

MEETING DATE

CITY OF LAKE CITY

Report to Council

COUNCIL AGENDA	
SECTION	
ITEM NO.	

SUBJECT: Pre-Paid Natural Gas Agreement

DEPT / OFFICE: Natural Gas Department

Originator: Steve Brown		
City Manager Mike Williams, Interim City Manager	Department Director Steve Brown, Director of Natural Gas	Date 10/5/2021
Recommended Action: To enter into the agreement.		
Summary Explanation & Background: Florida Gas Utility is a non-profit joint action agency that brokers natural gas for multiple municipalities throughout the state. As a member, one of the advantages is the ability to take part in discounted natural gas supply agreements. Currently the City, participates in 3 prepaid deals and has the opportunity to take part in a fourth.		
Alternatives: Not to participate		
Source of Funds: 420.80.532.30-49		
Financial Impact: If approved we would be purchasing natural gas at a discounted rate.		
Exhibits Attached: Please see attached,.		



Discounted Natural Gas Supply

City of Lake City



Florida Gas Utility (FGU)

- Non-profit municipal joint action agency
- Providing natural gas services for over 30 years
 - Specializing in gas supply and capacity management
- 25 Municipal Members throughout Florida
 - The City of Lake City has been a member of FGU since 1991
- 5th largest shipper on Florida Gas Transmission pipeline system



Discounted Natural Gas Supply

- Discounted natural gas supply is achieved through a prepay transaction
 - Does NOT require prepayment by City
 - 30-year commitment
- The City of Lake City is currently participating in 3 prepay deals through FGU
- The MGAG/Citi Prepay Deal will be the 4th



Key Terms – Gas Authority Deal

- **Quantity**

- Winter 228 dth/day
- Summer 146 dth/day

- **Discount**

- \$0.35/dth total discount

- **Term of Contract**

- Will periodically reprice, with initial discount period of at least 5 years

- **Exit Clause**

- Permanent cessation of the use of natural gas
- Permanent reduction in the use of natural gas by the City of Lake City



Breakout of Contract Quantities

Existing Daily Contract Quantity (Dths/day)		
<u>Winter</u>	<u>Summer</u>	5-yr Historical Average Consumption
522	286	32%

Proposed Daily Contract Quantity (Dths/day)		
<u>Winter</u>	<u>Summer</u>	5-yr Historical Average Consumption
750	432	48%

Discount Savings

Existing Annual Prepay Savings	
Total Annual Prepay Supply (dth)	Total Annual Savings
140,026	\$45,918

Proposed Annual Prepay Savings	
Total Annual Prepay Supply (dth)	Total Annual Savings
205,698	\$65,620





Recommendation

Florida Gas Utility
recommends that the City of
Lake City authorize the
execution of the Directive
related to this opportunity

