prior to the bidding day. If you encounter difficulties submitting a bid, or if you believe your bid was not properly received through the website, immediately contact Devin Pennebaker at 814-867-4187 or Paul Meister at 814-865-3368.

I.9 QUOTE SUBMITTAL

All quotes must be submitted using the website listed above in Section I.8. All price quotes properly submitted through the website shall be considered signed by the Qualified Supplier.

- a. In order to be considered, price quotes must be received prior to the response deadline for submission of quotes.
- b. Qualified Suppliers are not required to submit quotes for each account or group of accounts but quotes submitted for each account or group of accounts shall be considered binding if received prior to the submission deadline.
- c. Price quotes must be firm for the period specified in this RFQ. Price quotes must be comprehensive and inclusive of all applicable taxes and charges for the period specified in this RFQ. **If a price quote is submitted with conditions or exceptions or not in conformance with the terms and conditions referenced in the Contract or in this RFQ, it shall be rejected.** The price quote shall also be rejected if the Qualified Supplier's submission is not in conformance with the specifications as determined by the Issuing Office.
- d. By submitting price quotes to this RFQ, all Qualified Suppliers specifically agree as follows:
 - (1) No handwritten signature shall be required for the quote or award to be binding and legally enforceable.
 - (2) No written text shall be required to make the quote or the notice of award legally binding. Qualified Suppliers shall not contest the validity or enforceability of a price quote or notice of award, which is issued electronically under the provision of a statute of frauds or any other applicable law relating to whether certain agreements must be in writing and signed by the party bound thereby. Any price quote or notice of award issued electronically, if introduced as evidence on paper in any judicial, arbitration, mediation, or administrative proceeding will be admissible as between the parties to the same extent and under the same conditions as other business records originated and maintained in documentary form. Qualified Suppliers shall not contest the admissibility of copies of genuine quotes or notices of award under either the business records exception to the hearsay rule or the best-evidence rule on the basis that the quote or purchase order was not in writing or signed by the parties. A quote or notice of award is deemed genuine and properly signed for all purposes if it is transmitted electronically to the location designated for such documents.
 - (3) If a change or error in a price quote, notice of award, or purchase order occurs in a transmission between a selected Qualified Supplier and the OFFEROR, the party shall immediately notify the other party of the error.

If the Chicago Mercantile Exchange/New York Mercantile Exchange Henry Hub Natural Gas Futures (hereinafter "CME/NYMEX") 12-month strip gas price moves up or down from more than 7.5% at any time between 11:00 AM and 2:00 PM, local prevailing time in Harrisburg, PA on the date that bids are due, OFFEROR will not require Qualified Suppliers to hold their firm fixed bids, as outlined in Section III.2, if award notification has not already been provided. If such a circumstance occurs, the Qualified Supplier must notify PSFEI via email at d.pennebaker@engr.psu.edu and pmeister@engr.psu.edu immediately. Verbal notification will not be accepted.

I.10 AWARDS

It is the intent of the OFFEROR to award a contract(s) to the Qualified Supplier(s) on the basis of “best value” to the facility to include but not limited to the price quote and supply term. Qualified Supplier price quotes for each account may be contrasted by the resulting net present value for each offer and supply term combination. Dissimilar supply terms may be considered utilizing common life, net present value analysis by indexing corresponding price quotes to the Henry Hub futures settle prices as of the Close of Business on the trading day immediately prior to the response date of the quote offer.

The Issuing Office will issue notice of award by email to the Selected Supplier(s) on behalf of facilities listed in *Appendix A*. **Notice of award is official and binding, and the Selected Supplier(s) will receive a notice of award letter no later than 2:00 PM, prevailing local time in Harrisburg, PA, on the day quotes are submitted.** Upon successful selection of a price quote, a Purchase Order will be issued by the OFFEROR.

I.11 ORDER OF PRECEDENCE

These Special Contract Terms and Conditions supplement the Standard Contract Terms and Conditions for Statewide Contracts for Suppliers. To the extent that these Special Contract Terms and Conditions conflict with the Invitation to Qualify for the Sale of Energy to the OFFEROR, these Special Contract Terms and Conditions shall prevail.

