



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 20-00402

City Council

8/13/2020

LEGISLATIVE ACTION ITEM

SPONSOR: Grover C. Robinson, IV, Mayor

SUBJECT:

ACQUISITION OF OKALOOSA GAS DISTRICT CUSTOMERS AND ASSETS IN ESCAMBIA COUNTY

RECOMMENDATION:

That City Council approve the Asset Purchase Agreement to acquire customers, pipeline and appurtenances located in Escambia County from Okaloosa Gas District for a total sum of \$427,748. Further, that Council authorize the Mayor to execute the closing documents and take all actions necessary to complete the customer transition to Pensacola Energy.

HEARING REQUIRED: No Hearing Required

SUMMARY:

In May 2013, Pensacola Energy (PE) was granted a revised exclusive Franchise Agreement to construct, operate and maintain facilities to serve customers in Escambia County excluding the areas of Pensacola Beach, the Town of Century, and existing Okaloosa Gas District (OGD) customers in the unincorporated area of the County. OGD has a transmission pipeline that runs from a delivery point in Alabama through Escambia County to their service area in Santa Rosa, Okaloosa and Walton Counties. Before PE expanded to the north end of the county, OGD began serving customers off its transmission line. Once the exclusive franchise was granted to PE, OGD was not allowed to expand or solicit customers without PE's consent. Because of these limitations, OGD and PE entered into negotiations for the sale of certain OGD assets and associated customers to PE.

The transaction includes approximately 175 customers and 9.1 miles of pipeline. Conversion of service from OGD to PE is expected to take approximately 6 months following the closing. Affected customers will remain on introductory rates that mirror OGD's rates for a period of two years, then transition to PE's rates.

RBC Resources, LLC, a consultant with expertise in natural gas utility valuation and sales, assisted with negotiations, determination of fair market value, and preparation of a due diligence plan confirming asset condition, maps, records, warranties, Bill of Sale and other legal documents.

PRIOR ACTION:

None.

FUNDING:

Budget: \$ 427,748

Actual: \$ 427,748

FINANCIAL IMPACT:

The estimated annual gross revenue to the City is \$67,600.00, which produces a simple payback of under 7 years. Sufficient funding is available within the Pensacola Energy Operating Expense accounts for this purchase.

CITY ATTORNEY REVIEW: Yes

7/20/2020

STAFF CONTACT:

Keith Wilkins, City Administrator

Richard Barker, Jr., Deputy City Administrator - Administration & Enterprise

Don J. Suarez, Pensacola Energy Director

ATTACHMENTS:

- 1) Asset Purchase Agreement
- 2) RBC Resources Acquisition Report

PRESENTATION: No