



TO: Mayor and City Council

FROM: John McDonough, City Manager

DATE: October 18, 2016

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 both the City and Gas South. This agreement has renewed annually through 2016.

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 the available standard rate plans Gas South offers, as well as a waiver of its account establishment fees (\$60). 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 provides support for the program through advertising including co-branded direct mail and local event sponsorships 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. A link to Gas South is available on the City's website on the Resident Guide main page, on the Home Improvement page as well as the Doing Business with the City page under the Business tab of the website.

Gas South currently has 21 "Alliance Program" partners. In addition to Sandy Springs: the Buckhead Coalition; Central Georgia EMC; Cities of Acworth, College Park, Fairburn, Kennesaw, Lilburn, Norcross, Roswell, Smyrna, Woodstock and Hapeville; Cobb EMC, DeKalb County, GreyStone Power, Marietta Power & Water, Snapping Shoals EMC, Union City, Upson EMC and Clayton County Water Authority. A full list can be found on the Gas South website at <https://www.gas-south.com/Residential/alliance-partners.aspx>. Some of the municipal partner previously designated funds received through the Municipal Alliance Program for specific projects such as park improvements or walking

trails.

Program Update

Since the program inception, 1,611 customers have enrolled in the program. Through September, the City has received \$148,824 from Gas South, with \$43,789 paid over the last 12 months. In addition, Sandy Springs residents who enrolled with Gas South have saved \$74,754 through the two-cent per therm discount and waiver of connection fees. Gas South also provided considerable financial support this past year with nearly \$20,000 invested in sponsorship of community events, such as the Sandy Springs Festival, the Sandy Springs Society's Elegant Elf Marketplace, Leadership Sandy Springs, the Community Assistance Center's Food and Fun Festival, and the Savor Sandy Springs Kick-off Cookout. In addition, Gas South is a member of the Chairman's Club of the Sandy Springs/Perimeter Chamber of Commerce.

To date, the City has used \$11,556.28 of the proceeds received under the program. These funds have been used for staff appreciation, to thank those who work our weather emergency operations, and they were also used to cover costs associated with hosting our recent Israeli delegation visit. Future uses for these funds also include staff development programs and community events/programming.

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 6, Gas South's projections indicate a net income to the City of \$46,614. These estimates assume that the number of enrollments will be the same in year 6 as they were in previous years, and that those customers who enrolled in years 1 through 5 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 August 23, 2011 (“Effective Date”) as amended August 23, 2012 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, 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 August 23, 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 October 18, 2017.

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