

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: 28

DATE:

June 22, 2018

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 2027.

STAFF SUMMARY

The University utilizes natural gas to operate its co-generation system and other infrastructure systems across its campus. It is estimated that now that the co-generation system is on-line the University's annual natural gas demand will be approximately 785,000 MMBTU.

In May 2017, the University entered into a forward purchase agreement with its natural gas provider, Twin Eagle, which procured the monthly natural gas demand from 2017 to 2022 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.

During the co-generation projects analysis, the University used an estimated natural gas cost of \$4.50 / MMBTU. Current natural gas market conditions indicates that the University can realize a fixed price of \$2.75 / MMBTU for the expected natural gas demand from 2023 to 2027. The estimated savings of \$1.75 / MMBTU would provide approximately \$1,375,000 in annual natural gas savings during the 2023-2027 period.

FISCAL IMPLICATIONS

The University estimates to save approximately \$1,375,000 annually in natural gas costs. Over the term of the agreement the University expects to save approximately \$6,900,000.

ADMINISTRATIVE RECOMMENDATION

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



University Executive Officer

June 22, 2018

Date