

Browning Public Schools  
**Board Agenda Request**  
Meeting to Be Held: June 29, 2016



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**Recognition:**     Students                       Staff                       Parents  
**Information:**    Building Report             Old Business             Superintendent's Report  
**Action:**         Resignation                       Hiring                       Contract Service Agreements  
                     Travel Out-of-State             Travel In State             Approvals  
                     Termination                       Legal Matters             Other:  
                    This action request pertains to  Elementary (only)     High School/District Wide

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**Date:**        June 20, 2016

**To:**            **John Rouse**  
                    Superintendent of Schools

**From:**        Stacy Edwards  
                    Title:        Director of Finance

**Subject:** **Natural Gas Purchase Agreement**

**Justification (District Goals):** For the past eight years, we have been purchasing our natural gas from Commercial Energy of Cut Bank. It is time for renewal of the contract. I recommend locking in the \$3.00/dkt. This is \$0.50/dkt less than it was a year ago.

**Financial Impact:** See attached

**Funding Source (Budget/grant, etc.):**

**Attachment(s):** Natural Gas Purchase Agreement Amendment.

**Approval:** Superintendent's Office/Finance/Personnel as applicable (Initial) \_\_\_\_\_

**Comments:** \_\_\_\_\_

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**Board Action:**    N/A (Info)     Approved     Denied     Tabled to: \_\_\_\_\_



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June 17, 2016

Stacy Edwards  
Browning Public School District  
P.O. Box 610  
Browning, MT 59417

**RE: NATURAL GAS PURCHASE AGREEMENT AMENDMENT**

Dear Stacy,

Thank you for your seven years of purchasing our Made-in-Montana natural gas. We offer two means of controlling gas costs for either one or two years. We ask that you initial the price option, sign and fax back.

**BY THIS AMENDMENT** of the End-User Natural Gas Purchase Agreement between Commercial Energy of Montana, Inc. (Seller), and Browning Public School District (Buyer), the following contract changes have been mutually approved by the parties:

\_\_\_\_\_ **ENERGY SAFE (Fixed) PRICE:** Buyer is guaranteed a Fixed Price of **\$3.00/dkt.** for all gas delivered beginning **August 1<sup>st</sup>, 2016** through **July 31<sup>st</sup>, 2017**. There are no true ups and after the fact reconciliations.

\_\_\_\_\_ **TWO YEAR ENERGY SAFE (Fixed) PRICE:** Buyer is guaranteed a Fixed Price of **\$3.50/dkt.** for all gas delivered beginning **August 1st, 2016** through **July 31<sup>st</sup>, 2018**. There are no true ups and after the fact reconciliations.

\_\_\_\_\_ **COLLARED PRICE:**

Buyer pays for each dekatherm of gas delivered at a guaranteed monthly price that is capped at **\$4.25/dkt.** including a **\$0.65/dkt** CE Management Fee and is floored at **\$2.25/dkt.** for all gas delivered beginning **August 1st, 2016** through **July 31<sup>st</sup>, 2017**. Monthly gas price is determined by taking the AECO-C (7A) Monthly Index plus the CE Management Fee within the Collared range. The CE fee covers the cost of creating the price cap. (For example, if the December 2016 Aeco price is \$12.40, since \$12.40 plus .65/dkt. is greater than \$4.25, Buyer will only pay the capped price of \$4.25/dkt.)

**UTILITY SERVICE RATE ADJUSTMENT:** Seller will perform for the Buyer an audit of Utility charges for transportation, transmission, or distribution delivery services, and utility user taxes for electricity and natural gas. Should Seller find a potential reduction in these fees, Seller will provide Buyer with a findings letter to reduce these fees, as well as to obtain potential refund(s) from Utility for previous overcharges. If Seller is successful in obtaining either reductions in fees or refunds from Utility, Seller will receive 33% of the savings generated for a period of 24 months. Seller's costs to capture these savings and/or refunds will be borne by Seller.

Price Level: NWGNW00181, NWNW00182  
118 EAST MAIN ST., P.O. BOX 548, CUT BANK, MONTANA 59427  
406-873-3300 • FAX 406-873-2598



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**EXTENSION:** If neither party sends a written non-renewal notice to the other party at least fifteen (15) days prior to the beginning of the last delivery month, this Agreement automatically extends monthly at: (1) the same terms as in this Agreement; or (2) monthly price based on the month's AECO-C (7A) Monthly Index (as published in the Canadian Gas Price Reporter) plus Seller's risk management fee of **\$0.65/dkt**, whichever is greater, plus Seller's risk management fee of 5.0% on the AECO-C (7A) Monthly Index Price (as published in the Canadian Gas Price Reporter). Buyer's monthly price paid to Seller does not include Utility's shrinkage allowance.