I.12 OPTION TO RENEW

Notifications of award will be issued for the period defined in the Selected Supplier’s quote not to exceed the full term of the Contract. Purchase Orders issued pursuant to this RFQ may be renewed for additional periods by mutual agreement between the facility and the Selected Supplier. If the purchase Order is renewed, the same terms and conditions shall apply and the price shall not increase.

I.13 MANDATORY REQUIREMENTS

Qualified Suppliers taking exception to any of the, terms, conditions, or specifications in this RFQ may cause rejection of their quotes. Qualified Suppliers who believe they have a concern or issue with any terms, conditions, or requirements in this RFQ should submit a request in writing to the Issuing Office referenced herein at least three working days before the scheduled bid opening date. The Issuing Office will promptly make a decision and notify all Qualified Suppliers of any subsequent changes to wording and/or delay in quote opening through a quote addendum.

SECTION II SCOPE OF WORK

II.1 ACCOUNT INFORMATION

Appendix B includes basic account information and best available natural gas consumption data.

It is the responsibility of the Selected Supplier to verify the accuracy of all account information prior to initiating service and on an annual basis thereafter. When requested by PSFEI or the OFFEROR, the Selected Supplier shall meet with PSFEI at a mutually agreeable location within thirty (30) days of notification of award to discuss pertinent contract issues and to determine the specific means of electronic transfer of account information.

Where hourly and/or interval metering exists, the metering information shall be supplied electronically, by fax, or by mail to PSFEI on a monthly basis by the Selected Supplier. OFFEROR acknowledges that Selected Suppliers are not responsible for installation of hourly metering equipment, the necessary remote interrogation equipment or interval metering equipment where such equipment is not presently installed.

OFFEROR or its agents shall not be required to read meters where hourly and/or interval metering does not exist.

II.2 POINT OF DELIVERY

The delivery point for natural gas shall be the City Gate of the local distribution company (LDC) currently serving the awarded account, or as noted otherwise. The Selected Supplier shall deliver the required quantities of natural gas to the LDC City Gate.

II.3 NOMINATION AND BALANCING

The Selected Supplier shall prepare and file nominations for delivery of required natural gas to the awarded account by taking action directly on behalf of the facilities listed in *Appendix A*. The Selected Supplier is responsible for balancing, with no penalties to the facilities listed in *Appendix A* in accordance with Local Distribution Company (LDC) requirements, i.e., daily or monthly.

The requested nominations and the start date for each account appear in *Appendix A*. The Selected Supplier(s) shall provide to the City Gate, the quantity of gas required to fulfill the actual burner tip use and LDC retainage requirements of the awarded account.

The Selected Supplier must prepare to provide the monthly City Gate Quantities to achieve the burner tip volumes illustrated in *Appendix B*, within a +/- monthly swing of 10%, at the price quoted in their response to this RFQ. Any incremental monthly supply consumed in excess of the allowable high swing shall be billed at a price determined as the monthly average of the daily midpoint prices as published in the next month's "Gas Daily Price Guide" in the table headed "Daily Price Survey," under the column Midpoint, at the stated physical hub pricing delivery point that results in the least cost to the OFFEROR plus \$0.10, or a Gas Daily index other than the named pricing delivery point that results in the least cost to the OFFEROR and that most accurately reflects supply requirements. Any incremental monthly supply consumption short of the low swing shall be sold to the facility at the contract price resulting from this RFQ and repurchased by the Selected Supplier at a price determined as the average of that month's daily indexed price as published in "Gas Daily" in the table headed "Daily Price Survey," under the column Midpoint, at the stated physical hub pricing delivery point that results in the least cost to the OFFEROR minus \$0.10, or a Gas Daily index other than the named pricing delivery point that results in the least cost to the OFFEROR and that most accurately reflects supply

requirements. Examples of physical hub pricing delivery points as shown in Gas Daily are: Appalachia Dominion South Point (Dominion-South Point); City-gates Texas Eastern M-3 (TETCO-M3); City-gates Texas Eastern M-2 (TETCO-M2); City-gates Transco zone 6 non-N.Y. (Transco-Z6 non-NY); Appalachia Columbia Gas Appalachia (TCO), and Canadian Gas-Niagara (TGP-Niagara). Such pricing delivery points shall be declared in the bidding platform, in the designated space, as per Section I.8 of this RFQ.

