



**City of Kingston
Report to Council
Report Number 21-121**

To: Mayor and Members of Council
From: Brad Joyce, Commissioner, Corporate Services
Resource Staff: Speros Kanellos, Director, Facilities Management & Construction Services
Date of Meeting: April 20, 2021
Subject: Former Kingston Township Natural Gas Procurement Agreement Cancellation

Council Strategic Plan Alignment:

Theme: Corporate business

Goal: See above

Executive Summary:

Prior to amalgamation, Kingston Township enrolled various natural gas accounts into a group purchasing plan with the Association of Municipalities of Ontario, through the Local Authority Services (LAS) Natural Gas Procurement Agreement, which continues to supply natural gas for these accounts.

Staff are requesting Council authority to cancel the LAS Natural Gas Procurement Agreement from 1988 and any subsequent agreements, which hedges natural gas purchases for various accounts. Facilities Management & Construction Services staff have completed an energy analysis and the City of Kingston no longer benefits from the partnership with LAS due to evolving energy markets. Upon cancellation of this agreement staff will proceed with issuing a Request for Proposal (RFP) for bulk purchasing through an Energy Broker. This will significantly reduce our natural gas fuel costs.

Staff are requesting Council to issue a by-law to repeal By-law 89-19 of the former Township of Kingston and all subsequent by-laws extending the agreement.

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Recommendation:

That Council authorize staff to cancel the natural gas procurement agreement between the former Township of Kingston and LAS or other predecessor entities dated November 1988 and any other related agreements; and

That the by-law attached as Exhibit A to Report Number 21-121, to repeal By-law 89-19 of the former Township of Kingston, being “A By-Law to Authorize The Township of Kingston to Enter into Agreements with GASAMO, Direct Energy Marketing Limited, ICG Utilities and Gas Purchase Direct Limited”, and all subsequent by-laws extending an agreement or otherwise authorizing the natural gas procurement agreement between the former Township of Kingston and LAS or other predecessor entities dated November 1988, be presented to Council for all three readings; and

That Council authorize the Mayor and City Clerk to enter into any agreements or other documents required to give effect to the cancellation of the natural gas procurement agreement between the former Township of Kingston and LAS or other predecessor entities dated November 1988 to the satisfaction of the Acting Director of Legal Services.

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Authorizing Signatures:

ORIGINAL SIGNED BY COMMISSIONER

**Brad Joyce, Commissioner,
Corporate Services**

ORIGINAL SIGNED BY CHIEF
ADMINISTRATIVE OFFICER

**Lanie Hurdle, Chief
Administrative Officer**

Consultation with the following Members of the Corporate Management Team:

Paige Agnew, Commissioner, Community Services	Not required
Peter Huigenbos, Commissioner, Business, Environment & Projects	
Jim Keech, President & CEO, Utilities Kingston	Not required
Desirée Kennedy, Chief Financial Officer & City Treasurer	
Sheila Kidd, Commissioner, Transportation & Public Works	Not required

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Options/Discussion:**Background**

The Association of Municipalities of Ontario (AMO) created the Local Authority Services (LAS) Natural Gas Program to help municipalities achieve savings through the bulk purchase of natural gas. The former Kingston Township (Seller) entered into an agreement with GASAMO, Direct Energy Marketing Limited, ICG Utilities (Ontario) Limited and Gas Purchase Direct Limited (Buyer) in November 1988 to purchase a volume of natural gas by Buyer. Council authorized entering into the agreement by passing By-law 89-19. The agreement had a term of one year, however it was automatically renewed for a twelve-month period unless the Seller gave 185 days notice prior to the automatic renewal, the deadline for cancellation is April 25, 2021.

Further by-laws were passed between 1990 and 1995 to amend this agreement. By-law 95-96 amended the Buyer so that the agreement could continue between Kingston Township and ECNG Inc. This agreement is still in place, and applies to the following facilities:

- Kingston Fire & Rescue – 905 Woodbine Road
- 2709 Creekford Road
- 2701 Creekford Road
- Centre 70 – 100 Days Road
- Kingston Fire & Rescue – 127 Days Road
- Neighbourhood Sharing – 670 Front Road
- Kingston Fire & Rescue – 500 O'Connor Drive Strategy

Facilities Management & Construction Services staff have completed an energy analysis and the City of Kingston no longer benefits from the partnership with LAS. The Agreement is a hedge and was designed to allow the City (Kingston Township) to avoid any potential price volatility. This was useful at the time of the original agreement, however as the energy markets have evolved, staff does not recommend continuing with this program. Currently through the LAS program, the City has paid a premium of \$1,600 last year for the procurement of Natural Gas as compared to market price.

Upon cancellation of this agreement, staff will proceed with issuing a Request for Proposal (RFP) for bulk purchasing of natural gas through an Energy Broker. This will reduce our natural gas fuel costs and allow savings to be reinvested into strategies and efficiencies related to our Energy and Asset Management Plan to further reduce GHG emissions.

The advantage of utilizing the bulk purchasing method is the ability to lock in rates at any time. If the price is low, saving expectations could be exceeded. All market analysis would be completed by the Broker as part of the contract. However, there is a risk with the bulk purchasing method of a potential for less savings, if the market demand is strained due to global events. Based on past performance and the ability to lock in rates at anytime this risk would be mitigated properly.

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Payment to the Energy Broker would not impact Corporate finances as they are paid through the rates they provide us. The cancellation of the LAS agreement and the new bulk purchasing method will not affect any processes being done by Financial Services and will not create any additional administrative work.

Existing Policy/By-Law:

By-law 89-19 being A By-Law to Authorize the Township of Kingston to Enter into Agreements with GASAMO, Direct Energy Marketing Limited, ICG Utilities and Gas Purchase Direct Limited

By-law 90-96 being A By-Law to Authorize the Township of Kingston to Enter into an Agreement with Direct Energy Marketing Limited and ECNG Inc.

By-law 91-28 being A By-Law to Authorize the Township of Kingston to Extend a Gas Purchase Agreement between ICG Utilities (Ontario Limited) and It's Successors

By-law 92-69 being A By-Law to Authorize the Township of Kingston to Enter into an Extension Agreement with Direct Energy Marketing Limited and ECNG Inc.

By-law 94-107 being A By-Law to Authorize the township of Kingston to Enter into an Extension Agreement with ECNG Inc.

By-law 95-96 of the former Township of Kingston being A By-Law to Authorize the Township of Kingston to Enter into an Extension Agreement With ECNG Inc.

Notice Provisions:

None

Accessibility Considerations:

None

Financial Considerations:

With the cancellation of this agreement, the City will be saving a premium of \$1,600 per year.

With the issuance of the above noted RFP, based on preliminary analysis of 2019/2020 broker market rates, savings could potentially be more than \$30,000 annually.

Contacts:

Speros Kanellos, Director, Facilities Management & Construction Services, 613-546-4291 extension 3133

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Other City of Kingston Staff Consulted:

Alan McLeod, Acting Director, Legal Services

Lana Foulds, Director, Financial Services

Therol Peterson, Manager, Facilities Management & Construction Services

Julie Salter-Keane, Manager, Climate Leadership Division

Russell Horne, Building Performance Controls Technologist, Facilities Management & Construction Services

Exhibits Attached:

Exhibit A - A By-Law to Repeal By-Law Number 89-19 A By-Law to Authorize the Township of Kingston to Enter into Agreements with GASAMO, Direct Energy Marketing Limited, ICG Utilities and Gas Purchase Direct Limited; By-Law Number 90-96, A By-Law to Authorize the Township of Kingston to Enter into an Agreement with Direct Energy Marketing Limited and ECNG Inc.; By-Law Number 91-28, A By-Law to Authorize the Township of Kingston to Extend a Gas Purchase Agreement between ICG Utilities (Ontario Limited) and It's Successors; By-Law Number 92-69, A By-Law to Authorize the Township of Kingston to Enter into an Extension Agreement with Direct Energy Marketing Limited and ECNG Inc.; By-Law Number 94-107, A By-Law to Authorize the township of Kingston to Enter into an Extension Agreement with ECNG Inc.; and, By-Law Number 95-96, A By-Law to Authorize the Township of Kingston to Enter into an Extension Agreement With ECNG Inc.

By-Law Number 2021-XX

A By-Law to Repeal By-Law Number 89-19, A By-Law to Authorize the Township of Kingston to Enter into Agreements with GASAMO, Direct Energy Marketing Limited, ICG Utilities and Gas Purchase Direct Limited; By-Law Number 90-96, A By-Law to Authorize the Township of Kingston to Enter into an Agreement with Direct Energy Marketing Limited and ECNG Inc.; By-Law Number 91-28, A By-Law to Authorize the Township of Kingston to Extend a Gas Purchase Agreement between ICG Utilities (Ontario Limited) and It's Successors; By-Law Number 92-69, A By-Law to Authorize the Township of Kingston to Enter into an Extension Agreement with Direct Energy Marketing Limited and ECNG Inc.; By-Law Number 94-107, A By-Law to Authorize the township of Kingston to Enter into an Extension Agreement with ECNG Inc.; and, By-Law Number 95-96, A By-Law to Authorize the Township of Kingston to Enter into an Extension Agreement With ECNG Inc.

XXXXXXXX

Passed: Meeting date
(Month day, year)

Whereas the Council of the former Township of Kingston approved By-Law 89-19 authorizing a natural gas procurement agreement with GASAMO, Direct Energy Marketing Limited, ICG Utilities and Gas Purchase Direct Limited and other predecessor entities dated November 1988; and

Whereas the Council of the Former Township of Kingston approved By-Laws, 90-96, 91-28, 92-69, 94-107 and 95-96 amending and extending the November 1988 agreement;

Therefore Be It Resolved That the Council of The Corporation of the City of Kingston hereby enacts as follows:

1. By-Law Number 89-19 of the former Township of Kingston entitled, "A By-Law to Authorize the Township of Kingston to Enter into Agreements with GASAMO,

Direct Energy Marketing Limited, ICG Utilities and Gas Purchase Direct Limited", is hereby repealed in its entirety.

2. By-Law Number 90-96 of the former Township of Kingston entitled, "A By-Law to Authorize the Township of Kingston to Enter into an Agreement with Direct Energy Marketing Limited and ECNG Inc.", is hereby repealed in its entirety.
3. By-Law Number 91-28 of the former Township of Kingston entitled, "A By-law to Authorize the Township of Kingston to Extend a Gas Purchase Agreement between ICG Utilities (Ontario Limited) and It's Successors", is hereby repealed in its entirety.
4. By-Law Number 92-69 of the former Township of Kingston entitled, "A By-Law to Authorize the Township of Kingston to Enter into an Extension Agreement with Direct Energy Marketing Limited and ECNG Inc.", is hereby repealed in its entirety.
5. By-Law Number 94-107 of the former Township of Kingston entitled, "A By-Law to Authorize the township of Kingston to Enter into an Extension Agreement with ECNG Inc.", is hereby repealed in its entirety.
6. By-Law Number 95-96 of the former Township of Kingston entitled, "A By-Law to Authorize the Township of Kingston to Enter into an Extension Agreement with ECNG Inc.", is hereby repealed in its entirety.
7. This By-Law shall come into force and take effect on the date of its passing.

Given all Three Readings and Passed: Meeting date (Month day, year)

John Bolognone
City Clerk

Bryan Paterson
Mayor