



**NATURAL GAS
UTILITY**

SERVING YOU SINCE 1979

2024 Annual Report

County of Vermilion River

Natural Gas Utility



**NATURAL GAS
UTILITY**

SERVING YOU SINCE 1979



County of
VERMILION River

**COMPRESSED NATURAL GAS
FUELING STATION**

70.0 /L

OPERATIONS FACILITIES

DAKTRONICS GALAXY
vermilion-
river.com

SUMMARY

Gas Utility is pleased to present our 2024 Annual Report. 2024 was a very busy and successful year. Oilfield Gas Gathering and supply of gas to Peak Power Generation were key focuses. As we continue to be the solution provider in the region for Natural Gas and try to keep up with the pace of industry while maintaining focus on safety, reliability, and affordability for core customers.

The extensive work done by Gas Utility staff in the oilfield, and in services to neighbouring utilities, allow us to invest back into our system, maintain rates well below competing utilities, and return a benefit to the County. We remain very busy with new and existing oil well gas gathering tie-ins. As such, profitability targets were significantly exceeded with an excess surplus of over \$740,000 dollars after budgeted transfer to Capital Project Reserves of over \$1 million and transfer to the County General Budget of \$686,000. Accordingly, we have been able to recommend no increase to gas rates again in 2025 in spite of ever-increasing operational costs and requirements. Beyond maintaining very low gas rates, the Gas Utility recommends that current profits continue to be invested back into an overall gas infrastructure that is fast approaching its 50th year in service.

In Operations, Gas Utility completed another successful operations and maintenance audit with no significant deficiencies found. We continue to strive to keep pace with increasing operational and maintenance requirements on an aging system. And Gas Utility staff worked very hard through challenges with sustained sub -40c weather, and several damage events to high pressure pipeline infrastructure. But we are happy to report no unplanned loss of service to core customers as a result of infrastructure/system failures and limited loss of service due to damage events (lightning, third party damage, etc.) of typically under 4 hours and small portions of our system.

BUDGET SUMMARY

Key financial highlights:

- User Charges/Sale of Goods under budget (due to low gas cost) but exceeded targets in overall margin by \$181,000.
- Capital Project margin exceeded target by \$252,000
- Unbudgeted Grant Funding of \$228,000 for 2023 Chris Lake Project and Hawkstone Looping.
- Operational expenditures \$55,000 under budget
- Net Cost of Internal Capital Projects/Equipment \$22,000 under budget

Resulting in Net Profit of \$742,645 after budgeted transfers to Capital Reserves and Municipal General Budget

SUMMARY	2024 Budget	2024 Actual
<u>Revenue</u>		
User Charges and Sale of Goods	-\$ 8,028,657	-\$ 7,032,168
Government Grants	\$ -	-\$ 227,705
Capital Project Revenue	-\$ 1,605,000	-\$ 1,858,973
Interest Income	-\$ 200,000	-\$ 527,423
Other	-\$ 600,000	-\$ 813,276
Interdepartmental Transfers	\$ -	\$ -
Total Revenues	-\$ 10,433,657	-\$ 10,459,544
<u>Expenses</u>		
Materials, goods and utilities	\$ 4,469,740	\$ 3,545,734
Salaries, Wages, Benefits, Training	\$ 2,059,806	\$ 1,998,263
Contract and General Services	\$ 567,780	\$ 632,327
Internal Transfers	-\$ 50,000	-\$ 143,351
Transfers to Municipal Budget	\$ 686,000	\$ 686,000
Other	\$ 4,000	\$ 9,775
Total Expenses before Amortization	\$ 7,737,326	\$ 6,728,748
Amortization	\$ 1,500,000	\$ 1,526,490
Net Profit	-\$ 1,196,331	-\$ 2,204,306
<u>Capital Adjustments</u>		
Amortization	-\$ 1,500,000	-\$ 1,526,490
Transfer to Reserves	\$ 1,060,625	\$ 1,542,642
Transfer from Reserves	-\$ 1,245,230	-\$ 293,590
Internal Project Capital Expenditures*	\$ 1,439,944	\$ 263,985
Billable Project Capital Expenditures*	\$ 888,796	\$ 1,315,565
Purchase (Sale) of Capital Equipment	\$ 548,000	\$ 159,549
Total Adjustments	\$ 1,192,135	\$ 1,461,661
Net (Profit) after Capital Adjustments	-\$ 4,196	-\$ 742,645

*Includes Materials, Wages, Contract Services and other expenditures associated with Capital Projects

REVENUE SOURCES

GAS SALES AND TRANSPORTATION

Gas Sales and Transportation margins exceeded overall projections with Excess Gas Transportation being the strongest growth area at 16% (252,000 GJ), driven by continued new oil well drilling connected to sales using County Gas infrastructure. Residential/Farm/Commercial gas sales increased 10% (65,000 GJ) but fell slightly below projections due to continued, warm dry weather. Industrial gas sales shrunk slightly 3% (15,000 GJ), as on lease gas production increased on 2023 drills, but saw significant growth in November and December with Versorium coming online.

