



Executive Summary Finance Committee Meeting

DATE: December 15, 2022

TOPIC: Natural Gas Contract

PREPARED BY: Courtney Whited

Recommended for:

- Action
- Discussion
- Information

Purpose/Background:

The District's natural gas supply contract with Vanguard expired at the end of June 2022. Administration requested initial proposals from Vanguard because they held the most recent contract and IGS because they supply the District's electricity.

Vanguard presented the following two options:

1. Secure an approved fixed rate starting February 2023 through June 30, 2025, at a rate not to exceed \$.669 per therm. The district could elect to only secure 50% of annual usage in January. Then, SD74 could monitor the market and secure the remaining 50% at a rate not to exceed \$.599.
2. Float on monthly variable rate through this winter, then convert to a fixed rate sometime in spring 2023. Secure a fixed rate for May 2023 through June 2025 at a rate not to exceed \$.599 per therm.

NOTE: Current Nicor rate is Rate 74. Some suppliers will automatically move customers to the Nicor Customer Select program. If this occurs the financial impact would be approximately \$1,000 annually. Vanguard advises SD74 to confirm that the selected supplier will guarantee the accounts will remain on Rate 74. The two smaller accounts would be better off on Nicor Customer Select. The cost difference is under \$400. The larger account is better off at Rate 74 by \$1,240 annually. We like to keep all accounts under rate 74 so we can pool them together due to the new Nicor rates processes that will change in May 2023. One benefit is that we can utilize the storage allotment that will provide a larger credit in our pricing.

Natural Gas Chart as of 11/30/2022 provided by Vanguard



Vanguard simplified the options. The proposed rates are simply holding spots until the January Board of Education meeting. The rates can be updated the week prior and even the day prior, whatever works best for the District.

IGS presented the following three options:

Term in Months	Start	End	CG Therm Volume	Fixed Price Offer
23	Feb-23	Dec-24	311,000	\$0.524
35	Feb-23	Dec-25	466,500	\$0.522
47	Feb-23	Dec-26	621,990	\$0.522

Included in IGS Pricing:

- Active market monitoring and high levels of customer service
- Currently serve the District's electricity supply and helped mitigate risk further out the curve by lowering the fixed price
- Blend & extend opportunities should the market drop below the hedged and contracted rate
- Proactively worked with SD74 to extend the District's electricity supply and keep their price low ahead of the increased electricity prices that we are currently seeing
- Can do the same exercise with natural gas to ensure the District's budget is protected & potentially lowered
- SD74 can lower their price at any point in time during your contract should the market present an opportunity to do so
- Have never passed through any critical day penalties in Illinois, which you may have seen back in Feb-21

Fiscal Impact:

The District previously paid \$0.306/Therm in 2021-22 with Vanguard.

Recommendation:

The Administration requests direction from the Finance Committee on next steps.

The Finance Committee concurs with the Administration to recommend to the Board of Education to accept the Contract from ____ for natural gas supplies in an amount not to exceed \$____per therm from ____ to ____.