This Extension is valid if signed and returned via fax to 406-873-2598 by **June 22, 2016**. Should you have any questions, please call me. Thank you for the opportunity!

ACCEPTED BY:  
**Browning Public School District**

OFFERED BY:  
**Commercial Energy of Montana, Inc.**

\_\_\_\_\_ Date: \_\_\_\_\_  
Stacy Edwards

\_\_\_\_\_ Date: \_\_\_\_\_  
Curry Stypula, President

Price Level: NWGNW00181, NWNW00182





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**GENERAL CONDITIONS**

**VOLUME OBLIGATIONS:** Customer will purchase all natural gas measured at the Utility Meter from Seller during the term of this Agreement. Seller will deliver and supply all necessary gas to meet Customer's daily requirements. Seller shall be responsible for any shortfalls and/or penalties from any out of balance situations other than those arising from pipeline force majeure or Customer exceeding peak day requirements on a Critical Operating Day as declared by the Utility.

**PAYMENTS:** Billing and collection of Buyer's monthly gas supply will be performed by Seller. Amounts billed are due upon presentation of the invoice, and will be considered past due 15 days after the invoice date. Payments not received before any due date will incur a twenty five dollar (\$25) administrative charge per past due meter account and interest on all undisputed amounts from the due date until the date of payment, at the rate of twelve percent (12%) annually, or the maximum applicable lawful interest rate, whichever is less. Seller cannot be compelled to assign Buyer's transportation and storage management to another provider until such time as the amount due, including interest, is paid. However, if Buyer, in good faith, disputes the amount of any such billing or part thereof, and shall pay such amounts as it concedes to be correct, no suspension shall be permitted. Such disputes shall be resolved through arbitration.

**VENDOR MASTERFILE:** To ensure Seller receives all vendor notifications, Seller shall provide a W-9 for the Buyer to establish the Seller as a vendor within their Accounts Payable masterfile at time of initial contract acceptance.

**CHANGE IN METER STATUS:** In the event that any meter(s) disconnect, outstanding balances shall be treated as follows:

- (a) If other meter(s) are enrolled under this contract, balances from the disconnected meter will be transferred, and become due and payable.
- (b) Should all meters covered within this contract be disconnected, Seller will prepare and submit final bill inclusive of any outstanding balances, whether billed directly by the Seller or the Utility.

**JURISDICTION:** This Agreement shall be construed under the laws of the State of Montana.

**ASSIGNMENT:** Neither party will assign this Agreement or any of its rights or obligations under this Agreement without the prior written consent of the other party. Consent to assignment shall not be unreasonably withheld.

**TITLE AND WARRANTIES:** Seller warrants that it will transfer good and merchantable title to all natural gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances and claims. Title and right of possession to all natural gas sold and delivered hereunder shall pass from Seller to Buyer at the Delivery Point, which shall mean the Buyer's Utility meter.

**FORCE MAJEURE:** If either party due to a condition of force majeure is unable to perform any obligation or condition of this Agreement, with the exception of paying debt, such obligation shall be suspended during the continuance of the inability. Force majeure shall include, without limitations, acts of God, failure of any pipeline or utility to accept or transport gas, strikes, lockouts, or labor disputes, fire, flood, storms, hurricanes or other natural occurrences, or any similar cause which is beyond the reasonable control of the party claiming force majeure. Economic hardship of either party shall not constitute a Force Majeure under this Agreement. A party that is delayed in performing or rendered unable to fulfill any of its obligations under this Agreement by Force Majeure shall notify the other party in writing as soon as possible and shall exercise due diligence to attempt to remove such inability with all reasonable dispatch.

**CREDIT:** Buyer credit standing is essential to Seller entering into and performing its obligations under this Agreement. Should Seller, at any time, become reasonably concerned about Buyer's credit quality (as a result, for instance, of two late payments in a six-month period or a credit rating agency red flag), Seller may require and Buyer will provide credit assurance in the form of a prepayment or cash deposit up to the amount of sixty (60) days exposure plus the Contract Value minus the Market Value for the remaining term. Seller will reasonably determine this amount, which must be funded within ten (10) business days of written request. Failure to fund the request is a Default event of the Buyer.

**FORWARD CONTRACT/EARLY TERMINATION:** This Agreement is a forward contract under the Federal Bankruptcy Code. In the event that Buyer or Seller shall: i) make an assignment or any general arrangement for the benefit of creditors; ii) file a petition or otherwise commence, authorize or acquiesce in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it, iii) otherwise become insolvent, then such party will be in Default of this Agreement and this Agreement will terminate immediately. Seller shall have the right to suspend deliveries without prior notice. Buyer's early termination without cause shall be an event of default of this Agreement.

