

Village of Hines Creek Council Request for Decision (RFD)

Meeting:	Regular Council Meeting
Meeting Date:	April 27, 2021
Originated By:	Leanne Walmsley, Chief Administrative Officer
Title:	New Business – 8760 Expense Management
File:	0406

BACKGROUND/PROPOSAL:

Attached is a proposal for contracting our electricity and natural gas now for beyond 2023. It may decrease our current costs when pricing for years 2021 to 2023 are in the 6 cent range.

DISCUSSION/OPTIONS/BENEFITS/DISADVANTAGES

COSTS/SOURCE OF FUNDING (if applicable)

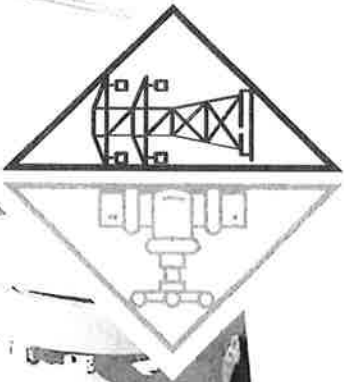
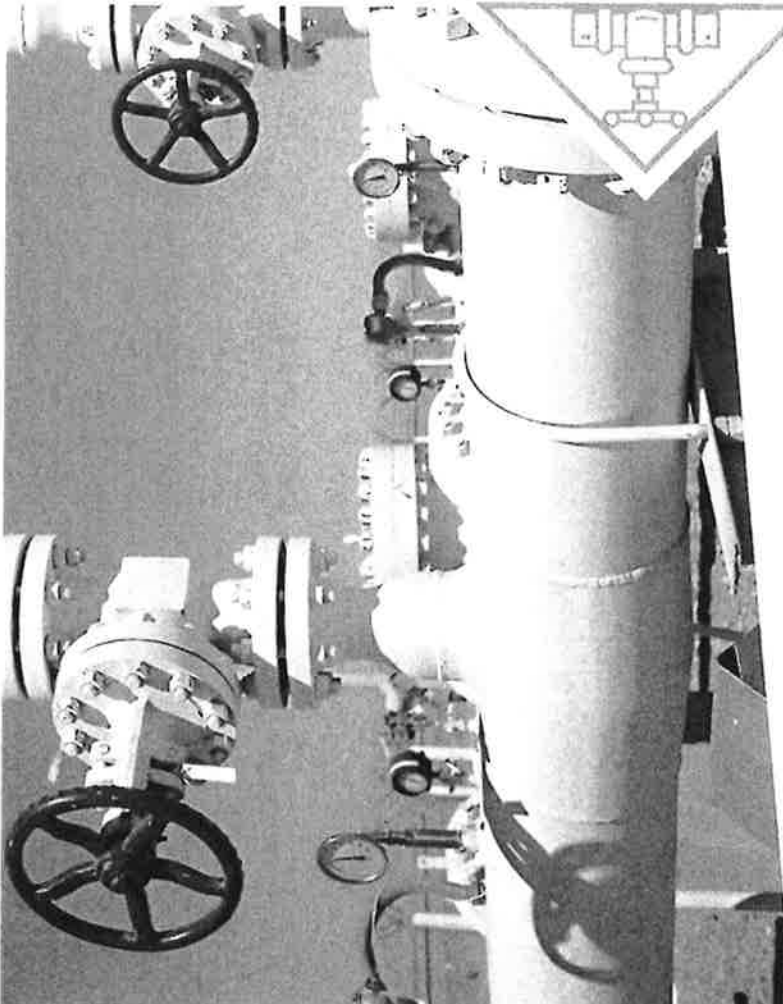
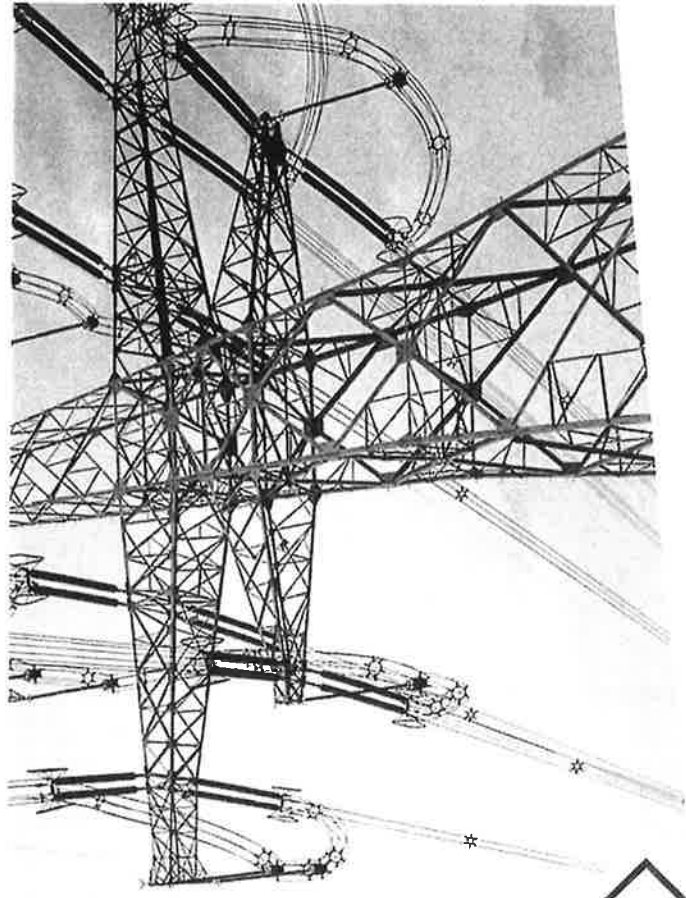
RECOMMENDED ACTION:

