



The Regional Municipality of Durham

Information Report

From: Commissioner of Finance
Report: #2025-INFO-21
Date: April 11, 2025

Subject:

Annual Reporting of Commodity Price Hedging Agreements for the Region of Durham for the 2024 Fiscal Year

Recommendation:

Receive for information.

Report:

1. Purpose

- 1.1 The purpose of this report is to provide Council with the details of the Commodity Price Hedging Agreements for the Region of Durham for the year ending December 31, 2024, in accordance with the Region's Commodity Price Hedging Agreements: Statement of Policies and Goals and Ontario Regulation 653/05.

2. Previous Reports and Decisions

- 2.1 On June 20, 2007, Regional Council approved the Commodity Hedging Agreements: Statement of Policies and Goals for the Region of Durham ([Report #2007-F-53](#)). This policy provides the Region with an appropriate framework and guidelines for considering commodity price hedging agreements which can assist in providing greater price stability and certainty during periods of price volatility.
- 2.2 On September 27, 2023, Regional Council through [Report #2023-F-18](#), approved amendments to the Region's Statement of Policies and Goals which modernized the policy including allowing for a wider range of risk control measures for particular commodity price hedging policy agreements.
- 2.3 In accordance with the policy, staff reports to Council annually on Commodity Price Hedging Agreements. The 2023 report ([Report #2024-INFO-68](#)) was presented on October 25, 2024.

3. Reporting Requirements

- 3.1 As noted in the Statement of Policies and Goals, the Commissioner of Finance and Treasurer shall report to Council annually with respect to any and all commodity price hedging agreements that are in place. The report shall contain, as a minimum, all requirements as set out in Ontario Regulation 653/05 and will consist of:
- A summary of any contingent payment obligations under the commodity price hedging agreement that, in the opinion of the Commissioner of Finance and Treasurer, would result in a material impact for the municipality, including agreement termination provisions, equipment loss, equipment replacement options and guarantee indemnities; and
 - A summary of the assumptions applicable to any possible variations in the commodity price hedge agreement payment and contingent payment obligations.

4. The Region's Current Natural Gas Consulting Agreement

- 4.1 Through [Report #2019-F-40](#) (Request for Proposals RFP #348-2019), Blackstone Energy Services Inc. was awarded the contract for the provision of consulting and related services for the supply of natural gas for the Region for a three-year term with an option to extend for up to two additional one-year terms.
- 4.2 With the last of the two additional one-year terms having been exercised and the contract expiring on October 31, 2024, the Region issued a new competitive Request for Proposals (RFP #348-2024), which saw the contract awarded to Blackstone Energy Services Inc. for a three-year term with an option to extend for up to two additional one-year terms. The new contract commenced on November 1, 2024.

The Region's Current Natural Gas Price Hedging Strategy

- 4.3 The Region currently has almost 24,300 m³/day of natural gas volumes committed to the distribution system through its Direct Purchase Agreement. The Region was billed for just over 9.7 million m³ in total natural gas volumes for the 2024 calendar year at an estimated cost of almost \$5.1 million (including all applicable taxes) across all Enbridge accounts including DRLHC locations (approximately \$4.3 million excluding DRLHC accounts).¹
- 4.4 In the 2024 fiscal year, to hedge against seasonal volatility, the Region entered into the following fixed price transactions:

¹ DRLHC accounts receive natural gas through either the Housing Services Corporation (HSC) natural gas bulk purchase program or through OEB-approved system gas rates (approved and updated on a quarterly basis).

