

STANDARD ADMINISTRATIVE PROCEDURE

25.07.03.M0.04 Energy Risk Management Program

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Standard Administrative Procedure Statement

This procedure establishes the authority for Texas A&M University (TAMU) to develop and administer an Energy Risk Management Plan (ERMPL) in order to minimize energy costs, mitigate financial risk to market exposure, position TAMU to take advantage of changing energy market conditions, and provide a formal energy hedging calendar that ensures a specific degree of budget certainty prior to the subsequent fiscal year. This procedure also establishes the processes used to implement the ERMPL and identifies the parties making decisions that impact TAMU's commodity risk exposure related to the ERMPL and describes each party's responsibilities. This procedure does not apply to Texas A&M University at Galveston or Texas A&M University at Qatar.

Definitions

Energy Procurement Manager (EPM) is an entity performing energy procurement services on behalf of TAMU. The EPM may be an individual, firm, or consultant, or the ERMAC.

Energy Risk Management Advisory Committee (ERMAC) is chaired by the TAMU Division of Finance and Operations with additional membership from Utilities Energy Services (UES), the Division of Finance and Operations, and TAMUS Office of the General Counsel (OGC) as needed with regard to legal matters. Additional members may be invited as determined appropriate by the ERMAC.

Energy Risk Management Plan (ERMPL) establishes the risk parameters for the Energy Risk Management Advisory Committee, authorized transactions, credit risk limits, commodity risk limits, reporting requirements, and market execution.

Official Procedure/ Responsibilities/ Process

1. GENERAL

- 1.1 The TAMU Division of Finance and Operations is responsible for overseeing and administering the Energy Risk Management Plan (ERMPL).
- 1.2 The Executive Vice President for Finance and Operations or designee is responsible for designating the Chair(s) and members of the ERMAC.
- 1.3 The EPM is responsible for identifying energy cost reduction measures, hedging market prices, purchasing physical energy quantities, and otherwise advising TAMU on energy procurement practices. The university may, at its discretion, elect to appoint an EPM from among its staff or the ERMAC may act as the EPM.
- 1.4 The ERMAC is responsible for developing the ERMPL.

2. ENERGY PROCUREMENT PLAN/RISK MITIGATION DEVELOPMENT

- 2.1 The EPM, in coordination with the ERMAC, assists TAMU in the development of strategic plans for energy procurement which include consumption, pricing forecasts, managing/revising a hedging strategy, energy transportation agreements, Qualified Scheduling Entity (QSE)/Load Serving Entity (LSE) agreements, and other ancillary services.
- 2.2 Each March the ERMAC, in coordination with the EPM, updates the ERMPL for the upcoming fiscal year and develops an ERMPL for the fiscal year two years out. Developed in accordance with the current energy procurement agreement, the plan incorporates forward energy consumption estimates (estimated energy consumption profiles) provided by UES and approved by the Division of Finance and Operations. This plan is reviewed and/or revised on at least an annual basis. If the ERMPL changes, the Chair of the ERMAC or designee will provide written approval of that change to the EPM.

3. PURCHASED ENERGY ANNUAL OPERATING BUDGET DEVELOPMENT

- 3.1 The annual operating budget for purchased energy associated with the ERMPL is developed based on consumption estimates, market forecasts, and currently hedged positions, and forms the direction of strategies implemented by the EPM.
 - 3.1.1 The Division of Finance and Operations maintains overall responsibility for performance target development, with consumption projections/verification and energy management support provided by UES.
 - 3.1.2 UES provides written projections for annual and biennium consumption for both natural gas and electricity no later than December 1 for use in the establishment of the performance target for the following fiscal year. Projections are updated monthly to reflect the latest operational information

available so the EPM can make necessary modifications to monthly energy purchases.

4. MONITORING

4.1 Monitoring of the ERMPL provides necessary oversight as well as information for future reporting.

4.1.1 The Energy Procurement Manager (EPM) is responsible for:

4.1.1.1 Continually evaluating TAMU's estimated energy consumption profiles with the intent of identifying and recommending emerging energy products that may be a better financial solution than current products offered.

4.1.1.2 Review TAMU monthly electricity and natural gas utility bills to verify rates charged accurately reflect purchase agreements executed by EPM.

4.1.1.3 Providing written market forecasts and analysis on currently hedged positions.

4.1.2 The Chair of the ERMAC or designee, evaluates the execution of hedging strategies/positions, approves changes as necessary, and issues the revised plan when changes are required.