Gas Sales and Service Charges	2024 Budget				Total	2024 Actuals Final
	Q1	Q2	Q3	Q4		
Variable Sales Margin						
Residential/Farm/Commercial	-\$ 425,250	-\$ 101,250	-\$ 81,000	-\$ 405,000	-\$ 1,012,500	-\$ 972,503
Industrial	-\$ 97,319	-\$ 83,491	-\$ 80,487	-\$ 79,099	-\$ 340,397	-\$ 325,171
Transportation	-\$ 192,107	-\$ 192,107	-\$ 192,107	-\$ 192,107	-\$ 768,429	-\$ 920,785
Gas Loss	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 60,000	\$ 48,062
Excess Gas Receipt Tariffs	-\$ 14,000	-\$ 14,000	-\$ 14,000	-\$ 14,000	-\$ 56,000	-\$ 79,908
Total	-\$ 713,677	-\$ 375,849	-\$ 352,595	-\$ 675,207	-\$ 2,117,327	-\$ 2,250,305
Fixed Service Charges						
Residential/Farm/Commercial	-\$ 289,500	-\$ 289,500	-\$ 289,500	-\$ 289,500	-\$ 1,158,000	-\$ 1,162,233
Industrial	-\$ 50,000	-\$ 50,000	-\$ 50,000	-\$ 50,000	-\$ 200,000	-\$ 197,118
Transportation	-\$ 54,500	-\$ 54,500	-\$ 54,500	-\$ 54,500	-\$ 218,000	-\$ 226,310
Total	-\$ 394,000	-\$ 394,000	-\$ 394,000	-\$ 394,000	-\$ 1,576,000	-\$ 1,585,661

Diligent work in Gas Balancing allowed us to find several leaks over the past two years and reduce gas loss 27% from 2% to 1.5%, a total of 6,700 GJ reduction, saving \$18,000 in 2024. Due to the complexity of our system, gas balancing needs to remain a constant focus to keep losses down, but we are very happy with a current gas balance over 98.5%.

