

# Greenfield Ethanol: New Strategies in Gas Operations Support

## Gas Operations

Aegent provides operational support for GreenField Ethanol, buying and selling gas as agent and managing nominations with suppliers, pipelines and utilities. Aegent's involvement has helped to streamline operations and reduce costs during periods of special need, such as plant turnarounds.

## Cost Reporting

Through a web-based portal, Aegent provides detailed gas cost reports, including cost allocations and accruals. Aegent verifies invoices so they can be paid with confidence.

By using fuel that is 10 per cent ethanol, we can reduce the harmful emissions from our cars by 35 per cent. In a world that is searching for ways to lower greenhouse gases, it is not surprising that the demand for this clean burning, renewable biofuel is increasing by 50% each year. Greenfield Ethanol, one of the top producers of ethanol in North America, is positioned at the forefront of this global market.

In addition to corn, the main resource used in the production of Greenfield's ethanol is natural gas. With the expectation that they will be producing 700 million litres of ethanol per year by 2008, natural gas cost and supply has a significant and growing impact on the company's profitability. Managing it is the responsibility of John Creighton, Managing Director, Logistics for Greenfield.

## A New Strategy for Natural Gas Management

From 1997 to 2006, Greenfield Ethanol had a long-term contract for its purchase of natural gas. With that coming to an end, the wisdom of another long term contract came under review. Deciding that it was not in the company's best interest, Creighton sought a comprehensive new strategy to manage its natural gas supply. After considering a number of energy management companies, he decided to work with Aegent Energy Advisors Inc. "Aegent's approach to natural gas management is the most sophisticated I have run into," says Creighton.



## Varennes Plant

Commissioned in 2007, GreenField Ethanol's plant in Varennes reflects the company's aggressive growth, which will see ethanol production increase to 700 million litres a year by 2008

Aegent's work with Greenfield ranges from supply planning and risk management (please see the case study *GreenField Ethanol: New Strategies in Gas Cost and Risk Management* for information on these services) to supply operations and reporting systems. The first six months of their contract, the focus was on planning a strategy and the systems to support it. Starting January, 2007, the strategy was activated and Greenfield started purchasing gas outside a contract.

### Supply Operations

While Creighton keeps his eye on the daily operations, he has handed most of it off to Aegent. This leaves Creighton free to focus his energy on risk management of natural gas costs while Aegent ensures that the details of the plan are well executed.

Greenfield's requirement for natural gas can change almost daily. A plant can shut down temporarily reducing their immediate need for gas that has already been purchased. This forces a decision as to whether to inventory or sell the surplus. Many factors go into making such a decision and, thanks to the relationship between Greenfield and Aegent, the plant manager is not left to make it alone.

Aegent is in direct and regular contact with the people responsible for natural gas at all Greenfield's plants. Aegent helps them buy gas in monthly and six month contracts, sell gas on the index, monitor supply and requirements and average out gas flows with sell or store decisions. "It's something I don't have to worry about," says Creighton. "And it's always well managed."

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### Invoice Verification and Cost Reporting

With fluctuating pricing and purchasing, stewardship of costs is a significant challenge in the natural gas world. Each month, Aegent provides Greenfield with a report showing an estimate of costs for the previous month and projections of costs for the upcoming month.

### Aegent Portal

Aegent operates a secure web-based portal, linked to an Oracle database. The system enables clients to view consumption and cost data and reports, and to access market information and analysis by Aegent. It is part of Aegent's strategy of ensuring that its services are well-integrated with the client's business processes.

Available online through a secure Aegent portal, this report helps accounts payable confirm the accuracy of invoices they are paying. It is also a tool that helps forecast budgets for the upcoming month, measure results of the strategy, monitor the effectiveness of risk management decisions and learn more about the business so that it can be better managed in the future. In addition, the Aegent portal offers market information that Creighton can use as he manages Greenfield's hedging strategy and a discussion board to link everyone in the company that is interested in gas procurement.

In considering all the ways that Aegent has supported Greenfield and its management of natural gas procurement and risk management Creighton remarks: "Aegent's work has been outstanding." And the respect is mutual. "Working with John Creighton and Greenfield Ethanol has been a real pleasure," says John Voss, Managing Director of Aegent. "Deloitte has twice recognized them as one of Canada's '50 Best Managed Companies.' Having experienced their drive for excellence first hand, I understand why."