



REPORT TO

CORPORATE SERVICES, STRATEGIC PLANNING AND PROPERTY COMMITTEE

TCDSB NATURAL GAS PURCHASING STRATEGY 2018-2021 (ALL WARDS)

*"I can do all things through Him who strengthens me."
Philippians 4:13 (NRSVCE)*

Created, Draft	First Tabling	Review
April 24, 2018	May 10, 2018	
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RECOMMENDATION REPORT		

Vision:

At Toronto Catholic we transform the world through witness, faith, innovation and action.

Mission:

The Toronto Catholic District School Board is an inclusive learning community uniting home, parish and school and rooted in the love of Christ.

We educate students to grow in grace and knowledge to lead lives of faith, hope and charity.



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A. EXECUTIVE SUMMARY

This report provides information on natural gas purchase price and transportation market trends for the next three years and recommends a balanced gas purchasing strategy that will provide a degree of budget stability combined with some flexibility to benefit from future price reductions.

The recommended purchasing strategy is summarized as follows:

- (i) Price for 67% of the Board's natural gas requirement to be fixed for the period of September 1, 2018 to August 31, 2019, with the price of the remaining 33% of gas purchases to remain variable;
- (ii) Price for 50% of the Board's natural gas requirement to be fixed for the period of September 1, 2019 to August 31, 2020, with the price of the remaining 50% of gas purchases to remain variable and;
- (iii) Price for 33% of the Board's natural gas requirement to be fixed for the period of September 1, 2020 to August 31, 2021, with the price of the remaining 67% of natural gas purchases to remain variable.

The recommended strategy for transportation of natural gas from Alberta to Ontario for the next three years is to fix the transportation rate at the beginning of each fiscal year, in anticipation of expected reductions in transportation costs in the coming years.

The report also recommends approval of natural gas budgets as follows:

- (i) for the fiscal year 2018 - 2019 in the amount of \$3,783,662.12
- (ii) for the fiscal year 2019 - 2020 in the amount of \$3,873,486.30
- (iii) for the fiscal year 2020 - 2021 in the amount of \$3,963,876.45

The cumulative staff time dedicated to developing this report was 18 hours.

