

CITY COUNCIL RESOLUTION NO.: 2022-074

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE CITY, FLORIDA, AUTHORIZING THE EXECUTION OF THE DIRECTIVE TO EXECUTE FINANCIAL HEDGES WITH FLORIDA GAS UTILITY; PROVIDING FOR SEVERABILITY; PROVIDING FOR CONFLICT; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, Florida Gas Utility (hereinafter “FGU”) was formed by Interlocal Agreement on September 1, 1989, which was subsequently amended by the Amended Interlocal Agreement on July 1, 1996, and thereafter amended and restated by Second Amended and Restated Interlocal Agreement dated as of July 27, 1999, and thereafter amended and restated by Second Amended and Restated Interlocal Agreement dated as of March 25, 2011 (hereinafter the “Interlocal Agreement”); and

WHEREAS, in order to take advantage of perceived opportunities created by the restructuring of natural gas services, FGU was established between and among several public agencies for the purpose of achieving savings through joint services for FGU Members; and

WHEREAS, the City of Lake City, Florida (hereinafter the “City”) and FGU entered into the *All Requirements Gas Services Agreement* dated October 1, 2016 (hereinafter the “Agreement”) whereby FGU has agreed that it will furnish the City supplies of natural gas for the City’s natural gas requirements; and

WHEREAS, the City Council finds that *Directive to Execute Financial Hedges* (hereinafter the “Directive”), a copy of which is attached hereto, as presented by FGU for the purpose of hedging the price of gas for FGU Members is in the best interests of the City.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LIVE OAK, FLORIDA, AS FOLLOWS:

Section 1. The above recitals are all true and accurate and are incorporated herein and made a part of this resolution.

Section 2. The Mayor is hereby authorized to execute the Directive to serve as an Addendum to the Agreement with FGU.

Section 3. Severability. If any provision or portion of this resolution is declared by any court of competent jurisdiction to be void, unconstitutional or

unenforceable, then all remaining provisions and portions of this resolution shall remain in full force and effect.

Section 4. Conflict. All resolutions or portions of resolutions in conflict with this resolution are hereby repealed to the extent of such conflict.

Section 5. Effective Date. This resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED at a meeting of the City Council this ____ day of July 2022.

CITY OF LAKE CITY, FLORIDA

By: _____
Stephen M. Witt, Mayor

ATTEST:

APPROVED AS TO FORM AND
LEGALITY:

By: _____
Audrey E. Sikes, City Clerk

By: _____
Frederick L. Koberlein, Jr.,
City Attorney

DIRECTIVE TO EXECUTE FINANCIAL HEDGES

THIS DIRECTIVE TO EXECUTE FINANCIAL HEDGES (this “Directive”) made and entered into as of July __, 2022, by the CITY OF LAKE CITY, (“LAKE CITY”) and directed to FLORIDA GAS UTILITY, a public body corporate and politic and joint action agency formed under the Florida Interlocal Cooperation Act (“FGU”).

WITNESSETH:

WHEREAS, FGU was formed by Interlocal Agreement on September 1, 1989, which was subsequently amended by the Amended Interlocal Agreement on February 15, 2002, and thereafter amended and restated by Amended and Restated Interlocal Agreement dated as of July 1, 1996, and thereafter amended and restated by Second Amended and Restated Interlocal Agreement dated as of July 27, 1999, and thereafter amended and restated by Third Amended and Restated Interlocal Agreement dated as of March 25, 2011 (as amended, the “Interlocal Agreement”); and

WHEREAS, FGU and LAKE CITY, as a member of FGU, have previously entered into an All Requirements Gas Services Agreement, dated as of October 1, 2016 (the “Gas Agreement”), whereby FGU has agreed that it will furnish LAKE CITY supplies of natural gas for LAKE CITY's gas requirements in accordance with the policies of FGU established by its Board of Directors, including the determination of the sources of such gas, including the proper mix of firm gas supplies, spot gas supplies and long term gas supplies; and

WHEREAS, FGU's Derivatives Policy (the “Policy”) enables LAKE CITY to authorize FGU to acquire “Derivative Products”, as such term is defined in the Policy, upon written “Directive”, as such term is defined in the Gas Agreement, from LAKE CITY; and

WHEREAS, FGU, for the purpose of hedging the price of gas for its Members, has executed an enabling agreement that established and maintains an exchange clearing account with the RCG division of Marex Spectron (the “FGU Clearing Account”).

NOW, THEREFORE, LAKE CITY hereby represents to, covenants with, and directs, FGU as follows:

1. LAKE CITY has, by appropriate action, duly authorized the execution and delivery of this Directive on its behalf by its authorized officer, who is and shall constitute a “Member Representative”, as such term is defined in the Gas Agreement. This Directive has been validly authorized, duly executed and delivered and is binding upon LAKE CITY in accordance with its terms.

2. FGU is hereby directed to enter into a new “Financial Instrument”, as such term is defined in the Gas Agreement, meeting the parameters set forth in **Exhibit A** attached hereto (the “New Trade”). Upon entering into the New Trade, FGU should timely inform the Member Representative of the terms of the New Trade, but failure to provide such notice shall not alter or affect the authority of FGU hereunder to enter into the New Trade.

3. LAKE CITY hereby approves the parameters of the New Trade, agrees to be bound to all of the terms and conditions thereof, and agrees to promptly pay FGU all amounts that become due as a result of the New Trade in accordance with the Gas Agreement, including but not limited to brokerage commissions, margin calls, and losses that may be incurred due to changes in the market value and expiration of the New Trade.

4. LAKE CITY acknowledges and agrees that FGU is relying upon this Directive in connection with FGU's execution of the New Trade and for purposes of compliance with the terms and

provisions of the Gas Agreement. This Directive relates solely to the New Trade and is supplemental to the Gas Agreement and shall not be viewed as an amendment of any terms, provisions or requirements contained therein.

5. This Directive is made under and shall be governed by the laws of the State of Florida and, upon implementation by FGU, shall be binding and enforceable against LAKE CITY.

IN WITNESS WHEREOF, LAKE CITY has caused this Directive to be executed by its proper office being thereunto duly authorized as of the day and year first above written.

CITY OF LAKE CITY

By: _____

Name:

Title: City Manager

Exhibit A
Parameters for Financial Instrument

Financial Instrument Contract: FGU Clearing Account

Financial Product: Exchange cleared, financially settled futures contract

Commodity: Natural gas

Trade Type: Purchase

TRADE NUMBER 1:

Quantity: 30,000 Dths per month

Start Date: August 1, 2022

End Date: March 31, 2025

Total Quantity: 960,000 Dths

Price: Not to exceed \$6.25/DTh

TRADE NUMBER 2:

Quantity: 12,500 Dths per month

Start Date: October 1, 2022; October 1, 2023; and October 1, 2024

End Date: February 28, 2023; February 29, 2024; and February 28, 2025

Total Quantity: 187,500 Dths

Price: Not to exceed \$6.50/DTh