

University's locked-in natural gas prices help it avoid cost increases

While Saskatchewan's retail natural gas customers will feel the pinch of a 22-per-cent SaskEnergy price hike that took effect yesterday (May 1), thanks to diligence and good buying practices the U of S is largely insulated from short-term price fluctuations.

Two Facilities Management officials - Finance & Administration Director Ron Kuny and Utilities Manager Steve Wriston - say 99 per cent of the University's natural gas supply is locked-in to long-term supply that will protect it from price spikes caused by a variety of factors, including long cold spells like last winter.

"We just locked 91 per cent in today, with Nexen, at a fixed price," Kuny said April 24.

He and Wriston explain that 91 per cent of the Universities natural gas goes to the Heating Plant, to fuel the boilers that create steam head for campus. Eight per cent goes to provide regular heating sources for other places on campus not served by the Heating Plant, and one per cent of the natural gas goes to labs and emergency generators.

Kuny says thanks to the U of S system of using a consultant in Calgary, watching the market closely, and buying ahead at locked-in prices, "in the past year our gas price, because we contracted in advance, was just two-thirds of what the retail price was."

Nevertheless, he said the University fully expects natural gas prices to continue moving higher, and for that reason the U of S has locked-in most of its purchases. Besides the 91 per cent locked-in with Nexen through to November 2005, the eight-per-cent portion has been locked-in "at a good price" since last summer, through to November 2006, with CEG Energy.

Wriston says, "We use the same type of strategy that SaskEnergy would use. Our volume of gas is large, but in the context of the whole market it's still relatively small, to we basically take the market price. But from a strategic point of view, we mitigate short-term price fluctuations."

Kuny says the University is pursuing energy conservation measures in an ongoing way, as new buildings, construction, and repairs takes place.

Wriston adds, "The University is a 24/7/365 operation and provides services, for example, to Royal University Hospital and to animal care facilities on campus - so that puts some limits on the extent of the energy conservation we can do.

"Most of the energy conservation we see comes in new building construction and in retrofits - for example, some 18-24 months ago when we replaced a boiler in the Heating Plant, with one that is much more efficient and higher capacity," Wriston says.

He also pointed to the 10-year-old Agriculture Building, which has a "very low" net heating load for steam or gas.

Paul Becker, Associate Vice-President for Facilities Management, says the U of S burns one million gigajoules per year, and he is pleased with the system it has in place of using a Calgary consultant to keep decision-makers here up-to-date on natural gas market conditions.

"That makes sure we get absolutely the best price, and we have been well below the spot price for natural gas," Becker says. He is convinced this system has saved the University millions of dollars in "avoided costs" over recent years.

On April 17 SaskEnergy announced it would become "the last major Canadian natural gas utility to respond to high prices in the natural gas market," and it asked government for a price hike. Cabinet gave the 22-per-cent price hike interim approval, to start May 1. SaskEnergy blames the January-March cold spell for the price hike.