

COUNTY COMMISSION REQUEST FOR ACTION # 2023-232

Title: Natural Gas Agreement for 2024

COMMISSION MEETING DATE: December 19, 2023, at 9:00 AM

REQUESTING DEPARTMENT OR AGENCY: County Administration

CONTACT PERSON: Phillip Smith-Hanes

DEADLINE IF ANY FOR ACTION: December 31, 2023

DATE SENT COUNTY COUNSELOR: November 29, 2023

1. Request for Action

Kansas law provides that commercial customers of natural gas may purchase gas from a non-utility provider and then receive that gas through the delivery lines of the incumbent gas utility, subject to a fee for that delivery service (this is known as “gas transport”). Generally, these arrangements are only economical for large users of natural gas. Most small businesses and facilities are serviced by traditional utility providers. Many county government facilities, however, use enough natural gas that it is cheaper to purchase natural gas directly from the gas markets, using a broker, than through a traditional utility. For approximately a decade, the County has purchased natural gas for the Sheriff’s Office (including Jail), Senior Center and Health Department through a broker that, after three corporate mergers/name changes, is now known as Symmetry Energy Solutions (Symmetry).

In the fall of 2021, the County Commission formalized a new agreement with Symmetry for these facilities which included a credit to resolve issues resulting from the “force majeure” gas price spike during Winter Storm Uri in February 2021. That agreement provides for Symmetry to purchase gas on behalf of the County for these three facilities at a price set on the first of each month by a gas industry publication, plus two additional charges for delivery that total 64.6 cents per million metric British thermal units (MMBtu) of gas delivered. This agreement is set to terminate on December 31, 2023. Symmetry is offering a new agreement which consolidates and reduces their delivery charge to 59 cents per MMBtu. They have also offered alternative agreements for two-year and three-year terms which reduce this charge to 58 or 57 cents, respectively. Based on anticipated volumes, that would be a savings of \$134 or \$268 annually compared to gas bills for these facilities that exceed \$50,000 annually.

On November 21, Commissioners reviewed this matter as a Concept Discussion and directed staff to bring back a proposed agreement with Symmetry. Commissioners had also inquired about savings from gas transport as compared to traditional utility. The average price of natural gas based on our first-of-the-month arrangement (but exclusive of any fees) over the 12-month period from December 2022 through November 2023 was \$3.34 per MMBtu, while the average published monthly net cost of gas from Kansas Gas Service (KGS) over the same period was \$7.39 per equivalent measure.

Over the past few months, Symmetry has assisted the County in communicating with KGS to switch the new Sheriff's Office (800 E. Pacific) to gas transport and revert the old office (251 N. Tenth) back to traditional utility service in view of what is anticipated to be significantly reduced gas usage at that location. KGS agreed to this based on the building design engineer's forecast of gas usage at the new facility, and that is also what Symmetry's pricing is based on. However, it should be noted that actual usage will no doubt vary from these projections and true usage will not be known until after some experience of operating the new building. Therefore, staff is recommending (and Symmetry concurs) that a one-year agreement is prudent at this time based on the small amount of savings from a multi-year agreement in comparison to the potential deviation from projected usage.

However, an alternative to pricing the gas at the first of each month is to contract for a certain volume at a fixed price for the year. Currently, gas prices are relatively low compared to a five-year average, so the County could potentially save money by contracting for at least a portion of our anticipated usage on a fixed-price basis. As of December 11, Symmetry was offering fixed-price gas at \$3.99 per MMBtu for 2024, which is about 90 cents lower than the two-year average price. Currently, futures markets are anticipating rising prices during 2024. Even if prices do not rise, however, contracting for an amount at a fixed price would result in greater cost certainty for budget purposes. In order to take advantage of this potential but not over-commit the County, Symmetry proposes (and staff recommends) to contract for 50% of anticipated volumes at a fixed price and buy the remainder at first-of-the-month pricing.

Because the prices change rapidly, however, the fixed price will not be known until the time of contract execution. Symmetry will provide the County Administrator an updated price on December 18, which will be disclosed to your Commission at the meeting. Staff then recommends authorizing the County Administrator to execute the agreement via DocuSign if the pricing is similar to the price quote to the Commission.

Finally, the Commissioners also inquired on November 21 about the potential of moving other County facilities to gas transport. Both the Expo Center and Road & Bridge currently are on KGS utility. Per KGS, a facility can only move to gas transport if it uses in excess of 800 MMBtu annually. The Expo Center does not meet this threshold, but Road & Bridge does. Kansas Gas Service agrees that moving Road & Bridge to gas transport would save money (approximately \$4,200 annually assuming an average cost of gas from Symmetry at \$3.99/MMBtu vs. an average price from KGS of \$7.10/MMBtu). However, in the wake of Winter Storm Uri there is now a securitization fee for moving to gas transport. KGS has quoted this fee for Road & Bridge at \$11,291.44 plus taxes. In other words, this fee would consume nearly three years' worth of potential savings from moving Road & Bridge to gas transport. Staff recommends that the County not make this move right now (in view of the single-year contract recommended with Symmetry) but revisit this next year. KGS has identified a different rate within their system that could provide approximately \$1,950/year in savings to Road & Bridge.

2. Alternatives for Action

1. Authorize the County Administrator to execute by DocuSign two agreements, substantially in the form attached, to provide natural gas for the Sheriff's Office, Senior Center and Health Department for the period January 1, 2024, through

December 31, 2024, at first-of-the-month pricing through Symmetry but with 50% of anticipated volumes delivered at a fixed price so long as that price does not exceed by more than five percent the price quoted to the Commission at your meeting. Direct staff to move the largest meter at Road & Bridge from the General Sales Transport Eligible rate to the General Sales Large Commercial rate.

2. Authorize the County Administrator to execute by DocuSign one agreement, substantially in the form attached, to provide natural gas for the Sheriff's Office, Senior Center and Health Department for the period January 1, 2024, through December 31, 2024, at first-of-the-month pricing through Symmetry. Direct staff to move the largest meter at Road & Bridge from the General Sales Transport Eligible rate to the General Sales Large Commercial rate.
3. Authorize the County Administrator to execute by DocuSign one agreement, substantially in the form attached, to provide natural gas for the Sheriff's Office, Senior Center, Health Department and Road & Bridge for the period January 1, 2024, through December 31, 2026, at first-of-the-month pricing through Symmetry.

3. Staff Recommendation

Staff recommends alternative 1. This would allow for some cost certainty and potential savings for 2024 while also allowing these arrangements to be revisited after gaining some usage history at the new Sheriff's Office.

4. Budget Impact

Utility costs are budgeted for 2024 for the Sheriff's Office, Senior Center, Health Department and Road & Bridge. Actual costs will vary based on system performance, weather, etc. The recommended action is designed to achieve a small savings as compared to the assumptions that went into budget development.

5. Action Taken by County Commission