



**LYONS • KANSAS**

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## MEMO

To: The Lyons City Council  
From: City Administrator, Chad Buckley  
Date: August 29, 2019  
Re: Natural Gas Agreement

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Kansas Municipal Gas Agency (KMGA) purchases natural gas for over fifty municipal consumers in Kansas including the City of Lyons. Minnesota Municipal Gas Agency (MMGA) is an organization much like KMGA functioning as a natural gas supplier to their region. Over the last year KMGA has negotiated terms with MMGA to secure a large volume of natural gas to be delivered over a long period of time at a set price. The purchase of this gas will be bonded, and the monthly gas revenue will be used to repay the bond.

Attached to the packet for the September 3, 2019 City Council meeting is the seventy-eight page proposed agreement. The document has been reviewed by our City Attorney, Mark Tremaine. Mark has not found any issues with the agreement. The agreement was written by the legal staff of KMGA.

I would like to highlight a few points in this document. First, the amount of gas requested per month is 30% of our consumption per month. This has been the starting point for every city. Presently twenty-one cities are requesting approval of this document by their city council. Apparently, the major discussion point is whether or not to request a higher percentage. I would not feel comfortable with an amount higher than 40% of our monthly average.

Second the initial term of this agreement is for five years. Thus, with natural gas prices above the target price this agreement will provide favorable rates for many years.

Third, the minimum savings per is \$.33 per MMBtu for the first five years. After this five-year period is over the minimum discount will be \$.23 per MMBtu. The previous three-year average consumption for the City of Lyons was 142,000 MMBtu per year. The fee charged by MMGA is \$.3 per MMBtu. In other words, during the first five years the net savings per MMBtu will be \$.30. If the average gas used per year remains the same at 142,000 MMBtus, and we lock in 30% of the natural gas needed for the year the savings would be \$12,780.00 per year (142,000 X 30% X \$.30=\$12,780.00).

I recommend the approval of the natural gas agreement between the City of Lyons and MMGA.