2024 Fixed Block Transactions for Natural Gas Supply for Regional Managed Pools

Start Date	End Date	GJ/day	Cost per Unit	
11/01/2023	03/31/2024	100	\$4.61/GJ	\$0.177/m ³
11/01/2023	03/31/2024	50	\$4.82/GJ	\$0.185/m ³
11/01/2023	03/31/2024	50	\$4.93/GJ	\$0.190/m ³
11/01/2023	03/31/2024	95	\$4.33/GJ	\$0.167/m ³
11/01/2023	10/31/2024	125	\$6.57/GJ	\$0.253/m ³
11/01/2022	10/31/2024	65	\$6.21/GJ	\$0.239/m ³
11/01/2023	10/31/2024	60	\$6.42/GJ	\$0.247/m ³
11/01/2023	10/31/2024	100	\$4.29/GJ	\$0.165/m ³
11/01/2023	10/31/2024	50	\$4.42/GJ	\$0.170/m ³
11/01/2023	10/31/2024	50	\$4.53/GJ	\$0.174/m ³
11/01/2024	03/31/2025	140	\$4.99/GJ	\$0.192/m ³
11/01/2024	10/31/2025	120	\$4.91/GJ	\$0.189/m ³
11/01/2024	03/31/2025	120	\$5.24/GJ	\$0.202/m ³
11/01/2024	03/31/2025	165	\$3.95/GJ	\$0.152/m ³
11/01/2024	10/31/2026	150	\$4.31/GJ	\$0.166/m ³

Notes: Costs are landed, not including local tolls from CDA Enbridge to Union Dawn. Gigajoule (GJ) conversion to cubic metres (m³) assumes 1 GJ = 26 m³.

- 4.5 Overall, through the execution of the hedges for 2024, it is estimated that the Region's hedging activity resulted in costs that were approximately \$0.098/m³ higher than otherwise would have been incurred securing supply at prevailing index/spot market pricing under the Region's Direct Purchase Agreement (for applicable hedged volumes in amount of approximately 206,500 GJ for the year).
- 4.6 For the 2024 fiscal year overall, it is estimated that the Region's natural gas acquisition costs were approximately \$0.162/m³ (weighted average), inclusive of transportation costs for its Ontario landed natural gas including all index and balancing transactions as well as fixed-block purchases. The Region's weighted average cost of gas was comparable to other natural gas pricing options and programs such as:
- Default Enbridge system gas rate as approved by the Ontario Energy Board with a 2024 estimated simple average of \$0.096/m³ including rate rider adjustments, and \$0.144/m³ including transportation;
 - Local Authority Services (LAS) Natural Gas Program price of \$0.136/m³ (not including transportation and priced at western Canada hub) for the 2023-24 program year and \$0.140/m³ for the 2024-25 program year.² With transportation

² The LAS program year starts on November 1st and concludes on October 31st of the following year. Estimates assume transportation to Dawn at OEB-approved Rate 6

to Union Dawn ranging between approximately \$0.046/m³ to \$0.051/m³ during 2024, the total all-in cost was estimated to be in the range of \$0.182/m³ and \$0.189/m³ during 2024; and

- Housing Services Corporation (HSC) Bulk Purchase Program with a 2024 program commodity price of almost \$0.173/m³ plus transportation rate of almost \$0.054/m³ for total landed price of just over \$0.226/m³.³

- 4.7 With supporting market intelligence and analysis as provided by Blackstone Energy Services, Regional staff are kept up to date regarding market conditions and proactively secure natural gas supply for Regional accounts where deemed financially beneficial to do so. Any price hedge is incurred primarily to ensure a secure source of supply and cost certainty given supply constraints are more often experienced over the winter heating season.

5. The Region's Current Electricity Consulting Agreement

- 5.1 Since March 1, 2024, following award through a competitive bid process (RFP #529-2023), the Region has been utilizing the services of ECNG Energy Group to provide strategic electricity procurement and account management services to the Region for a three-year term. Among the services provided by ECNG Energy Group is support and input to annual electricity budgets and forecasts, peak demand monitoring and curtailment notifications, and the development of procurement strategies through obtaining competitive bids for the supply of electricity to the Region's facilities using commodity price hedging agreements, where deemed appropriate.
- 5.2 The Region's facilities, including Duffin Creek Water Pollution Control Plant and DRLHC properties, are estimated to have consumed over 195.5 million kWh of electricity in 2024 (metered and not adjusted for losses), at an estimated total cost of almost \$25.7 million across almost 700 individual end-use accounts (including applicable taxes).⁴

The Region's Current Electricity Price Hedging Strategy

- 5.3 There are currently no fixed price hedging arrangements in place for any of the Region's electricity accounts as spot market electricity pricing has not reached a consistent level that would pose a significant risk to the Region.

transportation rates although LAS may also secure its own transportation component for associated natural gas volumes.