The differential calculation will be applied on an account by account basis, with the additional costs allocated to the account(s) responsible for the 10% swing.

The Selected Supplier shall assume all risk and financial loss/gain in regard to variances within the “high swing/low swing” window regardless of cause.

From time to time, the OFFEROR may require minimal gas supply in months in which no nominations have been made with the Selected Supplier. On these occasions, the Selected Supplier shall provide spot (cash) market gas commodity purchases when requested by the OFFEROR, or provide gas commodity purchases which result in least cost to the OFFEROR. For both Index Price and Fixed Price contracts, the Selected Supplier shall charge least-cost gas commodity price plus a separate, reasonable, and transparent basis price to be negotiated and mutually agreed upon between the Selected Supplier and the OFFEROR.

II.4 VOLUME ADJUSTMENTS

The Selected Supplier shall review and handle volume adjustments as necessary. Some areas of consideration include:

- Selected Supplier vs. LDC discrepancies
- Resolving gas volume disputes
- Weather normalizing gas history data

II.5 MATERIAL CHANGE IN MONTHLY NOMINATED VOLUMES

If actual monthly natural gas consumption for a particular account is more than 1.5 times greater than the contractual monthly nomination quantity, or if at any time sudden but necessary changes in operations are reasonably anticipated to require monthly consumption of more than 1.5 times greater than the contractual monthly nomination quantity, the Selected Supplier and the OFFEROR may negotiate to reach a reasonable and mutually agreeable incremental price for the additional quantities and capacity in excess of the allowable +10% swing gas (as set forth in Section II.3) based on current market pricing.

Similarly, if actual monthly natural gas consumption for a particular account is less than half of the contractual monthly nomination quantity, or if at any time sudden but necessary changes in operations are reasonably anticipated to require monthly consumption of less than half the contractual monthly nomination quantity, the Selected Supplier and the OFFEROR may negotiate to reach a reasonable and mutually agreeable incremental credit price for the resale of such excess quantities and capacity short of the allowable -10% swing gas (as set forth in Section II.3) based on current market pricing.

Incremental transaction confirmations for the above scenarios shall be shown on monthly invoice statements and must be itemized separately from the original contractual monthly nominations for accounting purposes.

II.6 SERVING UTILITY AND PIPELINE COMPLIANCE AND ACCEPTANCE

The Selected Supplier shall guarantee that all gas delivered to the City Gate shall comply with the serving utility's chemical and BTU content requirements. The Selected Supplier shall assume all responsibilities and legal obligations concerning any liabilities resulting from non-conformance to the LDC's requirements and shall hold harmless and indemnify the OFFEROR in accordance with the Contract.

The Selected Supplier shall demonstrate that they have secured firm capacity on the pipeline to the City Gate. In no event shall there be a Selected Supplier-initiated interruption for firm service customers.

Upon receipt of award, the Selected Supplier shall establish contact with the LDC. The Selected Supplier shall bear responsibility for establishing communication with the LDC to be aware of, and react appropriately to, LDC-initiated curtailments, and/or interruptions, and or restrictions, including those on banking and balancing. Similarly, the Selected Supplier and LDC shall be responsible for notifying the facility of pipeline or other supply-related interruptions or curtailments as defined by applicable rules and regulations. In this instance, the Selected Supplier and LDC shall ensure proper and timely notice is given to the facility for transition to alternate fuels or take necessary actions to avoid LDC and/or pipeline-imposed penalties. Failure to provide proper notice shall cause the Selected Supplier to be responsible for paying any fees or penalties resulting from that failure.

II.7 TITLE, POSSESSION, AND CONTROL

Title to and risk of loss of all gas tendered for delivery shall pass to the facilities listed in *Appendix A* upon receipt at the point of delivery. The Selected Supplier warrants that it holds title to the gas, or has the right to sell the gas at the point of delivery and that the gas is free from liens and adverse claims of any kind. The Selected Supplier shall indemnify the OFFEROR against any liens and claims arising with respect to the title to, or its rights to sell such gas to the facilities listed in *Appendix A*.

