



Lexington-Fayette Urban County Government
DEPARTMENT OF ENVIRONMENTAL QUALITY

Jim Gray
Mayor

Cheryl Taylor
Commissioner

October 14, 2011

To: Mayor Jim Gray
Council Members

From: Cheryl A. Taylor, Commissioner
Environmental Quality & Public Works

Subject: Natural Gas Bid Recommendation

Requesting approval of the fixed-price offer for natural gas supplied under Columbia Gas of Kentucky's SVGTS tariff. The offer is valid for two weeks and was obtained through competitive bid process conducted by Fellon McCord, consultant for LFUCG on natural gas pricing. The price and term of the offer are set forth in the terms of the bid.

Under the SVGTS tariff, LFUCG can aggregate its natural gas consumption in order to solicit fixed-price bids from eligible CHOICE Marketers. This process is expected to result in lower gas costs over the term of the contract than if LFUCG were to purchase gas on an account-by-account basis using the monthly variable rate. In addition, the fixed-priced method provides more accuracy in estimating and budgeting for natural gas utility costs. The term of the offer is set to expire in June in order to align with the fiscal year.