

MINUTES } CITY OF PIKEVILLE

PIKEVILLE CITY COMMISSION  
SPECIAL MEETING MINUTES  
MAY 15, 1998

The Board of Commissioners of the City of Pikeville were called to meet in Special Meeting on May 15, 1998 at Noon to discuss the following item:

1. Consider approval of an amended contract with Alliance Energy Services.

The meeting was conducted in the City Hall Public Meeting Room located at 260 Hambley Boulevard, Pikeville, Kentucky.

There being a quorum present, Mayor Pro-Tem Eugene Davis called the meeting to order at 12:06 p.m. Commission Members present were as follows:

COMMISSIONER: BILL BLACKBURN  
EUGENE DAVIS  
SHARON CLARK

Mayor Steven Combs and Commissioner Johnny Mounts were absent.

Alliance Energy Services representative, Andrew Fellon, was present to request a revision to their earlier proposal to supply natural gas to the City of Pikeville. Mr. Fellon explained that initially it had been thought that Columbia Gas of Kentucky was the only party that it would be necessary to negotiate with concerning the City's supply of natural gas and its pipeline transmission. After a thorough investigation, it was learned that Alliance Energy Services would be required to negotiate with a subsidiary of Columbia Gas of Kentucky, Columbia Natural Resources, the company that actually owns the pipeline. Columbia Natural Resources (CNR) has proposed a two year supply arrangement, whereby they will provide up to 2500 decatherms of gas per day. They will transport the gas for \$0.66/Dth, which is considerably less than Columbia Gas of Kentucky's rate of \$1.25/Dth. Further, CNR has agreed to take the necessary measures to remove the liquid from the gas. During the months of May through October, 1998, Alliance recommended the approval of spot pricing the gas, due to the City's obligation to take locally produced gas prior to purchasing gas from other sources. Total price for the gas at this time is \$3.21/Dth, about a \$2.00/mcf savings, over the previous year's cost. Using prior years' gas consumption information, it is estimated the City will save \$181,000.00 + or - 10%, over a two year period.

The agreement with CNR for gas transportation is for a 3 year term. Alliance is requesting the City extend their contract with them to a 3 year term to match that of CNR (until April, 2001).

Since the proposed purchase of gas was based upon prior years' consumption, Commissioner Clark questioned whether any consideration was given to growth - ie - would the technical school and hospital be gas customers? City Manager Blackburn advised the Commission that the most gas used per day has been 1800 Dth. The arrangement provides for the City to be able to purchase up to 2500 Dth per day. Mr. Fellon advised that he would contact CNR to see if they would agree to increase the maximum supply to 3000 Dth per day.

Commissioner Clark made the motion to authorize the Mayor Pro-Tem to execute the amended proposal with Alliance Energy Services and to further authorize Alliance Energy Services to lock in the gas purchase price (through April, 2000). Commissioner Blackburn seconded the motion. The motion carried 3 - 0.

There being no further business to come before the Commission, Commissioner Clark made the motion, seconded by Commissioner Blackburn to adjourn the meeting. The motion carried 3 - 0. (Adjournment Time: 12:44 p.m.)

APPROVED: \_\_\_\_\_  
STEVEN D. COMBS, MAYOR

ATTEST:

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KAREN HARRIS, CITY CLERK