That Council approved for administration to connect with 8760 Expense Management to discuss options for energy comparisons and prepare paperwork.

Initials show support- Reviewed by:	Manager:	C.A.O. <i>rw</i>
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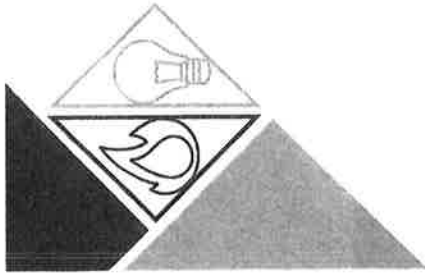
8760 EXPENSE MANAGEMENT

Village of Hines Creek
Presentation By: Nate Vella
March 10, 2021

VILLAGE OF
Hines Creek



EXPENSE MANAGEMENT



We are 8760

We're the largest commercial and industrial group procurement specialist company in Western Canada. A one-of-a-kind team of industry experts who, through collaboration and innovation are committed to helping you measurably improve the performance and efficiency of your utilities.

1st Largest competitive group consumption aggregator

1,100 Electricity & Natural Gas Customers

\$2.6M Saved annually on Distribution & Transmission Costs

1st Largest public utility manager in the province



Aimed to help make the complex simple. 8760 offers unrivalled expertise, transparent organization specific solutions and a commitment to truly outstanding customer service.

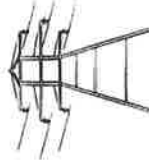
Our Customers Come First



1.3B+kWh 10M+GJ
Flowing with us



1,100
clients

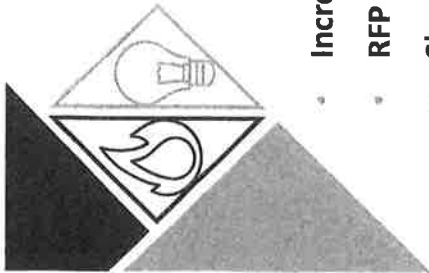


\$2.6M (annual)
Saved on D&T



97%
Client Retention





Aggregation & Competitive RFP Process:



- Increase buying power by 25-100x, reduce rate by minimizing margin over wholesale
- RFP posted to APC, adheres to NWPTA & Canadian Free Trade regulations
- Shop all qualified retailers in market at once
- Receive best possible rate made available by large groupings of municipalities and public seniors



Tender Volume for Fall 2020 Average Margin Over Wholesale

Electricity	567 million kWh's	7%
Natural Gas	1,249,000 GJ's	4.4%

Join a buying group that represents over 90% of Alberta's municipalities & public seniors groups

Retailers who are approached to make a bid include:

