



Lexington-Fayette Urban County Government
DEPARTMENT OF ENVIRONMENTAL QUALITY & PUBLIC WORKS

Jim Gray
Mayor

Richard Moloney
Commissioner

November 8, 2012

To: Mayor Jim Gray
Council Members

From: Richard Moloney
Environmental Quality & Public Works

Subject: Natural Gas Bid Recommendation

Requesting approval to sign a fixed-price offer for natural gas supplied under Columbia Gas of Kentucky's SVGTS tariff, not to exceed \$6.40 per Mcf (thousand cubic feet). Offers will be obtained through a competitive bid process conducted by Fellon McCord, consultant for LFUCG on natural gas pricing. LFUCG is seeking 12- and 24-month offers for the 2014 and 2015 fiscal years, respectively. The price of the offer will be determined by the bids received.

Under the SVGTS tariff, LFUCG can aggregate its natural gas consumption in order to solicit fixed-price bids from eligible CHOICE Marketers. This process generally results in lower gas costs over the term of the contract than if LFUCG were to purchase gas on an account-by-account basis using a quarterly, variable rate. In addition, the fixed-priced method provides more accuracy to the city in estimating and budgeting for natural gas utility costs.