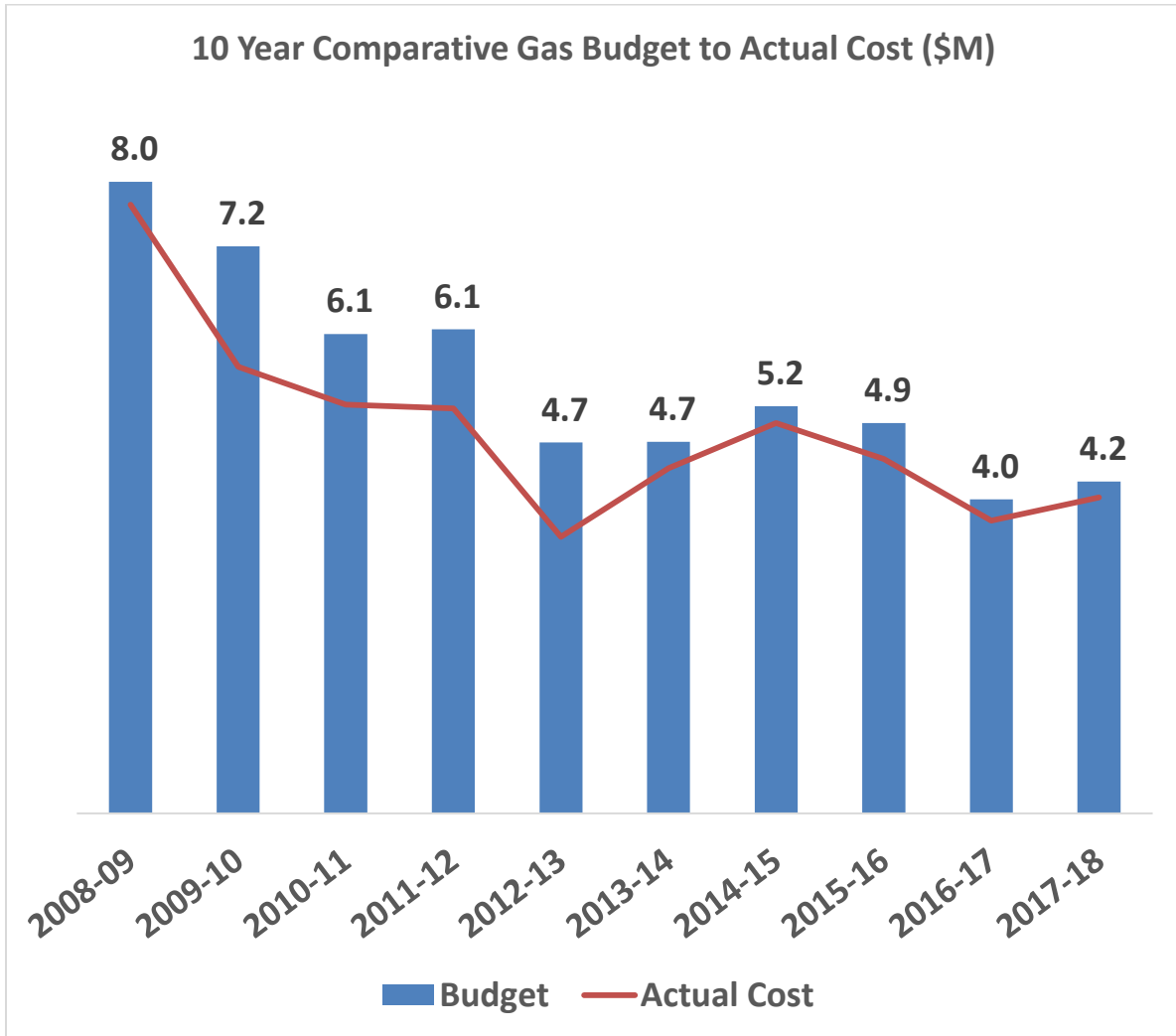
B. PURPOSE

To provide recommendations on the natural gas purchase strategy and budgets for the fiscal years 2018 -2021.

C. BACKGROUND

- 1. The Board's current gas purchase agreement expires on August 31, 2018. This agreement was in place for a two-year period.

2. Gas pricing is monitored daily by staff in consultation with Navicomm Energy Group Inc. Board staff is prepared to notify the Board’s consultant to fix the gas purchase price prices when and if they become favourable for the Board, as the market opportunity arises, in order to provide price protection and price stability.
3. The Board’s natural gas expenditures as compared to budgets for the last ten (10) years are summarized in the graph below:



4. The Board currently purchases natural gas directly from a supplier, rather than purchasing system gas from the local utility, Enbridge Gas, for the following reasons:
 - a. capability to fix gas prices if the gas market starts to move up or down;

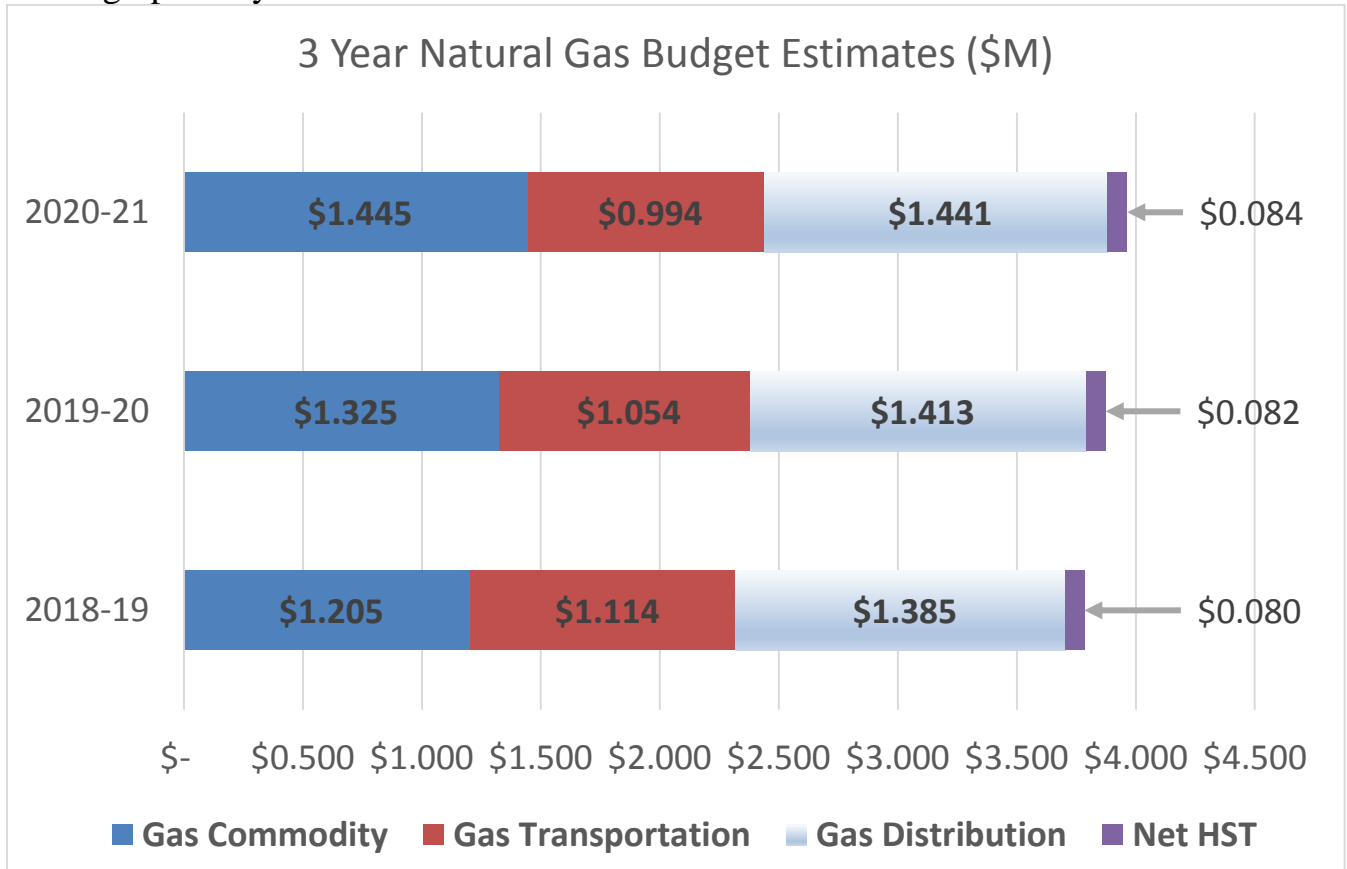
- b. ability to ensure budget stability
5. If the Board was to return to system gas purchased from Enbridge, the disadvantages to the Board would include:
- a. the inability to fix natural gas prices if the gas market starts to move up or down (thus, not having the capability to ensure budgets are met);
 - b. paying higher gas prices than the current marketplace as the Enbridge Gas utility price for natural gas is higher than the current market price;

