

# RADFORD UNIVERSITY

<b>Policy Title:</b> Energy Forward Pricing Policy	<b>Effective Date:</b> 10/14/2014
<b>Policy Number:</b> FA-PO-1213	<b>Date of Last Review:</b> 2/10/2023
<b>Oversight Department:</b> Facilities Management	<b>Next Review Date:</b> 3/1/2026

## 1. PURPOSE

Radford University (University) is committed to identifying opportunities to reduce expenditures while minimizing budget risk. The purpose of the *Energy Forward Pricing Policy* is to provide an oversight process and internal management control framework for the review, approval, and execution of purchases of energy commodities using forward pricing mechanisms.

## 2. APPLICABILITY

The *Energy Forward Pricing Policy* applies to all purchases of energy commodities through forward pricing mechanisms by the University.

## 3. DEFINITIONS

**Energy Commodities:** Natural gas, heating oil, propane, diesel fuel, unleaded fuel, or any other energy source except electricity.

**Forward Pricing Mechanism:** A contract or financial instrument that obligates the University to buy or sell a specified quantity of energy commodities at a future date at a set price, or an option to buy or sell the contract or financial instrument.

## 4. POLICY

- A. The University may utilize a forward pricing mechanism for the acquisition of energy commodities when it is determined that:
  1. The best interests of the University will be served; and
  2. Analyses of the futures of the specific energy commodity indicate that significant cost savings could be realized; or
  3. Other market conditions exist that favor the University locking in future pricing to guarantee cost savings, reduce the likelihood of price increases, and/or guarantee the availability of the energy commodity.
- B. The quantity of energy commodities purchased using forward pricing mechanisms must not exceed the estimated energy use for the University for the same period under consideration, which must not exceed 48 months from the trade date of the transaction.

- C. Financial and contractual arrangements must ensure that separate accounts are established for each public body using a forward pricing mechanism.

## 5. PROCEDURES

- A. Facilities Management will determine the amount of energy commodities to be purchased using forward pricing mechanisms based on factors such as past usage, predicted growth, operational changes, market conditions, and analysis of current and future pricing trends for the applicable energy commodities.
- B. Facilities Management will follow the markets on a semi-annual basis and will work jointly with contracted brokers or energy commodity providers to obtain the latest information on pricing of applicable energy commodities to ensure that such commodities are purchased at the lowest price possible.
- C. Future price lock-in strategies for energy commodities will be determined by the Associate Vice President for Facilities Management in consultation with the Executive Director of Strategic Sourcing & Chief Procurement Officer, Associate Vice President for Finance & University Controller, and University Budget Director. A written recommendation to utilize a forward pricing mechanism will be submitted for approval to the Vice President for Finance and Administration & Chief Financial Officer. The recommendation will include a cost-benefit analysis.
- D. Once approved, the Office of Procurement and Contracts will facilitate and execute the lock-in agreement with the contracted broker or energy commodity provider.
- E. Facilities Management and the Office of Procurement and Contracts will make all documents available for audit, as requested, by both internal and external auditors.

## 6. EXCLUSIONS

None

## 7. APPENDICES

None

## 8. REFERENCES

[Code of Virginia § 2.2-4329.1](#), "Energy forward pricing mechanisms."

## 9. INTERPRETATION

The authority to interpret this policy rests with the President of the University and is generally delegated to the Vice President for Finance and Administration & Chief Financial Officer.

## 10. APPROVAL AND REVISIONS

The *Energy Forward Pricing Policy* was submitted to the President's Cabinet for review and was approved at the meeting on October 14, 2014. President Kyle signed the approved policy on October 15, 2014.

Effective March 14, 2017, the *Energy Forward Pricing Policy* and related procedure were reviewed by the oversight department and the Office of Policy Compliance. The policy and procedure were modified to conform to the new University Policy template with minor revisions not requiring approval of the President's Cabinet.

Effective March 1, 2020, the *Energy Forward Pricing Policy* was reviewed by the oversight department and the Office of Policy and Tax Compliance. Minor revisions were made to the procedures with no changes in the policy. The revisions were approved by the Vice President for Finance and Administration & Chief Financial Officer.

Revised effective February 10, 2023, with only minor editorial revisions.

**For questions or guidance on a specific policy, contact the Oversight Department referenced in the policy.**