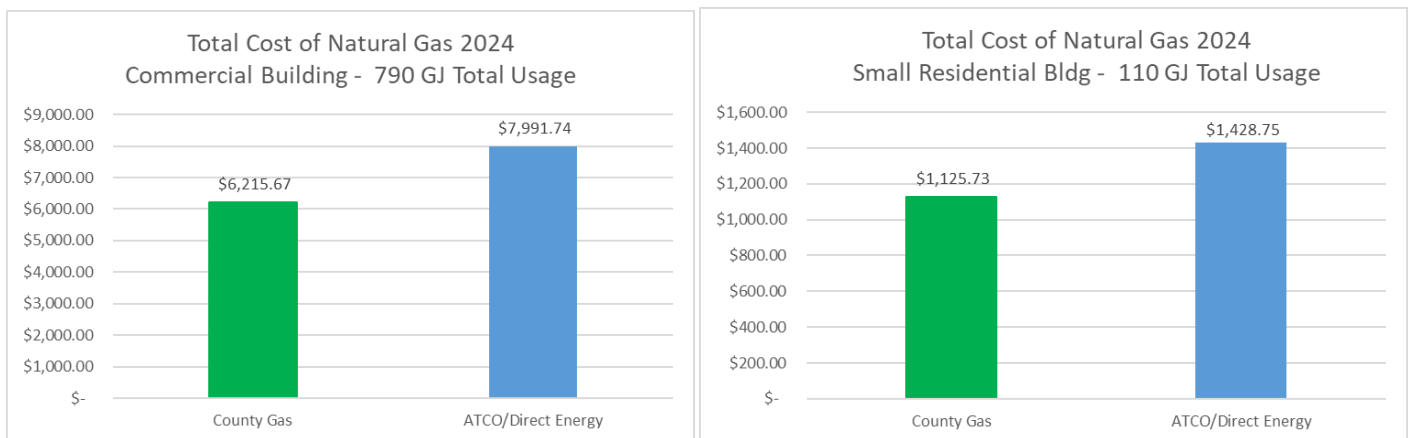
Volumes and Projections



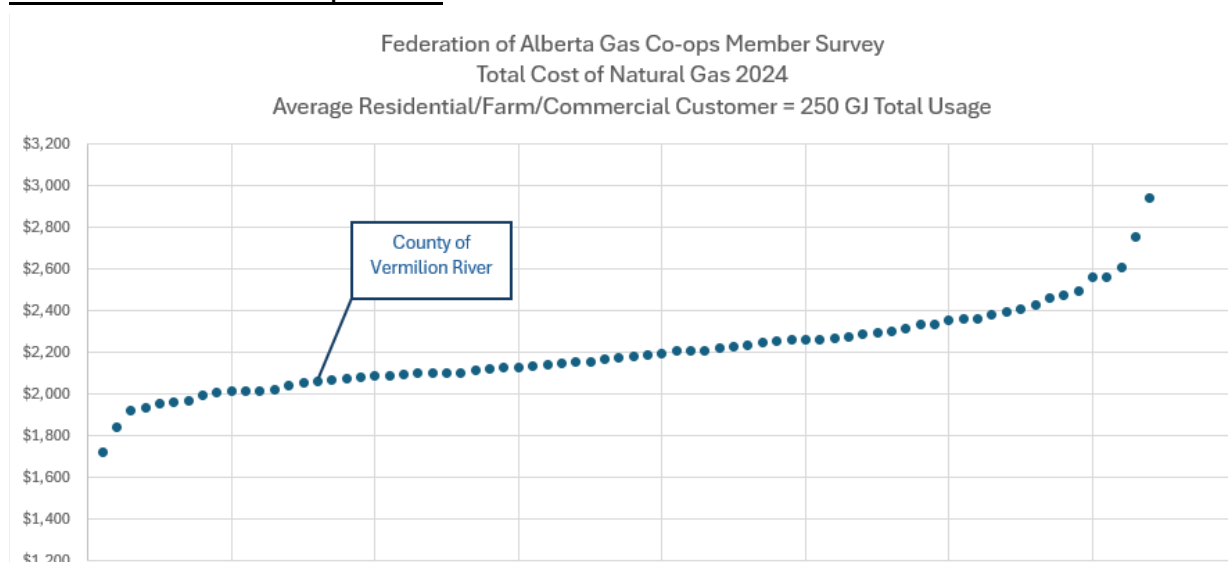
Gas Rate Comparisons

We maintain monthly gas rate comparisons between our gas rates and those of the local Investor-Owned Utility/Retailer, and quarterly gas rate comparison between our gas rates and fellow Federation of Gas Co-operatives utilities. Rate comparisons don't provide a full picture, as they don't consider asset management requirements, financial health, or many other variables. But they do allow us to track our performance in accordance with our goal of Providing Cost-Savings to County residents through use of Natural Gas. And we believe they show one of the key benefits of the extensive revenue-generating work we do for oilfield and external utility customers. County of Vermilion River is required (by geography and transmission pipeline infrastructure) to maintain the largest high-pressure pipeline network, and most regulating stations in the Federation. However, we are still able to offer amongst the lowest rates in the Federation and a major cost savings to customers versus the Investor-Owned utilities, while maintaining a strong financial and asset management position.

Local ATCO/Direct Energy Account Comparisons



Federation Rate Comparison



*Comparisons include all charges including Distributor, Retailer, Fixed and Variable, Carbon Levy and GST.

BILLABLE SERVICES

Billable services exceeded projections in nearly all categories with Capital Billable Projects being the strongest largely due to new oilfield gas gathering pipelines constructed. Billable Non-Capital Projects (RMO Station/Facility Construction) again exceeded targets. And the Residential and Abandonment crew were busy in 2024.