Enmax	Direct Energy	Capital Power	ATCO
TransAlta	Campus Energy	Access Gas	TransCanada



Current Status:

Electricity:

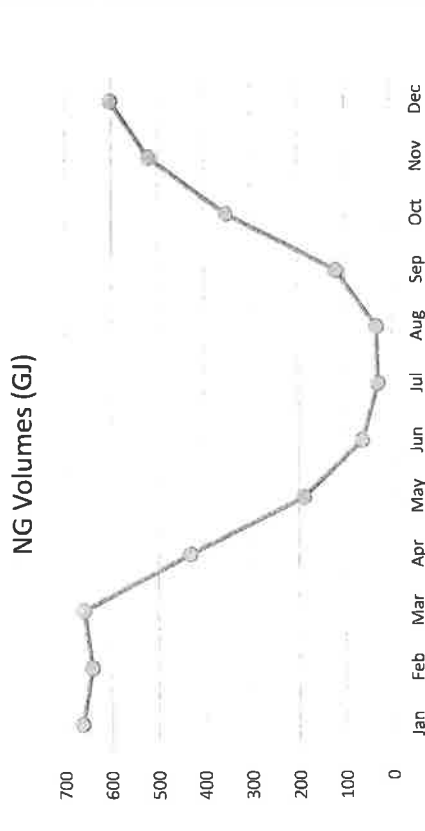
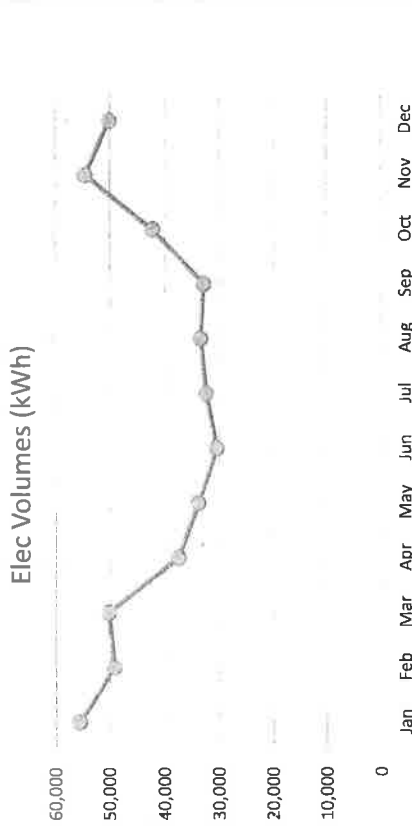
12 Sites / 502,802 KWh's annually (includes street lights)
 100% Load Follow With Enmax
 5 Year Contract: May 1, 2018 – Apr 30, 2023
 Contract Effective Date: Sep 18, 2017
 Price Per kWh = \$0.05527
 Margin Above Wholesale = 19%

Natural Gas:

4 Sites / 4,312 GJ's annually
 Floating with Enmax
 5 Year Contract: May 1, 2018 – Apr 30, 2023
 Contract Effective Date: Sep 18, 2017
 Admin Fee = \$0.40/GJ



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Contract Comparison:



Current

Enmax Electricity Rate = \$0.05527/kWh (19%) vs. RMA/8760 Group Rate = \$0.04970/kWh (7%)

Reduction of retail margin suggest gross annual savings to date of \$6,311.

Estimated gross savings for entire contract = \$14,025

Enmax Natural Gas admin fee = \$0.40/GJ vs. RMA/8760 admin fee = \$0.16/GJ

Reduction of admin fee suggests annual net savings of \$275.

Estimated net savings for entire contract = \$1,375

8760 RMA Energy Program Fee Structure:

Electricity - \$0.0015/kWh

Natural Gas - 15 cents/GJ

Site minimum fee of \$10/site/month

Annual Cost to Village of Hines Creek:

Electricity: \$1,860

Natural Gas: \$823

Total: \$2,683

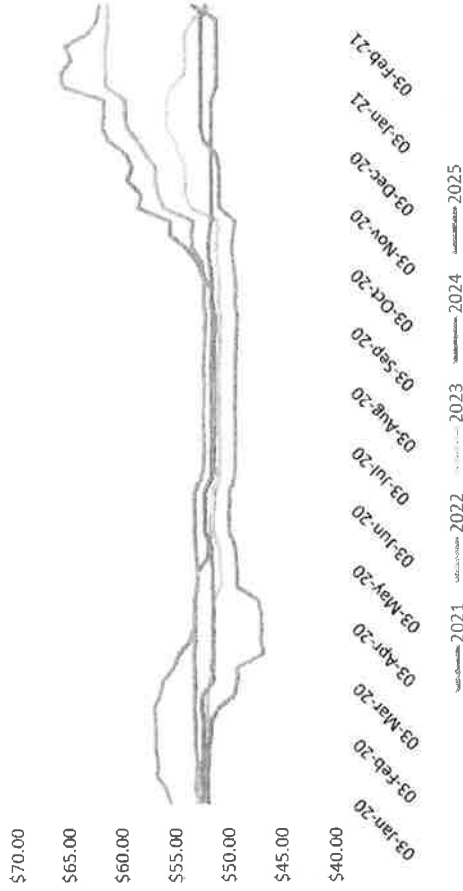
Total Net Savings = \$1,495 per year



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Electricity Forward Strategy:

Electricity Forwards

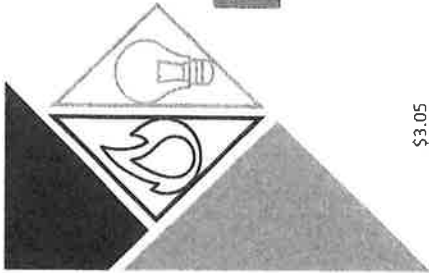


- Volatility has returned to electricity market following the end of Alberta's Power Purchase Arrangements in Dec. 2020.
- Avg. Electricity YTD price for 2021 = 11.4 cents/kWh vs. 5.2 cents/kWh in 2020.
- Buying future requirements ahead of time presents excellent buying opportunity.

Term	5% Expected Price	10% Expected Price
3 years (23-25)	\$0.05461/kWh	\$0.05767/kWh
4 years (23-26)	\$0.05356/kWh	\$0.05606/kWh

Expected tender prices are subject to change based on daily market rate.

8760's Recommendation to all RMA members is fixing 100% of electricity load for as long as possible

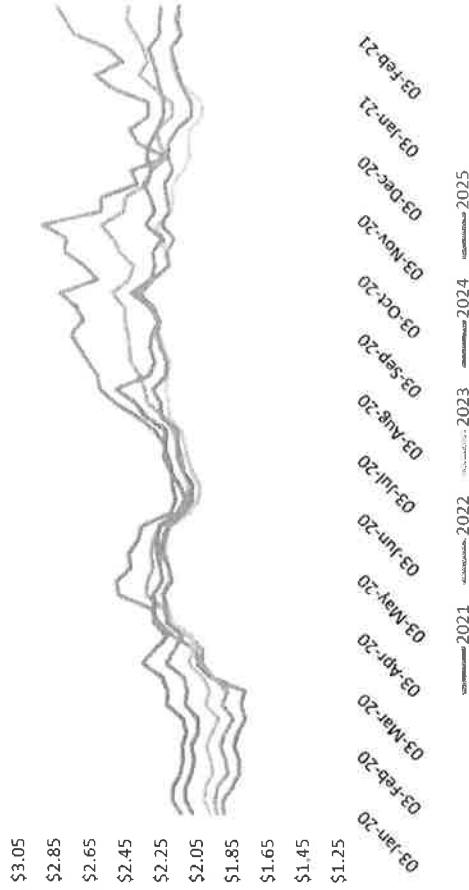


EXPENSE MANAGEMENT

Natural Gas Forward Strategy:

- Period of depressed pricing coming to an end, expect a sustained period of improved pricing.
- YTD Natural Gas spot prices in 2021 have peaked at \$6/GJ.
- Avg. Natural Gas YTD price for 2021 = \$3.01/GJ vs. \$2.11/GJ in 2020.
- Future pricing strips show best value/lowest cost for terms to 2025 or 2026. Option for longer term available.
- Majority of RMA members have gas out to end of 2027/28