II.8 ENROLLMENT

The Selected Supplier will be responsible for switching accounts from current natural gas supplier (LDC or third-party supplier) to the Selected Supplier and fulfilling any obligations with the LDC to that end.

SECTION III PRICING AND INVOICING

III.1 SUBMISSION OF PRICE QUOTES

The Qualified Supplier must submit their price quotes by using the website found at: <https://fei.psu.edu/dotnetapps/ERMA/>. Multiple quotes may be offered for each account. Follow the instructions provided in Sections III.2 and III.3 herein.

III.2 PRICING AND TERM

The term “delivery term length”, unless noted otherwise, is the period of time, no less than six (6) months and no greater than thirty six (36) months, for which the Qualified Supplier’s quote is based. This “delivery term length” forms an essential and integral part of the Qualified Supplier’s quote and should be considered in that context.

The service start date shall either be the effective date listed in *Appendix A* **or the next meter read date immediately following the date specified in *Appendix A***. It is the Selected Supplier’s responsibility to ensure that the delivery start date complies with these terms and any penalties resulting from missing this required service start date shall be borne by the Selected Supplier. The service end date shall either be the Selected Supplier’s contracted term end date **or the next meter read date immediately following the Selected Supplier’s contracted term end date**.

Each Qualified Supplier may offer quotes based upon any number of the appropriate options defined below:

1. Firm Fixed Price (\$/dth) for a supplier defined delivery term length for firm gas. The fixed price quote shall be the sum of the Commodity Price plus Basis (transport and fees) price,. The fixed price quotes will be constant across the term defined in the Qualified Supplier’s quote, and must include dth-mcf conversions and retainage/shrinkage/fuel adjustment (specific to the LDC) to meet the specified quantities of gas.
2. Index Price (\$/dth) as specified in Section III.3 for a supplier defined delivery term length for firm gas. The index price quote shall include basis plus floating CME/NYMEX price. The OFFEROR may, at its discretion, request the Qualified Supplier(s) to trigger (lock in) a CME/NYMEX price at any time during the term of the contract. The Qualified Supplier’s basis price quote must include all costs including any pooling fees, Btu conversions, and taxes. See Section III.3 for additional Index Pricing requirements.

The Qualified Supplier’s quote shall include all costs from the wellhead into the local distribution company’s delivery point (city gate). Quotes are firm for the duration of the terms requested. No adders are permitted for gross receipts taxes, pooling charges, capacity, losses, or any other reason.

III.3 INDEX PRICING

The Qualified Supplier shall provide natural gas in the quantities nominated for the accounts as determined below:

The total price to be paid to the Selected Supplier for the gas supply provided hereunder for Index Price quotes shall consist of a Commodity Element and a Transport & Fees Element as follows:

1. Commodity Element: The Commodity Element of the Index Price shall be the Index Price per dth multiplied by the city gate quantity of gas delivered and accepted by the LDC for each facility account. The index price shall be based on the average closing price (monthly settlement price) for the associated delivery month in the CME/NYMEX Henry Hub Futures Index.
2. Transport & Fees Element (Basis): The Selected Supplier shall transport the gas to the city gate for the term of the contract at the basis price. The basis price shall include all Selected Supplier costs associated with delivering the gas to the city gate, such as non commodity components related to shrinkage and/or fuel factor adjustments, all applicable royalties and taxes, and Selected Supplier Margin.

OFFEROR shall have the right during the term of this agreement to lock-in the commodity index price for any portion of the contract quantity for any or all awarded month(s) by notifying the Selected Supplier of its desire to do so during normal business hours. OFFEROR will provide the Selected Supplier with notice identifying the quantities and month(s) it desires within reasonable time to execute the trigger prior to the 2 PM Eastern Time closing of the market. **The Selected Supplier shall then provide OFFEROR and PSFEI with a written or electronic confirmation statement showing the triggered price, triggered volumes (by month), and marker time of the transaction.**

If all or any portion of the monthly contract quantity is price-locked as described in the preceding paragraph, the swing portion (+/- up to 10% of contract quantity) shall be priced as follows:

(Percent of contract quantity price locked, multiplied by locked unit price in \$/Dth) plus (Additional percentages, if any, of contract quantities price locked, multiplied by the respective locked unit prices in \$/Dth) plus Percent of contract quantity going to monthly settle price, if any, multiplied by) monthly settle price + contract basis price in \$/Dth = Unit Swing Price for swing quantity.