**DEFAULT:** In the event either party defaults ("Defaulting Party") in its obligations under the terms of this Agreement to the other party ("Performing Party") except to the extent excused by Force Majeure under this Agreement (which shall not include a delay in payment that is cured within 5 (five) business days of a written demand or any other failure of performance that is cured within 10 (ten) business days of a written demand from the Performing Party for corrective action), Performing Party shall have the right to establish an early termination date to this Agreement upon 10 business days written notice to the Defaulting Party. The Performing Party shall act reasonably to minimize its damages.

Price Level: NWGNW00181, NWNNW00182





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**DISPUTE RESOLUTION AND ARBITRATION:** The parties shall attempt to resolve any claim or dispute through good faith negotiations. Upon failure of such negotiations, all claims and disputes that (1) are between Seller and Buyer and (2) arise out of, or relate to, this Agreement between Seller and Buyer or to their performance or breach (including any tort or statutory claim) ("Arbitrable Claims"), shall be arbitrated under the Commercial Arbitration Rules of the American Arbitration Association ("AAA"), in English within the state of Montana, within the County of Toole, before one neutral arbitrator who shall be a member of the AAA's Large Complex Case Panel. Upon the reasonable request of a party, specific documents relevant to the claim or dispute in the possession of the other party shall be made available to the requesting party not later than sixty (60) days after the demand for arbitration is served. The arbitrator may permit depositions or other discovery deemed necessary for a fair hearing. The hearing may not exceed two days. The award shall be rendered within 120 days of the demand for arbitration. The arbitrator may award interim and final injunctive relief and other remedies, but may not award punitive damages. No time limit herein is jurisdictional. Any award of the arbitrator (including awards of interim or final remedies) may be confirmed or enforced in any court having jurisdiction. Notwithstanding the above, Buyer or Seller may bring court proceedings or claims against each other (i) solely as part of separate litigation commenced by an unrelated third party, or (ii) if not first sought from the arbitrator, solely to obtain in the state or federal courts in or for the state of Montana temporary or preliminary injunctive relief or other interim remedies pending conclusion of the arbitration.

**REMEDIES IN THE EVENT OF DEFAULT:**

(a) If Seller terminates this Agreement upon the default of Buyer, or Buyer terminates without cause, Buyer will pay Seller the following early termination payment, if a positive number: Contract Value minus Market Value.

(b) If Buyer terminates this Agreement upon the default of Seller, Seller will pay Buyer the following early termination payment, if a positive number: Market Value minus Contract Value.

(c) For purposes of this Section, "Contract Value" means the contract price of natural gas, per dekatherm hereunder, times Remaining Anticipated Usage. "Market Value" means the amount, as determined by the Non-Defaulting Party, less Costs, a bona fide third party would purchase or sell for the Remaining Anticipated Usage over the remaining term of the Agreement at current forward market prices. In determining "Market Value", the Non-Defaulting Party may consider, among other things, quotes from dealers in the wholesale energy industry, forward price valuations developed by the Non-Defaulting Party, and other bona fide offers from third parties, all as commercially available and adjusted for the length of the Remaining Term, as the Non-Defaulting Party reasonably determines. "Costs" mean brokerage fees, commissions and similar transaction costs reasonably incurred by, or on behalf of, the Non-Defaulting Party in terminating or liquidating any arrangement pursuant to which it has hedged its obligations, and attorneys' fees, expenses and costs, if any, incurred in connection with enforcing its rights under this Agreement. "Remaining Anticipated Usage" means the historical usage (in dekatherms), for the remaining term of the Agreement.

(d) If Seller Defaults on the Agreement and the Buyer finds a replacement alternate supplier, Seller should take direction from Buyer with regards to switching the accounts.

After termination, cancellation, or expiration, Buyer agrees that it will remit full payment of all amounts due under this Agreement within the Final Payment Period (which will be deemed to be the 20-day period following receipt of the invoice for the last period of deliveries hereunder). The applicable provisions of this Agreement will continue in effect after termination, cancellation, or expiration hereof to the extent necessary, including but not limited to providing for final billing, billing adjustments and payments, and with respect to any other payment obligations hereunder. Buyer is responsible for all collection costs incurred by seller in the event of nonpayment.

**SURVIVAL:** Termination of this Agreement shall not relieve either Party from an obligation under this Agreement to pay amounts due to the other Party that were incurred prior to termination.

**LIMITATION OF LIABILITY:** FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED IN THIS AGREEMENT, THE LIABILITY OF THE DEFAULTING PARTY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER DAMAGES OR REMEDIES HEREBY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED, THE LIABILITY OF THE DEFAULTING PARTY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY AND ALL OTHER DAMAGES AND REMEDIES ARE WAIVED. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES IN TORT, CONTRACT UNDER ANY INDEMNITY PROVISION OR OTHERWISE.

Price Level: NWGNW00181, NWNNW00182