Natural Gas Forwards



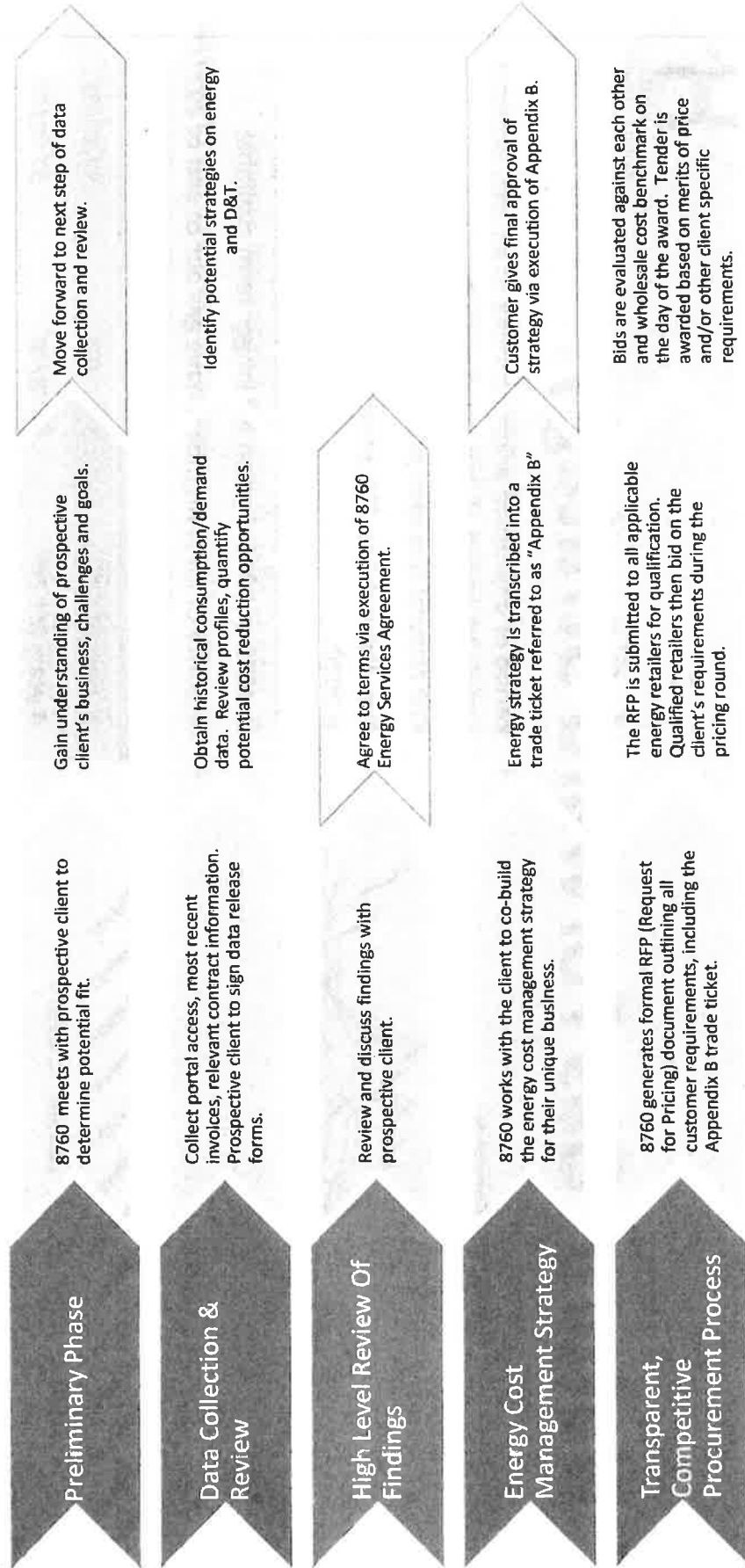
Term	4% Expected Price	9% Expected Price
3 years (23-25)	\$2.45/GJ	\$2.55/GJ
4 years (23-26)	\$2.48/GJ	\$2.58/GJ
6 years (23-28)	\$2.50/GJ	\$2.62/GJ

Expected tender prices are subject to change based on daily market rate.

8760's Recommendation to all RMA members is fixing 50% or 75% of natural gas load for as long as possible



8760 Procurement Process:





Next Steps:

