



TO: Mayor and City Council

FROM: John McDonough, City Manager

DATE: September 27, 2013 for submission on the Agenda of the October 1, 2013 City Council Meeting

ITEM: Consideration of Renewal of Agreement for the Gas South Municipal Alliance Program

Background

In August 2011, the City entered into an agreement with Gas South to participate in the Gas South Municipal Alliance Program. Per the terms of the agreement, the agreement can only be renewed by the written agreement of the City and Gas South. This agreement was renewed for a second year in 2012.

The Municipal Alliance Program offered by Gas South provides municipalities the opportunity to offer residents a two – cent per therm discount off of each of Gas South’s available standard rate plans and a waiver of account establishment fees (\$35). The discounted rates and waived fees are available to new and existing Gas South customers living within the city limits. In return, the City receives a \$12 upfront “Finders Fee” for each residential account opened and \$24 for each commercial account. Gas South provides the City a monthly payment for each resident (\$1/month) and business (\$2/month) receiving service from Gas South. In addition, Gas South provided support for advertising including co-branded direct mail, local event sponsorships and content for the City’s publications to promote the program at no cost to the City.

The program requires the City to advertise Gas South on the City’s website as a business partner, allow use of the City’s name and logo to promote the alliance in local media (subject to City approval) and approve a co-branded direct mail that is sent to prospective natural gas customers.

Nine other municipalities, one county, six electric membership corporations and one civic organization currently participate in the Municipal Alliance Program. These include Acworth, College Park, Fairburn, Kennesaw, Norcross, Roswell, Union City, Woodstock, Marietta Power and Water, DeKalb County, Buckhead Coalition, Central Georgia EMC, GreyStone Power Corporation, Washington EMC, Snapping Shoals EMC, Cobb EMC and Upson EMC. Some of the municipal partners previously designated funds received through the Municipal Alliance Program for specific projects such as park improvements or walking trails. Updated estimates provided by Gas South place the potential revenue to the City over six years at \$191,400.

Program Update

Since the City's enrollment, 801 customers have enrolled in the program. Through August, the City has received **\$34,843** from Gas South. In addition, Sandy Springs consumers who enrolled with Gas South have saved just over \$22,500 through the two – cent per therm discount and waiver of connection fees. Gas South has also provided considerable financial support (nearly \$15,000) to community events such as the Sandy Springs Festival, the Sandy Springs Cycling Challenge, the Sandy Springs Society's Elegant Elf Marketplace, the Community Action Center's Food and Fun Festival and is a member of the Chairman's Club of the Sandy Springs/Perimeter Chamber of Commerce.

To date, the City has only used \$2,554.64 of the proceeds received under the program. These funds were used to bring the Varsity food truck to City Hall for a staff and volunteer appreciation lunch for those City staffers who worked virtually around the clock in response to the June 13 – 14, 2013 storm. Other potential uses include staff development and volunteer appreciation events to benefit the City.

The attached proposed Renewal Agreement formally renews the annual agreement for the third year and details the second 15% annual reduction in the number of Baseline Accounts. This reduction will result in a net increase of customers for which the City receives the annual royalty fee.

For year 3, Gas South's projections indicate a net income to the City of \$28,763. These estimates assume that the number of enrollments will be the same in year 3 as they were in years 1 and 2 and that those customers who enrolled in years 1 and 2 will remain with Gas South.

Attachment

1. Proposed Renewal of Natural Gas Retail Service Alliance Agreement.

**RENEWAL OF
NATURAL GAS RETAIL SERVICE ALLIANCE AGREEMENT**

This is a Renewal (“Renewal”) of the Natural Gas Retail Service Alliance Agreement (“Agreement”), which Agreement was effective _____, 2011 (“Effective Date”) and entered into by and between Gas South, LLC, a Georgia Limited Liability Company (“Gas South”) and the City of Sandy Springs, Georgia, a Georgia municipality (“City”).

WHEREAS, Gas South and City (each, a “Party”, and collectively, the “Parties”) jointly formed an alliance respecting the retail marketing of natural gas in certain Designated Zip Codes; and

WHEREAS, the City seeks clarification on the application of Baseline Accounts to Monthly Royalty Payments subsequent to the first Contract Year; and

WHEREAS, Section 6.1 of the Agreement provides it “shall continue in full force and effect for an initial term of one (1) Contract Year from and after the Commencement Date”, which is _____, 2011; and

WHEREAS, Section 6.1 further states the “Agreement shall thereafter renew for successive one (1) Contract Year terms upon the written approval of each Party”; and

WHEREAS, it is in the best interest of the Parties and the natural gas customers in the City to renew the Agreement; and

WHEREAS, the Parties intend for this Renewal to fulfill the Section 6.1 requirement for written approval of each Party in order to renew the Agreement.

NOW, THEREFORE, in consideration of the promises, mutual covenants, and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

RENEWAL

The Parties hereby approve the renewal of the Natural Gas Retail Service Alliance Agreement between the Parties, for one (1) Contract Year effective at the conclusion of the initial term and continuing in full force and effect through _____, 2014.

Section 4.2 is amended, not to change the original terms, but only to clarify the existing terms, so the following is added to the end of the second paragraph: “On each anniversary of the Commencement Date, the number of Baseline Accounts will be reduced 15% annually, which will result in an increase in the net Residential Customers and Commercial Customers recognized to calculate the Monthly Royalty Payments.”

GAS SOUTH, LLC

By: _____
Kevin Greiner
President and Chief Executive Officer
Dated: _____

CITY OF SANDY SPRINGS, GEORGIA

By: _____

City Manager
Dated: _____

Approved as to form:

City Attorney

ATTEST:

City Clerk