

Memo



To: Mayor and Council
From: Daryl Halloch
CC:
Date: May 21, 2021
Re: **Natural Gas Agency Agreement**

I've attached 5 documents that I've received from Edison Energy regarding the **Natural Gas Program**, that the City of Elliot Lake has been a member of since 2006. As council is aware from the report I brought forward to the last council meeting on Monday 10th, the agreement signed in 2006 automatically renews every year from November 1st until October 31st of the following year. The agreement states that if any of the current members wish to leave the program, a letter documenting this would need to be sent to LAS no less than 180 days prior to the end of the current contract year.

The first of the 5 attached documents provides the city with financial information for the cost of natural gas in cubic meters since 2014. As you can see in the chart provided, being a member of the LAS program has actually resulted in a loss of over \$73,000 since 2014, where utility prices per M³ trended lower than the LAS programs fixed rate. Although the price differences between the utility market and LAS program have reduced significantly, the next 2 attachments document predict a future increase in utility costs due to several factors mentioned in the article. The last 2 attached documents explain both the LAS program and provide answers to common questions.

In summary, there are close to a 100 municipalities that are members of the LAS Natural gas program and who acknowledged the language changes proposed and signed the new agreement. As stated the 3 main factors for the program are to provide municipalities with cost certainty, competitive prices and maximize purchasing power. That being said, the City of Elliot Lake unfortunately never benefited financially over the last 7 years, where utility prices for natural gas remained low in what is normally considered a volatile market.

Daryl Halloch
Director of Public Works