



# City of Pensacola

222 West Main Street  
Pensacola, FL 32502

## Memorandum

---

**File #:** 18-00194

City Council

5/10/2018

---

### **LEGISLATIVE ACTION ITEM**

**SPONSOR:** Ashton J. Hayward, III, Mayor

**SUBJECT:**

PENSACOLA ENERGY - APPROVAL OF NATURAL GAS SUPPLY CONTRACT WITH PUBLIC ENERGY AUTHORITY OF KENTUCKY

**RECOMMENDATION:**

That City Council approve a thirty year contract for the purchase of natural gas through a pre-paid agreement with the Public Energy Authority of Kentucky (PEAK). Further, that City Council authorize the Mayor to take all actions necessary to execute the gas supply contract.

**HEARING REQUIRED:** No Hearing Required

**SUMMARY:**

The purpose of the recommendation is to secure a thirty (30) year partial supply of natural gas at a significant savings, estimated to be \$236,000 annually, to be passed on to Pensacola Energy (PE) customers. A natural gas prepayment project is a structured financial transaction using tax-exempt bonds to prepay for the delivery of gas on a long-term basis to achieve a discount to the market index price of gas. PEAK is a Natural Gas Acquisition Authority and acts as the agency for its members and other participating public agencies to acquire, finance and promote economic sources and supply of natural gas as well as provide transportation, storage and management of gas supply. PEAK will prepay for gas supply from BP Energy (PE's current supplier) and sell to the City of Pensacola at a guaranteed minimum discount of \$0.20 per MMBtu below the index price of gas. The agreement provides approximately 30% of PE's annual sales and is consistent with PE's gas purchasing strategy. The City and PE will have no bonded indebtedness related to this transaction.

**PRIOR ACTION:**

None

**FUNDING:**

N/A

**FINANCIAL IMPACT:**

Natural gas costs are budgeted annually. While the amount is unknown, this agreement will reduce natural gas

costs for Pensacola Energy customers.

**CITY ATTORNEY REVIEW:** Yes

4/30/2018

**STAFF CONTACT:**

Eric W. Olson, City Administrator  
Richard Barker, Jr., Chief Financial Officer  
Don J. Suarez, Pensacola Energy Director

**ATTACHMENTS:**

- 1) Gas Supply Contract

**PRESENTATION:** No