

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: 25
DATE: June 22, 2023

RECOMMENDATION
NATURAL GAS AGREEMENT

ACTION REQUESTED

It is recommended that the Board of Regents delegate to the President or designee to negotiate and execute a natural gas forward purchase agreement extending to 2031.

STAFF SUMMARY

The University utilizes natural gas to operate its co-generation system and other infrastructure systems across its campus. The University's current annual natural gas demand is approximately 720,000 MMBTU. The University expects various investments in electrical efficiencies to reduce this demand in the future, and as such, the purchased volumes have been decreased to 667,000 MMBTU during the 2028-2031 period.

In June 2018, the University entered into a forward purchase agreement with its natural gas provider, Twin Eagle, which procured the monthly natural gas demand from 2023 to 2027 at fixed rates per MMBTU. Due to the inherently variable nature of the natural gas market prices, the University estimates that a longer term forward purchase agreement will be beneficial to the University in providing financial stability and limiting price volatility risk.

The existing agreement provides a fixed price of \$2.75 / MMBTU through 2027. The University has received a quoted price of \$4.945 / MMBTU from Twin Eagle for the 2028-2031 period. While this price exceeds the current rate, the natural gas market has demonstrated volatility in the past and future natural gas demand is expected to increase, bringing higher future prices to the market. Securing natural gas pricing provides the University the ability to effectively plan and budget utility related costs without experiencing the potential for significant volatility.

FISCAL IMPLICATIONS

Over the term of this agreement, the University is committing \$3,298,315 in annual natural gas costs in the years 2028-2031.

ADMINISTRATIVE RECOMMENDATION

The proposed Board action has been reviewed and is recommended for Board approval.



University Executive Officer

June 22, 2023

Date