



Memphis City Council Summary Sheet

Resolution authorizing the purchase of natural gas at a discount to market price from PEAK (Public Energy Authority of Kentucky) for a term not to exceed eight years (Contract No. 11528).

- This item is a resolution to authorize the purchase of natural gas at a discount to market price from PEAK (Public Energy Authority of Kentucky) for a term not to exceed eight years
- This resolution is being initiated by MLGW
- This is not a change to any existing Resolution or Ordinance.
- A New Gas Supply Contract between PEAK and MLGW will be executed for this transaction.
- MLGW will pay for natural gas received monthly from PEAK in arrears.

CITY COUNCIL RESOLUTION

WHEREAS, at its meeting held on October 20, 2011, the Board of Light, Gas and Water Commissioners was advised that natural gas is available for purchase at a discount to market price from the Public Energy Authority of Kentucky ("PEAK") if MLGW commits to purchase certain scheduled, predetermined quantities of gas each year during a contract term not to exceed eight years. The gas volumes to be purchased decline monthly from an estimated maximum volume of 13,500 MMBtus per day to an estimated volume total of approximately 4,000 MMBtus per day. This commitment to purchase natural gas at a discount to market price will provide estimated aggregate savings to MLGW of approximately \$2,000,000 during the term of the contract based on the estimated final volumes to be purchased and an anticipated discount of approximately \$0.05 per MMBtu for the first year volumes purchased, and \$0.12 per MMBtu on all volumes purchased for the remaining term on the cost of natural gas. MLGW will pay monthly in arrears for volumes consumed from PEAK. No initial funds are required from MLGW to enter into this transaction. In order to take advantage of such cost savings MLGW will be required to enter into a contract with PEAK incorporating its commitment to purchase gas volumes from PEAK for a term not to exceed eight years and setting forth the discounted rates on or prior to December 8, 2011; and further,

WHEREAS, the Board authorized the purchase of natural gas at a discount to market price from PEAK, for a term not to exceed eight years and delegated authority to the President or Vice President of Customer Care or his approved staff to execute and deliver a contract to purchase natural gas at a discount to market price from PEAK for a term not to exceed eight years on substantially the terms and conditions set forth above.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF MEMPHIS THAT, the President or Vice President of Customer Care of MLGW is hereby authorized to purchase natural gas from PEAK monthly for a term not to exceed eight years at purchase prices reflecting a discount from the market price for natural gas and to enter into a contract with PEAK reflecting the quantities to be purchased and the discounted price to be paid for the gas purchased substantially on the terms set forth in the preambles above (the “Contract”); and

FURTHER RESOLVED, that the President or Vice President of Customer Care of MLGW is authorized to take all further necessary actions and to execute (i) the Contract, on terms substantially similar to the terms set forth in the preambles to this resolution and containing such other terms as are deemed necessary and appropriate by such officers, upon the advice of counsel, and (ii) all other agreements and documents, deemed necessary and appropriate by such designated officers, upon advice of counsel, to consummate the transaction contemplated in this Resolution.

**Excerpt
from
Minutes of Meeting
of
Board of Light, Gas and Water Commissioners
City of Memphis
held
October 20, 2011**

The Vice President of Customer Care informed the Board of Light, Gas and Water Commissioners that natural gas is available for purchase at a discount to market price from the Public Energy Authority of Kentucky ("PEAK") if MLGW commits to purchase certain scheduled, predetermined quantities of gas each year during a contract term not to exceed eight years. The gas volumes to be purchased decline monthly from an estimated maximum volume of 13,500 MMBtus per day to an estimated volume total of approximately 4,000 MMBtus per day. This commitment to purchase natural gas at a discount to market price will provide estimated aggregate savings to MLGW of approximately \$2,000,000 during the term of the contract based on the estimated final volumes to be purchased and an anticipated discount of approximately \$0.05 per MMBtu for the first year volumes purchased, and \$0.12 per MMBtu on all volumes purchased for the remaining term on the cost of natural gas. MLGW will pay monthly in arrears for volumes consumed from PEAK. No initial funds are required from MLGW to enter into this transaction. In order to take advantage of such cost savings MLGW will be required to enter into a contract with PEAK incorporating its commitment to purchase gas volumes from PEAK for a term not to exceed eight years 8 years and setting forth the discounted rates on or prior to December 8, 2011.

Therefore, the Vice President of Customer Care recommends that the Board authorize the purchase of natural gas at a discount to market price from PEAK, for a term not to exceed eight years and delegate authority to the President or Vice President of Customer Care or his approved staff to execute and deliver a contract to purchase natural gas at a discount to market price from

PEAK for a term not to exceed eight years on substantially the terms and conditions set forth above.

NOW, THEREFORE, BE IT RESOLVED THAT the President or Vice President of Customer Care is hereby authorized to purchase natural gas from PEAK monthly for a term not to exceed eight years at purchase prices reflecting a discount from the market price for natural gas and to enter into a contract with PEAK reflecting the quantities to be purchased and the discounted price to be paid for the gas purchased substantially on the terms set forth in the preambles above (the "Contract"); and

FURTHER RESOLVED, that the President or Vice President of Customer Care is authorized to take all further necessary actions and to execute (i) the Contract, on terms substantially similar to the terms set forth in the preambles to this resolution and containing such other terms as are deemed necessary and appropriate by such officers, upon the advice of counsel, and (ii) all other agreements and documents, deemed necessary and appropriate by such designated officers, upon advice of counsel, to consummate the transaction contemplated in this Resolution.

RESOLVED, that the Vice President of Customer Care will apprise the Board of the schedule of quantities of natural gas to be purchased and the anticipated savings based on those quantities for the term of the contract with PEAK following the execution thereof.

I hereby certify that the foregoing is a true copy of a resolution adopted by the Board of Light, Gas and Water Commissioners at a regular - special meeting held on 20 day of October, 2011, at which a quorum was present.


Acting Secretary - Treasurer