Billable Services and Other Revenues	2024 Budget					2024 Actuals
	Q1	Q2	Q3	Q4	Total	Total
Capital Billable Projects	-\$ 145,602	\$ -	\$ -	-\$ 145,602	-\$ 291,204	-\$ 542,934
Billable Non-Capital Projects	\$ -	-\$ 64,807	-\$ 64,807	\$ -	-\$ 129,614	-\$ 165,759
Secondaries, Installations, Appliances	-\$ 7,000	\$ 5,000	\$ 5,000	-\$ 32,075	-\$ 29,075	-\$ 49,146
CNG Refueling Station	-\$ 2,869	-\$ 2,869	-\$ 2,869	-\$ 2,869	-\$ 11,475	\$ 6,602
Sale of Goods	-\$ 10,625	-\$ 10,625	-\$ 10,625	-\$ 10,625	-\$ 42,500	-\$ 52,685
Service Calls	-\$ 525	-\$ 525	-\$ 525	-\$ 525	-\$ 2,100	\$ 4,616
Kehewin	-\$ 3,535	-\$ 3,535	-\$ 3,535	-\$ 3,535	-\$ 14,140	-\$ 14,068
RMO Management Fees						\$ -
Penalties	-\$ 4,625	-\$ 4,625	-\$ 4,625	-\$ 4,625	-\$ 18,500	-\$ 19,455
Interest	\$ -	\$ -	\$ -	-\$ 200,000	-\$ 200,000	-\$ 527,423
Other Services	-\$ 36,835	-\$ 36,835	-\$ 36,835	-\$ 36,835	-\$ 147,340	-\$ 154,606
Subtotal	-\$ 211,616	-\$ 118,821	-\$ 118,821	-\$ 436,691	-\$ 885,948	-\$ 1,514,858

The CNG Station was the only category below projections. This was due to a major overhaul/inspection that we chose to carry out as the CNG compressor reached the end of warranty. This was a projected expense brought to Council with the 2023 year-end report, but was missed in the budget. Third party CNG customer fills were up, and we signed up three major fleets (Mullen, KAG, GFL). With new customers and availability of the new CNG X15N Cummins engine we expect continued growth of our CNG refueling business.

Year	Original Projection				Actual and Current Projection				Milestones
	Hours	Hours Cumulative	Capital Cost	Annual Profit	Hours	Hours Cumulative	Capital Cost	Annual Profit	
2021	200	200	\$ 650,000	\$ -	200	200	\$ 650,000	\$ -	
2022	300	500		\$ 8,000	300	500		\$ 7,910	12 CoVR Vehicles / 1 Commercial Customer / 3-5 CNG Trailer Fills
2023	400	900		\$ 15,000	400	900		\$ 9,167	
2024	500	1400		\$ 30,000	500	1400	\$ 20,500	\$ 13,900	20 CoVR Vehicle / 3 Commercial Customers / 3-5 CNG Trailer Fills
2025	500	1900		\$ 40,000	500	1900		\$ 30,000	
2026	700	2600	\$ 50,000	\$ 55,000	700	2600		\$ 55,000	30 CoVR Vehicles / 5 Commercial Customers / 3-5 CNG Trailer Fills
2027	700	3300		\$ 56,375	700	3300		\$ 56,375	
2028	700	4000		\$ 57,503	700	4000	\$ 35,000	\$ 57,503	
2029	700	4700		\$ 58,653	700	4700		\$ 58,653	
2030	700	5400		\$ 59,826	700	5400		\$ 59,826	
2031	700	6100	\$ 65,000	\$ 61,022	700	6100		\$ 61,022	
2032	700	6800		\$ 62,243	700	6800	\$ 50,000	\$ 62,243	
2033	700	7500		\$ 63,487	700	7500		\$ 63,487	
2034	700	8200		\$ 64,757	700	8200		\$ 64,757	
2035	700	8900		\$ 66,052	700	8900		\$ 66,052	
2036	700	9600		\$ 67,373	700	9600		\$ 67,373	
2037	700	10300	\$ 80,000	\$ 68,721	700	10300	\$ 80,000	\$ 68,721	
2038	700	11000		\$ 70,095	700	11000		\$ 70,095	
			\$ 845,000	\$ 904,107			\$ 835,500	\$ 872,084	

