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|  | <h1>POLICY</h1> | Policy No: FIN-ACQ-560 |
| <u>Policy Title:</u> GAS PURCHASE <u>Policy Type:</u> COUNCIL <u>Category:</u> Finance <u>Sub-Category:</u> Acquisitions & Dispositions <u>Author:</u> Author Unknown <u>Dept/Div:</u> Infrastructure Services/Gas and Water Utilities | <u>Approval Date:</u> January 19, 1998 | <u>Reviewed Date:</u> June 2023 |
| | <u>Next Review Date:</u> June 2026 <u>Reviewed Date:</u> Click here to enter text. | |
| | <u>Last Amended:</u> June 16, 2014 | |
| | <u>Replaces:</u> I-560- Gas Purchase | |
| | <u>Repealed:</u> Click here to enter a date. | |
| | <u>Replaced by:</u> Click here to enter text. | |
| <u>Related Policies, Procedures and/or Guidelines:</u> N/A | | |

1. POLICY PURPOSE:

The purpose of this policy is to allow the transaction of gas commodity and transportation contracts in an effective and efficient manner. Gas commodity pricing is dynamic and fluctuates with the market. The nature of these transaction do not align with the standard purchasing processes and policies.

2. DEFINITIONS:

None.

3. SCOPE:

| POLICY APPLIES TO THE FOLLOWING: | |
|--|---|
| <input type="checkbox"/> All Employees | |
| <input type="checkbox"/> All Full-Time Employees | <input type="checkbox"/> All Union |
| <input type="checkbox"/> Management | <input type="checkbox"/> C.U.P.E. 68 Civic |
| <input type="checkbox"/> Non Union | <input type="checkbox"/> C.U.P.E. 68 Mechanics |
| <input type="checkbox"/> Temporary | <input type="checkbox"/> C.U.P.E. 791 |
| <input type="checkbox"/> Student | <input type="checkbox"/> I.B.E.W. 636 |
| <input type="checkbox"/> Part-Time Employees | <input type="checkbox"/> K.P.F.F.A. |
| <input type="checkbox"/> Specified Positions only: | <input type="checkbox"/> Other: |
| <input type="checkbox"/> Council | <input type="checkbox"/> Local Boards & Advisory Committees |

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This policy applies to the purchase of fuel commodity and transportation contracts to be delivered to Kitchener Utilities customers.

4. POLICY CONTENT:

That the following Market Responsive Portfolio be adopted as the Gas Purchase Policy for the City of Kitchener, namely:

- 1) Utilities' Staff, with assistance from external parties, as appropriate and subject to periodic tendering for consulting services, shall monitor market and economic forces to develop a prudent purchase strategy.
- 2) The purchase strategy shall reflect a three-year timeframe and use a disciplined approach to acquire a blended portfolio of natural gas contracts which varies the pricing and terms of the contracts to provide rate stability while remaining responsive to market pricing.
- 3) Given the long-term nature of getting natural gas to the City, acquiring transportation or storage contracts should include a longer-term view with contract terms of up to twenty (20) years.
- 4) The ongoing performance of the purchase portfolio in meeting its strategic objectives and customers' rate expectations shall be periodically reviewed, not less than every three years and not more than annually and revised as needed and approved by Council.
- 5) To ensure market competition is used and balanced with contracting costs, the City's expected natural gas supply needs will be placed with no less than four (4) primary suppliers. At no time should more than 50% of the City's annual supply be placed with one supplier.
- 6) The natural gas supply contracts will only be placed with large, financially secure suppliers with a proven industry track record. Before supply contracts are placed, the City must ensure that the supplier has a strong financial rating as evaluated by an independent evaluator. **The minimum rating with Standard & Poor's be BBB or equivalent Moody's rating Baa for transactions that fall into Year 2 or later. For transactions falling in less than year 2, the minimum rating will be Standard & Poor's BB+ or equivalent Moody's rating Ba1.**
- 7) The natural gas supply contracts will provide the City with the flexibility to swap between indexed and fixed prices at market-based transaction fees.
- 8) The financial exposure of the City will be minimized by seeking financial assurances in **circumstances of high risk** of supplier default. These assurances will be maintained commensurate with exposure of the contracts to an individual supplier.

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When dealing with a marketing entity for supply, assurances will be sought from the corporate parent.

- 9) All natural gas purchase transactions will be authorized by the **CFO & City Treasurer, Financial Services Department** or in his/her absence one of the City's signing officers and the **Director, Gas and Water Utilities** or in his/her absence, Utilities' **Manager, Gas Supply and Engineering**.
- 10) Separate accounting for the supply, transportation and delivery programs should be maintained, audited and reported to Council on a regular basis with other City financial statements.

5. **HISTORY OF POLICY CHANGES**

Administrative Updates

2016-06 - Policy I-560 template re-formatted to new numbering system and given number FIN-ACQ-560

Formal Amendments

2001-08-27 – As per Council directive

2002-05-27 – As per Council directive

2006-10-06 – As per Council directive

2014-06-16 – As per Council directive