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Historical Analysis of Energy Costs

Presented To: Finance Committee

Presented: Monday, May 03, 2010

Report Date: Tuesday, Apr 27, 2010

Type: Correspondence for Information Only

Recommendation

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Background

The Finance Committee at its October 19th meeting requested an analysis of historical energy costs.

In the past few years, the Finance department has reviewed the chart of accounts used for tracking energy costs. It was noted that energy costs were included in different areas such as Materials & Operating Expenses, Energy Costs and in some cases Purchased / Contract Services.

To be able to better analyze energy costs Finance staff has progressively moved all energy costs (hydro, natural gas, water and fuel) to the Energy Costs category. Reallocation within the budget documents occurred between 2008 and 2010. Below is a summary of these changes.

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	2008 Budget	2008 Actual	2009 Budget	2009 Actual	2010 Budget
Energy Costs	\$9,338,284	\$9,727,491	\$16,138,369	\$14,379,099	\$17,630,424
Included in other categories	7,421,219	7,850,719	2,037,145	1,966,842	529,903
Revised Total	\$16,759,503	\$17,578,210	\$18,175,514	16,345,941	\$18,160,327
Variance from prior year or budget		818,707	1,829,573		(15,187)

The variance from 2008 budget to actual of \$818,700 was due in majority to additional costs in fuel relating to the higher than anticipated cost in oil prices which affected transit and fleet \$560,000. Also in 2008 was the transfer the management of 199 Larch from ORC to the City which added \$390,000 to utility costs. Other small variances were favourable leading to a net variance of \$818,700.

The significant increase of \$1,416,000 from 2008 to 2009 budget is due to inflationary increases as noted below and a few new items added in 2009. Inflation adjustments resulted in an increase of \$1,000,000. In 2009 staff added 199 Larch Street's utilities budget of \$460,000.

The variance from 2009 budget to actual of (\$1,830,000) is due to \$950,000 savings in fuel costs as estimated increase in fuel prices did not materialize as anticipated and \$880,000 in savings relating to hydro (\$280,000) natural gas (\$200,000) and water (\$400,000). These savings have been identified throughout the City due to decreased consumption (ie: water due to wet weather throughout the year, warmer temperatures during the winter months and cooler temperatures in the summer months).

The variation from 2009 budget to 2010 budget was minimal (\$15,200) due to Fuel and Natural Gas decreasing (\$500,000) while water and hydro increased (\$500,000).

As energy costs are commodities (other than water), there is an annual fluctuation in the costs relating to the items. Below is a summary of the inflationary factors utilized in preparing the budget documents:

	2009	2010
Hydro	6%	6%
Natural Gas	0%	(13.5%)
Fuel	15%	(10%)
Water	6%	5%

With the installation of a municipal fuel storage, dispensing and inventory management system in 2009 the City will be able to track fuel spending by operating department. Based on 2010 consumption the 2011 fuel budget will be taken out of Fleet Services and allocated to the operating departments to allow for better monitoring of spending.

Finance regularly reviews utility costs and will continue to review the budgeted costs for utilities for the 2011 budget.