



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 21-00475

City Council

6/17/2021

LEGISLATIVE ACTION ITEM

SPONSOR: Grover C. Robinson, IV, Mayor

SUBJECT:

PENSACOLA ENERGY - APPROVAL OF NATURAL GAS SUPPLY CONTRACT WITH GULF STATES GAS DISTRICT

RECOMMENDATION:

That City Council approve a thirty (30) year contract for the purchase of natural gas through a pre-paid agreement with the Gulf States Gas District ("GSGD"). Further, that City Council authorize the Mayor to take all actions necessary to execute the gas supply contract by July 1, 2021.

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 below index price of gas. On May 10, 2018 City Council approved a natural gas prepayment contract for a portion of Pensacola Energy ("PE") gas supply. 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. GSGD 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. GSGD will prepay for gas supply from BPEC (PE's current supplier) and sell to the City of Pensacola at a guaranteed minimum discount below the index price of gas.

PE will use the discount to purchase "carbon offset" natural gas from BPEC. Carbon offset is an action to compensate for the emissions of carbon dioxide. BPEC is acquiring global carbon credits that will directly reduce greenhouse gas emissions. PE is working with Mark Jackson, City Sustainability Coordinator, to support the City of Pensacola's efforts to reduce greenhouse gas emissions and improve the City's environmental footprint.

PRIOR ACTION:

None.

FUNDING:

N/A

FINANCIAL IMPACT:

Natural gas costs are budgeted annually. While the amount of this agreement is unknown, this agreement will reduce natural gas costs for Pensacola Energy customers.

LEGAL REVIEW ONLY BY CITY ATTORNEY: Yes

5/20/2021

STAFF CONTACT:

Keith Wilkins, City Administrator
Don J. Suarez, Pensacola Energy Director

ATTACHMENTS:

- 1) Gas Supply Contract

PRESENTATION: No