III.4 PENALTIES

The Selected Supplier bears responsibility for excess charges as a result of the Selected Supplier's inability to nominate the correct quantity of gas. Excess charges shall include imbalance penalties and rate forced standby charges resulting from the Selected Supplier's inability to deliver gas as nominated. The Selected Supplier will be responsible for charges assessed by the LDC or transmission company resulting from the Selected Supplier's inability to properly adjust gas quantities following operational notification of LDC or transmission company. Reimbursement will be in the form of a credit on the next invoice following the excess charge billing. The final month of the contract reimbursement shall be in the form of a check to the facility.

Subject to the conditions of Section II.3 Nomination and Balancing above, the Selected Supplier shall assume responsibility for payment of any excess charges levied by the LDC or transmission company on the facility except when an LDC or transmission company has notified a facility to interrupt service in a curtailment event and the facility refused to do so, and therefore, the LDC or transmission company has passed on penalties caused by a facility to the Selected Supplier as the pool operator and not to the facility. If the Selected Supplier has also notified a facility and has proof of that notification, then the facility will bear responsibility for penalties for the cost of natural gas used during the interrupted period.

Subject to Section II.3, Nomination and Balancing above, the facilities shall pay only the quoted contract price to the Selected Supplier and pay all tariff regulated fees to the LDC or transmission company for charges resulting from the transportation and shrinkage of gas received at the Delivery Point and used at a facility, as well as any retail gas purchases made by the facility. All other charges and fees for the gas or transportation thereof shall be the responsibility of the Selected Supplier.

Subject to Section II.3, Nomination and Balancing above, a facility will not be responsible for penalties incurred by the Selected Supplier, including late fees to suppliers and balancing penalties.

III.5 CREDIT FOR DEFAULT SERVICE

If at any time (unless under a condition of Force Majeure) an account covered by this contract is forced to accept default service from the LDC serving in its capacity as the provider of last resort, the Selected Supplier shall be responsible for payment of the additional service costs incurred.

III.6 INVOICING

For the purposes of this contract, only a dual billing option is available. The Selected Supplier and the LDC shall each perform independent billing functions and shall include the costs associated with each service provided. The LDC's bill will state distribution, and ancillary services charges. The Selected Supplier's bill will itemize separately, quantity and cost for each facility account on a separate invoice. It shall be the Selected Supplier's responsibility to understand the specific details regarding the LDC's requirements for billing, reporting, and coordinating.

It shall be the Selected Supplier's responsibility to know and understand the specific details and requirements for independent and/or summary billing, reporting, and coordinating with the aforementioned utility companies.

The account location and LDC account number along with the quantity of natural gas delivered and the associated costs shall appear on the Selected Supplier's invoice. Specific billing requirements are provided in Section III.7.

III.7 INVOICING INSTRUCTIONS AND SAMPLE MONTHLY FORMAT

The Selected Supplier shall be required to provide two (2) monthly invoices per account served. One invoice shall be mailed to the current billing address of the facility.

A duplicate copy of the invoice shall be furnished to PSFEI via electronic transmission in a comma separated file. Email to the following addresses:

1. dlnadill@engr.psu.edu
2. d.pennebaker@engr.psu.edu
3. pmeister@engr.psu.edu

The invoice shall contain at a minimum the following information: dekatherms delivered to the City Gate, meter read start and end dates, LDC account number, supplier account number, whether the read was actual or estimated, all triggering information, all dekatherms delivered at contract price, and all dekatherms delivered at any price other than contract price.



APPENDICES

APPENDIX A - PARTICIPATING FACILITIES AND FACILITY CONTACT INFORMATION

Appendix A can be found on the following website. Please copy and paste the following URL into your browser's address bar.

<https://fei.psu.edu/dotnetapps/procurement/>.

APPENDIX B - ACCOUNT NOMINATIONS IN DELIVERED UNITS

Appendix B can be found on the following website. Please copy and paste the following URL into your browser's address bar.

<https://fei.psu.edu/dotnetapps/procurement/>.