



The Corporation of the Township of Huron-Kinloss

Staff Report

Report Title: Electricity Procurement with Local Authority Services LAS Report

Date: Oct. 7, 2024

Report Number: CS-2024-10-40

Department: Community Services

File Number: E17 LAS 24

Prepared By: Mike Fair, Director of Community Services

Attachments: 2023 Summary and 2024 Summary to date with projections

Recommendation:

THAT the Township of Huron-Kinloss Committee of the Whole hereby receives for information Report CS-2024-10-40 prepared by Mike Fair, Director of Community Services.

Background:

Local Authority Services (LAS) 2023 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/Analysis/Overview:

2023 was a down year with unstable market and hedge pricing through 2022 leading to a 2023 inflated hedge cost with the market later stabilizing back to normal levels in 2023. Note that in the last six years the Township of Huron-Kinloss has saved a total of \$52 714.69. The 2023 costs summary is attached.

This year in 2024 the hedge price and market have returned to what we normally expect to see. The projected results look to return to the normal range for the program at this point. The 2024 to date and projection is attached.

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 Huron-Kinloss joined the program, approximately six years ago and see no reason to adjust.

Financial Impacts:

There are no financial impacts.

Performance Measurement:

Saving \$1577.65 in 2023 electricity costs.

Strategic Area:

- Embrace a thriving rural lifestyle
- Enhance Municipal Service Delivery
- Prepare for Inclusive Growth
- Ensure Financial Stability

Strategic Goal: Commit to financial health and sustainability

Respectfully Submitted By:

Mike Fair, Director of Community Services

Report Approved By:

Jodi MacArthur, Chief Administrative Officer