



Legislation Text

File #: ID#24-0317, **Version:** 1

SUBJECT/RECOMMENDATION:

Award Invitation to Bid 03-24, Surplus of Clearwater Gas System Propane Customer and Assets, approve an Assets Purchase Agreement with Suburban Propane, L.P. of Whippany, New Jersey, in the amount of \$4,250,000, and authorize the appropriate officials to execute same.

SUMMARY:

Clearwater Gas System (CGS) has operated a Propane business for over 30 years, separate from our natural gas distribution utility. CGS serves approximately 2,000 residential and commercial propane customers, with annual sales of approximately 430,000 gallons.

Over the past several years the propane business has not grown its customer base and has consistently stayed around 2,000 customers. In addition, propane as a stand-alone business has not returned a profit. As a result, CGS Management asked Council for approval to move forward with a potential sale of the propane system at the February 16, 2023 council meeting.

CGS then hired a third party consultant to determine the total value of the propane system. The business valuation came in at \$2.4 million. Subsequently, city procurement issued invitation to Bid #03-24, for the sale of the propane system. Bids were received in November 2023 and Suburban Propane came in as the highest most responsive bidder at a total sale price of \$4.25 million, which is \$1.85 million higher than the valuation price.

The Assets Purchase Agreement (APA) sets a "Closing Date" to occur no later than April 12, 2024. This closing date serves as the official day Suburban Propane takes ownership of CGS's propane customers, equipment and all assets listed in Schedule A of the APA.

APPROPRIATION CODE AND AMOUNT:

Funds will be deposited into Account 423-364412 (Surplus Machinery and Equipment)

STRATEGIC PRIORITY:

High Performing Government (1.5) - Selling off Propane business results in more focus on our natural gas distribution operations and increased profitability of the utility with the opportunity to lower gas rates to customers.

Environmental Stewardship (4.1) - The City is divesting its ownership in propane fuels, which is a higher emitting carbon fuel compared to natural gas.

Superior Public Service (5.3) - Clearwater Gas System (CGS) collaborated with City Administration and determined that selling off Propane was in the best interest of the City.