4.1.3 Utilities & Energy Services (UES) is responsible for:

4.1.3.1 Monitoring plant operations and campus-wide energy consumption in order to identify and implement efficiency measures, thereby reducing and optimizing overall consumption.

4.1.3.2 Monitoring 'projected versus actual' consumption in order to anticipate and quantify variances from budget projection.

4.1.3.3 Developing updated projections on a monthly basis.

4.1.3.4 Reviewing TAMU monthly electricity and natural gas utility bills to verify consumption quantities charged accurately reflect metered consumption quantities.

4.1.4 The Division of Finance and Operations is responsible for:

4.1.4.1 Reviewing hedging/financial positions, interfacing with the ERMAC, and EPM on execution of the ERMPL.

4.1.4.2 Providing recommendations to ERMAC related to changes in the hedging strategy.

4.1.4.3 Bi-annually evaluating the performance of the EPM against market conditions.

4.1.4.4 Conducting an annual performance review of the EPM.

5. REPORTING

- 5.1 Reports to the Board of Regents, Chancellor, President of TAMU, and/or Vice Presidents informing of the progress of the ERMPL will be formulated and presented as requested.
 - 5.1.1 The EPM is responsible for:
 - 5.1.1.1 Providing settlement analysis of any third party contracts and fulfilling all reporting requirements as mandated by Electric Reliability Council of Texas.
 - 5.1.1.2 Providing reports as requested by TAMU.
 - 5.1.1.3 Providing confirming documentation for all transactions, including electricity purchases, to the Chair of the ERMAC, or designee.
 - 5.1.2 The ERMAC is responsible for developing reporting requirements internal to TAMU.
 - 5.1.3 UES is responsible for:
 - 5.1.3.1 Providing comparison of monthly consumption quantities for natural gas and electricity to both the Chair of the ERMAC, or designee, and EPM with explanations for significant variances from budget.
 - 5.1.3.2 Providing written projections for annual and biennium consumption for natural gas and electricity to both the Chair of the ERMAC, or designee, for preparation of the annual purchased utility budget and to the EPM for development of the performance target.
 - 5.1.3.3 Providing updated monthly written consumption forecasts to the EPM so that necessary modifications to monthly energy purchases can be made.
 - 5.1.4 The chair of the ERMAC, or designee, is responsible for the preparation and distribution of the ERMPL annually, with more frequent updates as required to reflect plan changes.
 - 5.1.5 The Division of Finance and Operations is responsible for:
 - 5.1.5.1 Preparing and distributing both standard and ad hoc purchased utility charts and/or reports.
 - 5.1.5.2 Preparing and distributing the ERMPL on an annual basis, or more frequently if warranted due to significant market condition changes.
- 5.2 Additional documents and reports may be defined by the ERMAC and developed by the appropriate responsible parties.

6. ACCOUNTING (PHYSICAL COMMODITY AND FINANCIAL PURCHASES)

- 6.1 Physical purchases are made via contracts with individual suppliers of physical commodities using the RFP process or standard Edison Electric Institute (EEI) or North American Energy Standards Board (NAESB) agreements. Upon procurement, invoices are received by the Division of Finance and Operations' Financial Management Operations Department and entered into the university's accounting system. Invoices are then submitted to UES and the EPM for review, verification, and recommendation for payment before being submitted to the Chair of the ERMAC, or designee, for review and payment approval.
- 6.2 UES verifies consumption quantities and the EPM verifies billings against consumption amounts. The EPM then submits recommendation for payment to the Chair of the ERMAC, or designee, who then authorizes Financial Management Operations (FMO) to issue payment to the vendor.
- 6.3 The EPM, with support from UES, will interact with suppliers to resolve disputed invoices and re-submit corrected invoices through the above described process.

7. RATE DEVELOPMENT AND CAMPUS COST ALLOCATIONS

- 7.1 The TAMU utility rate model is maintained and updated by UES and is used to determine the campus utility cost allocations. The Executive Vice President for Finance and Operations or designee identifies billable customers as well as approves the rates to be billed by January 31 for the upcoming fiscal year. The Executive Vice President for Finance and Operations approves any exceptions or modifications to the rates or list of customers who are billed.

Related Statutes, Policies, or Requirements

Supplements [System Regulation 25.07.03](#)

Contact Office

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