

GAS PURCHASE POLICY CRITERIA

- 1) The basic principle of minimum cost of gas for the minimum risk should be at the forefront. This should be accomplished by monitoring and projecting economic market forces to develop a prudent purchase strategy.
- 2) The purchase strategy should review a five year horizon and develop a disciplined approach to acquiring a portfolio of natural gas contracts which varies the pricing and terms of the contracts to minimize risk.
- 3) Given the long-term nature of getting gas to the City, acquiring transportation or storage contracts should include a longer term view with contract terms of up to 20 years.
- 4) The purchase strategy should be monitored continuously and adapted to changing markets conditions.
- 5) To ensure market competition is used and balanced with contracting costs, the City's expected gas supply needs will be placed with no less than 4 but no more than 7 primary suppliers. **At no time should more than 50% of the City's annual supply be placed with one supplier.**
- 6) The 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 will be Standard & Poors BBB or equivalent Moody's rating.
- 7) The gas supply contracts will provide the City with the flexibility to swap between indexed and fixed prices at market based transactions fees.
- 8) The financial exposure of the City will be minimized by seeking financial assurances in the event of supplier default. These assurances will be maintained commensurate with exposure of the contracts to an individual supplier. When dealing with a marketing entity for supply, assurances will be sought from the corporate parent.
- 9) All gas purchase transactions will be authorized by the General Manager, Financial Services Department or in his/her absence one of the City's signing officers and the Director of Utilities or in his/her absence, Utilities' Manager, Regulatory Affairs and Supply or Utilities' Manager, Asset Optimization.
- 10) Separate accounting for the supply and delivery programs should be maintained, audited and reported to Council on a regular basis with other City financial statements.