



Staff Report

Report Title: Electricity Procurement with Local Authority Services LAS Report

Prepared By: Mike Fair, Director of Community Services

Department: Community Services

Date: May. 1, 2023

Report Number: CS-2023-05-31

File Number:

E17 LAS 23

Attachments:

Recommendation:

That the Township of Huron-Kinloss Committee of the Whole hereby receives for information Report Number CS-2023-05-31 prepared by Mike Fair, Director of Community Services.

Background:

Local Authority Services (LAS) 2022 electricity procurement program

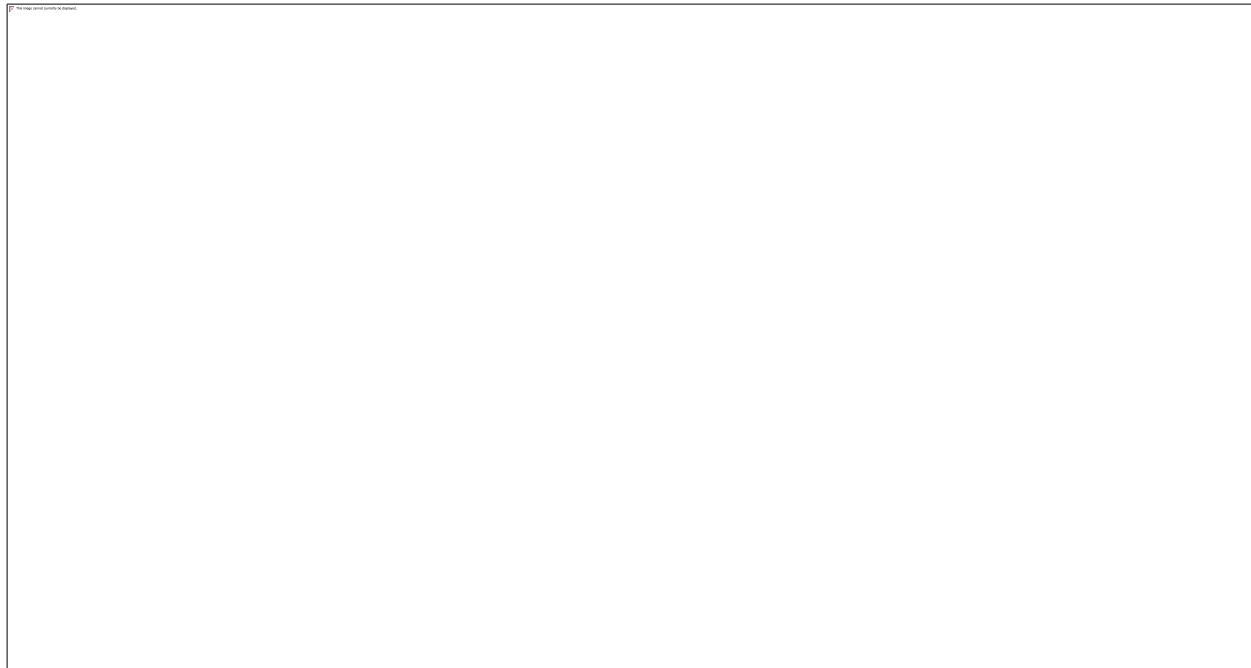
The Township of Huron-Kinloss participates in an electricity procurement program provided by Local Authority Services LAS, and a division of Association of Municipalities of Ontario AMO. The annual report to follow is provided by LAS for the annual savings and the hedge market pricing.

Discussion:

Please find attached a summary of Huron-Kinloss results for the LAS Electricity Program for 2022, as well as a savings/costs over the last five years.

These summaries compare LAS program rates to:

- the government's two-tiered Regulated Pricing Plan (RPP) rates for streetlights;
- Time-Of-Use rates (TOU) for municipal facility accounts and, the Average Spot Market Price for Non-Hedged consumption



In 2022, the electricity program provided protection to participants that resulted in an average savings of approximately 4%.

Increased Natural Gas prices due to market conditions/shortages impacted electricity rates in 2022. The reliance on Natural Gas as a component of electricity resulted in higher electricity prices. To protect members from higher rates LAS members were placed on spot market prices for January to September 2022. For October-December 2022 LAS purchased a hedge for all municipalities in the program.

Global Adjustment rates are the part of the total commodity price that makes up *the difference between the market rate for electricity and the cost of generating that electricity*. Since 2008, the Global Adjustment has risen from less than 10% of the commodity cost to more than 80% of the total cost. Unfortunately, no retail program can impact this part of the hydro bill.

Hedging can deliver long-term overall benefits, not unlike a long-term investment that fluctuates year-to-year, ultimately delivering gains. Overall, the LAS program provides greater budgeting predictability, professional management; and since inception, collective member savings of more than \$22 million.

The Township of Huron-Kinloss saved \$11 211.00 in 2022 by participating in the LAS procurement program and saved \$51 137 in the last five years.

Hedge Level Options

As in past years, the LAS Electricity Program allows municipalities to choose between two distinct approaches to electricity procurement – a hedge purchase alongside 135+ other Ontario municipalities, or 100% Spot Market Billing. In both scenarios

the Global Adjustment (GA) charge will be applied to your monthly usage, with LAS playing no role in determining the GA's month rate.

1. Hedge Purchase: A hedge purchase allows municipalities to purchase up to 75% of their annual electricity consumption at a fixed price, with the balance falling at the prevailing average monthly spot market rate. Going to market with the combined volumes of 135+ municipalities allows LAS to secure the best price possible for the program at the time of purchase and adds an element of stability to your commodity cost.

2. 100% Spot Market Billing: Under this option LAS does not make any hedge purchases for the municipality. Instead, municipal accounts ride the ebbs and flows of the electricity market, meaning your commodity cost will fluctuate from one month to the next based on changes in external market factors (i.e., supply, demand, weather, etc.). Generally, this approach provides the biggest opportunity for cost savings over a 12-month period. However, it is also quite volatile and there can be large swings in prices from one month to the next, meaning this approach may not be for every municipality. Staff has traditionally used a 65% hedge level since we joined the program.

Financial Impacts:

There are no financial impacts.

Strategic Alignment / Link:

We are an accessible community that offers opportunities for everyone.
By being open and transparent

Respectfully Submitted By:

Mike Fair, Director of Community Services

Report Approved By:

Mary Rose Walden, Chief Administrative Officer