

February 17, 2017

AISCA Energy Management Program Memo

We have experienced the introduction of the carbon tax to our gas bills this January. As the average temperature for the first month was colder than usual, it was rather noticeable! Thankfully February temperatures on average have been much milder and once we make it through to March the carbon taxes we pay will be minor as gas consumption falls off until next fall and winter. Looking that far ahead takes us to the end date for our Access Gas agreement which ends Oct. 31, 2017 and as such our consultants have begun to monitor the wholesale forward and over-the-counter trading markets for the opportunity to secure optimal prices going into 2018.

The following is a report from our consultants on the current GAS market:

Natural gas markets have experienced price volatility since late in 2016 with colder temperatures and higher crude oil prices (above \$50/barrel); 2017 YTD average spot prices in Alberta are trending at \$2.79/GJ in comparison to \$2.06/GJ in 2016. Natural gas producers and storage operators in Western Canada are seeing strong competition from US sources of natural gas, specifically the Marcellus Shale gas produced in Pennsylvania. With further pipeline expansions (such as SoNo, Tover, Glen Karn and Niagara), Marcellus Shale gas is expected to pipe as much as 5 bcf per day more into Ontario by 2018. The Western Canadian basin's total output of approximately 14 bcf per day will risk losing up to 50% of its supply to Ontario and other markets in the East. With Canada yet to enter the LNG race to supply Asia; natural gas producers in AB and BC are now forced to discount wholesale forward prices in 2018 and beyond to compete with Marcellus Shale gas. This phenomenon has changed the natural gas wholesale forward curve to a backward-dated profile meaning the future years are trading at a discount compared to the nearer terms. This has not been seen since 2008 and we are seeing new record low prices for 2018 & beyond as shown in the table below:

Term	Flat Mid-Market Price (\$/GJ)
CAL18	\$2.61
CAL19	\$2.44
CAL20	\$2.40
CAL21	\$2.39

With storage levels in Alberta expected to remain high for 2017, we now recommend clients explore securing partial hedges (of up to 70%) for 2018-2019 delivery. Based on current wholesale market conditions, AISCA schools/participants could further reduce its natural gas commodity contract cost by 34% starting in 2018 which will help offset the carbon tax increase in 2018.

Having the opportunity to help offset the carbon tax increase for 2018 is great news! And so the AISCA Energy team will start the due diligence process by releasing a request for proposal (RFP) to the marketplace by early March 2017. We are looking to be transact-ready to capitalize on any further pricing opportunities by the upcoming the "shoulder" season.



In order to be prepared to transact we need to have all the Energy Management Program **Agency Agreements** with AISCA in place. Several of them expired last spring and as there were no upcoming transactions the push to update them wasn't a priority. But in order to remain in the program and be included in the negotiations for gas we will need those signed off by early March. An Agency Agreement is attached for those that have not updated them yet, along with a flyer with details about the Energy Program.

We also need to ensure purchase of sufficient volume going forward into 2018. If you have any **anticipated changes to your facilities** portfolio in 2018 and beyond please let us know.

Information was shared last month about the Alberta Government's Non-Profit Energy Efficiency Transition (NEET) Program. Many of you have contacted AISCA and asked for assistance in determining your yearly consumption of gas and electricity and site IDs in order to fill out an "Expression of Interest Form". You can find the information and application form here: <https://www.alberta.ca/energy-efficiency-neet-program.aspx>



Plans are underway for morning **workshops** to be held May 18 in Calgary and May 19 in Edmonton. We are hopeful to provide you with further information about government grant opportunities at that time as well as provide information about building audits and companies that offer the service and the different types and price ranges for audits. We are also arranging a speaker or two to share information on successful sustainability initiatives and special energy projects. Please pass along the date and information to the person that would best represent your school/facility at such a workshop.

If you have questions or require further information please contact us.

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