



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 18-16

City Council

5/10/2018

LEGISLATIVE ACTION ITEM

SPONSOR: Ashton J. Hayward, III, Mayor

SUBJECT:

RESOLUTION NO. 18-16 - NATURAL GAS SUPPLY CONTRACT WITH PUBLIC ENERGY AUTHORITY OF KENTUCKY

RECOMMENDATION:

That the City Council adopt Resolution 18-16:

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PENSACOLA, FLORIDA, (i) AUTHORIZING THE EXECUTION OF A GAS SUPPLY CONTRACT WITH THE PUBLIC ENERGY AUTHORITY OF KENTUCKY ("PEAK") FOR THE PURCHASE OF NATURAL GAS FROM PEAK; (ii) ACKNOWLEDGING THAT PEAK WILL ISSUE ITS GAS SUPPLY REVENUE BONDS TO FUND THE PURCHASE OF A SUPPLY OF NATURAL GAS FROM BP ENERGY COMPANY ("BPEC"), WHICH GAS WILL BE USED TO MAKE DELIVERIES UNDER THE CONTRACT; AND (iii) FOR OTHER PURPOSES.

HEARING REQUIRED: Choose an item.

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 below the index price of gas.

This resolution is Exhibit G of the Gas Supply Agreement with PEAK.

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) Resolution No. 18-16
- 2) Exhibit A

PRESENTATION: No