In addition, to either go back to the utility for natural gas purchases or leave the utility in order to take advantage of purchasing natural gas from a supplier requires about 60-90 days lead time.

6. The natural gas market price has fallen substantially over the last decade. The main reason for the drop is continued strong growth in production. Demand for natural gas is also increasing, however, supply is still currently outstripping consumption. This, along with strong natural gas production in Canada, is leading to low natural gas prices in Alberta for Canadian customers that have not been experienced since the 1990's.
7. Based on the gas market trends, the Board's consultant, Navicomm Energy Group Inc., recommends continuing the balanced gas purchasing strategy that has been in place in past years, where the price is fixed for a portion of the annual gas purchase requirement, with variable pricing for the remaining portion to take advantage of price reductions, and extending the purchasing agreement to three years.
8. Appendix A outlines the advantages of a balanced gas purchasing approach, as compared to both a conservative approach and an aggressive approach.
9. The recommended pricing strategy for transportation of natural gas from the supplier in Alberta to Enbridge in Ontario (for distribution to schools), for the next three years, is to fix the transportation rate at the beginning of each fiscal year, in anticipation of expected reductions in transportation costs in the coming years.
10. Refer to Appendix B for details of the current and anticipated gas purchase price and gas transportation rates and projected annual costs for September 1, 2018 – August 31, 2021, utilizing the recommended balanced approach.

D. METRICS AND ACCOUNTABILITY

1. Based on a balanced purchasing approach, the estimated components costs that make up the Board's natural gas budget for the next three fiscal years, namely gas purchase, transportation and distribution, are summarized graphically below:



2. The total recommended natural gas budgets for the next three years are as follows:
 - Fiscal Year 2018-19: \$3,783,662.00
 - Fiscal Year 2019-20: \$3,873,486.00
 - Fiscal Year 2020-21: \$3,963,876.00
3. The Board will continue to take the necessary steps to control the overall energy consumption including installing high efficiency equipment and building automation systems (BAS) to control the space temperatures, operation schedules, free cooling and adopting any new technology that can help reduce energy consumptions.

4. Based on the foregoing, staff anticipates annual gas costs being in line with the projected PAG budget.

E. STAFF RECOMMENDATION

1. That a three-year natural gas purchasing strategy be approved as follows:
 - (i) Price for 67% of the Board's natural gas requirement to be fixed for the period of September 1, 2018 to August 31, 2019 at \$1.80/GJ or lower, with the price of the remaining 33% of gas purchases to remain variable, to be fixed when a predicted target price of \$1.60/GJ or lower is reached.
 - (ii) Price for 50% of the Board's natural gas requirement to be fixed for the period of September 1, 2019 to August 31, 2020 at \$1.90/GJ, with the price of the remaining 50% of gas purchases to remain variable, to be fixed when a predicted target price of \$1.70/GJ or lower is reached.
 - (ii) Fixed price for 33% of the Board's natural gas requirement for the period of September 1, 2020 to August 31, 2021 at a price of \$2.00/GJ, with the remaining 67% of natural gas purchases to remain variable, to be fixed when a predicted targeted price of \$1.80/GJ or lower is reached.
2. That the following three-year pricing strategy for transportation of natural gas from Alberta to Enbridge in Ontario be approved:
 - (i) Transportation rate to be locked in as of September 1, 2018 until August 31, 2019 at \$1.75/GJ or lower;
 - (ii) Transportation rate to be locked in as of September 1, 2019 until August 31, 2020 at \$1.50/GJ or lower;
 - (iii) Transportation rate to be locked in as of September 1, 2020 until August 31, 2021 at \$1.35/GJ or lower.
3. That the following natural gas costs be incorporated in to the respective year's budget estimates:
 - (i) for fiscal year 2018 - 2019 in the amount of \$3,783,662.00
 - (ii) for fiscal year 2019 - 2020 in the amount of \$3,873,486.00
 - (iii) for fiscal year 2020 - 2021 in the amount of \$3,963,876.00.