³ Annual HSC program price is a function of the term selected at time of program enrolment. Program price provided is indicative of one year term.

⁴ Duffin Creek WPCP electricity consumption and cost values are total for the plant before recoveries from the Regional Municipality of York. Duffin Creek WPCP is jointly owned by the Regional Municipality of Durham and the Regional Municipality of York.

- 5.4 In addition to facilitating hedges (where required), the Region's electricity advisor also provides services such as strategic advice in account structures, pricing and exiting the Regulated Price Plan (RPP, either tiered or Time-of-Use) and shifts to spot market pricing. While the Region has used such retail billing agent services in prior years, no Regional accounts were enrolled in such services in 2024.
- 5.5 The Region's electricity advisor also provides support for load curtailment events to allow the Region to undertake peak shifting and/or reduction activities during grid-wide high electricity demand peak periods which benefits accounts which are deemed eligible for Class A designation under the Industrial Conservation Initiative (ICI) program with the Independent Electricity System Operator (IESO) (generally classified as 1MW average demand or greater). From July 2015 to January 2025 (inclusive), it is estimated that the Region's Class A accounts have avoided almost \$39.4 million in Global Adjustment charges as a result of being Class A accounts and reducing peak demand during system-wide peak periods.

6. Potential Variations in Commodity Price Hedge Agreement Payment and Contingent Payment Obligations

- 6.1 Hedging arrangements provide for fixed commodity pricing. In entering into these arrangements, the Region only contracts with credit-worthy counterparties which adhere to the requirements of the Region's Commodity Hedging Policy. Given this, there are no reasonably expected variations in the price payment of related contingent payment obligations related to commodity hedge transactions(s).
- 6.2 Given the Region transacts with natural gas suppliers on a regular basis, it has in place active base supply agreements with three (3) natural gas suppliers (Direct Energy, BP Corporation North America and Suncor Energy) which ensures a competitive process for all supply transactions. Where possible, Regional staff continues to work with Blackstone for the purposes of onboarding additional credit-worthy counterparties to further enhance competitiveness among the Region's natural gas suppliers.
- 6.3 For electricity-related transactions, while options are often reviewed, the Region does not currently have any active base agreements with any electricity suppliers although the Region is currently working with its current electricity advisor, ECNG Energy Group, to onboard prequalified electricity suppliers to allow for future transacting, should such market opportunities deem it financially beneficial to do so.

7. Relationship to Strategic Plan

- 7.1 This report aligns with/addresses the following Strategic Direction and Pathway in Durham Region's 2025-2035 Strategic Plan:
- a. Strong Relationships
- S5. Ensure accountable and transparent decision-making to serve community needs, while responsibly managing available resources.

7.2 This report aligns with/addresses the following Foundation in Durham Region's 2025-2035 Strategic Plan:

- a. Processes: Continuously improving processes to ensure we are responsive to community needs.

8. Conclusion

- 8.1 For the 2024 fiscal year, while there were no hedges in place for the Region's electricity accounts, the Region did enter into a number of fixed price transactions for its natural gas accounts for the purposes of providing enhanced price stability and overall cost certainty. While the resultant transacted volumes were secured at a price premium in contrast to the prevailing spot market pricing that may have otherwise been available, the final weighted average cost of transacted natural gas for the year was still within a price range comparable to other natural gas pricing options and programs.
- 8.2 Regional staff continue to work collaboratively with the Region's respective energy advisors and, with evaluation of market conditions and supporting price and account analysis, will consider opportunities for additional commodity price hedging arrangements, where appropriate and where considered financially beneficial to do so.

Respectfully submitted,

Original Signed By

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