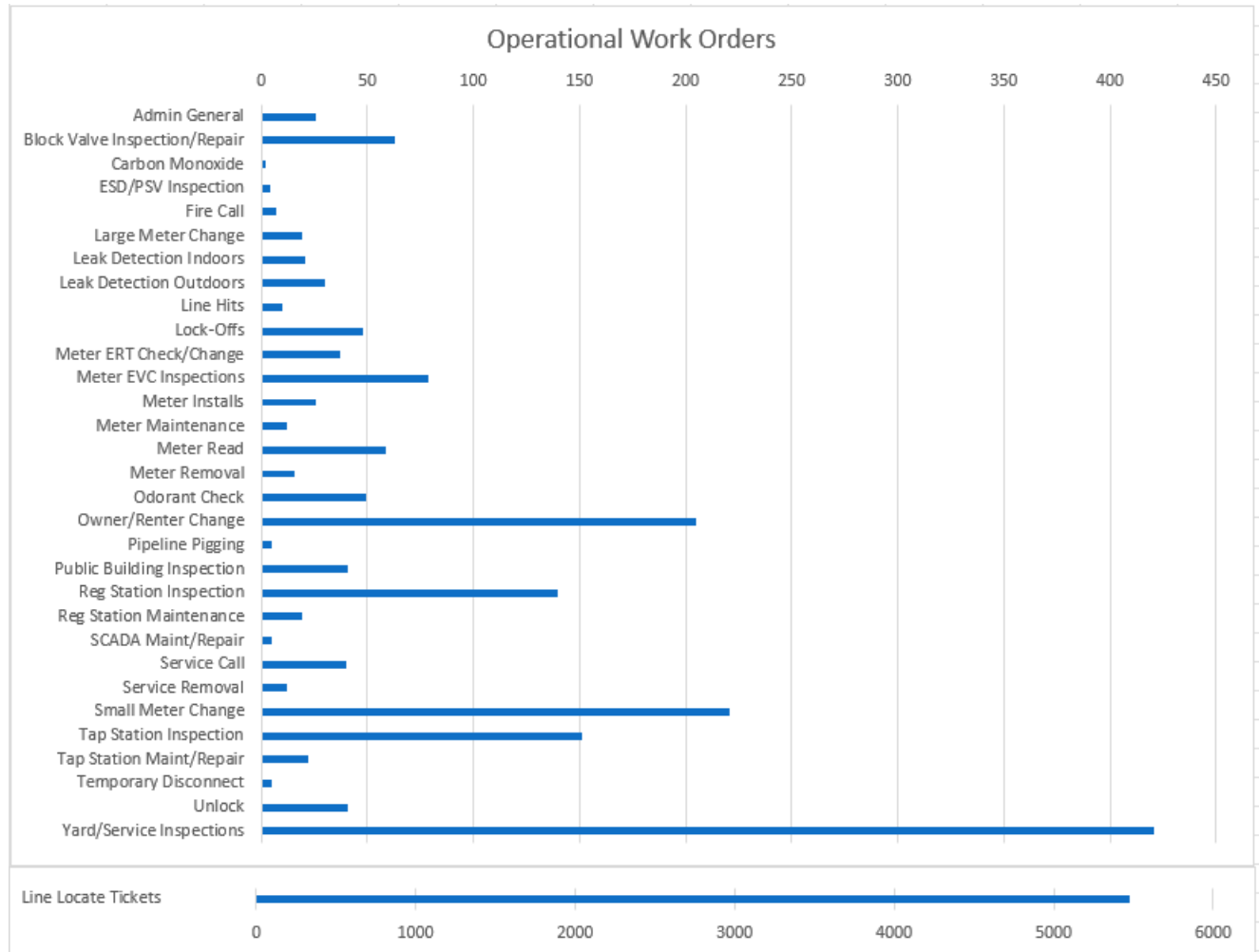
EXPENSES

OPERATIONS

Operational expenses were on target for 2024. Workload associated with Oilfield Gas Gathering, Safety and Loss Management, and new Code and Regulations continues to increase. We were able to complete nearly all key maintenance tasks, but we need to increase focus on operations in 2025 and forward to ensure we are proactive in system maintenance.

Operational Expenditures	2024 Budget					2024 Actuals
	Q1	Q2	Q3	Q4	Total	Final
General Operations & Maintenance	\$ 975,377	\$ 696,698	\$ 557,358	\$ 557,358	\$ 2,786,790	\$ 2,902,453
Leak Detection/Yard Inspection	\$ 2,250	\$ 20,250	\$ 20,250	\$ 2,250	\$ 45,000	\$ 29,600
Meter Program	\$ 7,012	\$ 17,529	\$ 31,552	\$ 14,023	\$ 70,115	\$ 64,060
Cathodic Protection	\$ -	\$ 21,000	\$ 4,200	\$ 2,800	\$ 28,000	\$ 19,875
Line Locating	\$ 19,284	\$ 38,568	\$ 44,996	\$ 25,712	\$ 128,560	\$ 70,275
SCADA	\$ 12,350	\$ 7,024	\$ 10,500	\$ 19,526	\$ 49,400	\$ 25,470
Shops	\$ 8,500	\$ 7,294	\$ 8,750	\$ 9,456	\$ 34,000	\$ 31,449
Safety	\$ 19,206	\$ 13,719	\$ 13,719	\$ 8,231	\$ 54,875	\$ 9,732
Total	\$1,043,978	\$ 822,080	\$ 691,325	\$ 639,357	\$ 3,196,740	\$ 3,152,914

