

APPROVAL OF NATURAL GAS RATE CONTRACT

BACKGROUND AND RATIONALE: FCPS negotiates long-term contracts through the Kentucky Gas Aggregation Program for Schools (KGAP) to receive preferable prices on natural gas. This allows the district to be able to budget for natural gas usage more easily and it prevents the district from being susceptible to the volatility of a gas market that changes on a frequent basis would a long-term contract not be utilized. FCPS will decide on a natural gas contract term length between one and three years.

PROPOSAL: There are three options for term length of the natural gas contract with differing costs associated with each, which are outlined below.

The current cost/unit for FCPS is \$5.3624/MCF, and the most recent annual usage was 221,939 MCF. The price for natural gas trades on a real-time market. The data below is from the latest refresh in December. FCPS will be provided a price refresh with the most up to date cost/unit on January 8th, which will be presented in front of the board on January 11th. Once the term length is decided, a contract will be written up which will be presented at the January 26th board meeting, with a guarantee that the price will be no more than 2% higher than the price presented on January 11th, with the possibility of the price being lower as well.

FCPS has three options to choose from for term length:

Length	Cost/Unit	Estimated Annual Cost Increase/(Reduction)	Notes
1 Year	\$4.990/MCF	(\$82,650)	Offers the least annual savings, but wouldn't lock FCPS in for a long period and would allow FCPS to try the market for better (or worse) prices in one year.
2 Year <i>*Recommended</i>	\$4.790/MCF	(\$127,037)	Offers the greatest annual savings for a medium length term. It doesn't lock FCPS in for an extremely long term so if the market improves, the opportunity for better prices is still available.
3 Year	\$4.890/MCF	(\$104,843)	Offers the longest term with a price per MCF that is still lower than what FCPS is currently paying. If the market were to improve, FCPS would miss out on better prices in the short term, but if the market were to worsen it could potentially stave off higher gas prices for an extra year.

<u>Item</u>	<u>Amount</u>	<u>Funding Source</u>	<u>Recurring/ Nonrecurring</u>	<u>Measurable Expected Impact and Timeline</u>
Determine the term length for the next natural gas contract for FCPS.	Between \$1,063,000 - \$1,107,000 annually.	General Fund	Recurring (via monthly natural gas utility bills)	Provide a cost reduction over current utility costs between \$82,650 - \$127,037 annually for one to three years.

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POLICY REFERENCE: 01.11 Powers and Duties of the Board.

RECOMMENDATION: A motion is in order to:

Notify Fellon-McCord that FCPS would like to participate in the Kentucky Gas Aggregation Program for Schools (KGAP) for the next natural gas contract with a term length of two years.

On motion by _____, seconded by _____ the Board approved participation in the Kentucky Gas Aggregation Program for Schools (KGAP) for the next natural gas contract with a term length of two years.