Operations and Admin staff and contractors carried out over 1800 of 2000 total work orders in 2024. Additionally, we processed nearly 5,500 line locate requests.



2024 Completed Operational Work Orders

Key operational (inspection/maintenance) milestones:

Meter Changes – Complete

Reg Stations – Complete

Cathodics – Complete

Right of Way Patrol and Yard Inspection – Complete

Public Buildings – Complete

Overpressure Protection– Key Stations Complete

Additional staff will be trained on overpressure protection to ensure we can complete inspections of increasing oilfield overpressure protection equipment.

Turbine Meter Verifications – Not Completed

Spare turbines and third-party meter shop will be used for verification in 2025

Billing Meter EVC's – Majority Complete**Grain Dryer Meters – Complete****Block Valves – Not Completed**

With reduced staffing we were unable to complete Block Valves, temporary summer staff will be employed in 2025 to complete this task.

Tap Stations – Complete

CAPITAL AND SYSTEM IMPROVEMENTS

Key projects carried out were the upgrade of Versorium Northern Valley supply line to 4" (Customer Infrastructure Investments), completion of the Household Meter Replacements, completion of the Reg Station Overpressure Protection Upgrades, and replacement of a portion of the high-pressure aluminum pipeline through the Kams/Devonia subdivision (Projects to be Determined). Funding approval was not obtained for the Tap 10-20 High Pressure Connection so that project was deferred and delays in transfer of the Crown Land Disposition for the Christopher Lake Pipeline did not allow us to complete the connection in 2024. Tap 10-20 is budgeted for 2025, again dependent on funding, and Chris Lake acquisition is now complete with tie-in scheduled for 2025. In general, the current workload associated with Billable Capital Projects is affecting our ability to carry out Internal Capital Projects. We expect Billable Capital Projects to slow down somewhat in the future. To manage appropriate staffing levels, we have historically completed a majority of our Internal Capital Projects during times where Industrial Projects and Gas Sales/Transportation are slower.

Internal Infrastructure Projects	Budget	Actual
<u>Pipelines</u>		
Tap 10 - 20 High Pressure Connection	\$ 750,000	
Tap 27 Rebuild	\$ 130,000	-\$ 160
Christopher Lake Pipeline Acquisition	\$ 100,000	\$ 1,815
Silver Willow - Big Gully Rebore	\$ 50,000	
Customer Infrastructure Investments	\$ 97,850	\$ 44,970
<u>Above Ground Gas Infrastructure</u>		
Household Meter Replacements	\$ 50,000	\$ 79,399
Reg Station Overpressure Protection Rplcmnts	\$ 25,000	\$ 21,271
Tap 52 Moisture Monitor	\$ 30,000	\$ 20,440
Reg Station Rebuilds	\$ 26,530	\$ 7,011
AL2300 Replacements	\$ 26,250	
Correction Device Replacements	-\$ 25,500	
Tap 20 Rebuild	\$ 50,000	\$ 36,151
<u>Other</u>		
SCADA Upgrades	\$ 20,600	\$ 25,367
Tap 50 SCADA	\$ 14,000	
Quality Management Manual Development	\$ 7,500	
System Hydraulic Model	\$ 30,000	\$ 3,517
Projects to be determined	\$ 60,000	\$ 69,174
Total	\$ 1,442,230	\$ 308,955
<u>Gas Infrastructure & Projects Reserves</u>		
Beginning Balance	\$ 9,061,242	\$ 9,335,407
Project Costs	\$ 1,442,230	\$ 308,955
Grant and External Revenue	\$ (425,000)	
Reserve Withdrawal	\$ (1,017,230)	\$ (265,775)
Reserve Addition - General	\$ 845,625	\$ 845,625
Reserve Addition - Interest	\$ 200,000	\$ 527,423
Ending Balance	\$ 9,089,637	\$ 10,442,680