

Gas Utility Long-term Plan (GULP)

Objectives, Guidelines and Implementation Recommendations

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Implementation Recommendations Approved by Council on Sept. 13, 2004 (CMR: 368:04)
Updated Guidelines and Implementation Recommendations
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GULP Objectives

1. Ensure low and stable gas supply rates for pool customers.
2. Provide superior financial performance to customers and to the City by managing the supply portfolio cost in a competitive manner compared to market cost and a retail supply rate advantage compared to PG&E.
3. Balance environmental, rate, and cost impacts when considering energy efficiency investments.

GULP Guidelines

1. Market Risk Management – Manage market risk by adopting a portfolio strategy for gas supply procurement by:
 - a. Diversifying energy purchases for the pool across commitment date, delivery date, duration, suppliers, pricing terms, and delivery points;
 - b. Maintaining a prudent exposure to changing market prices by leaving some fraction of the forecasted gas pool needs exposed to near-term market prices; and
 - c. Avoiding long-term (>10 years) fixed-price commodity contracts.
2. Asset Acquisition and Management – Explore supply, pipeline, and storage acquisition options available to the City which may be assembled to yield reliable supply at a fair and reasonable cost, taking into consideration:
 - a. Long-term supply cost for gas deliveries at PG&E Citygate;
 - b. Operational needs including the need for daily balancing during Operational and Emergency Flow Orders;
 - c. Existing and potential regulatory mandates;
 - d. Potential operational streamlining opportunities with other agencies; and
 - e. City’s low cost of capital for asset acquisition.
3. Management of Regulatory and Legislative Matters – Serve as an effective voice to protect and enhance the City’s positions in regulatory and legislative arenas by:
 - a. Intervening in the regulatory and legislative arenas that the City’s gas utility interests are protected and enhanced; and
 - b. Exploring potential joint action with other public agencies.
4. Gas Efficiency and Solar Heating - Fund innovative programs that promote and facilitate deployment of all cost-effective, reliable and feasible energy efficiency and solar heating opportunities as high priority resources consistent with the Ten-year Efficiency Plan.
5. Renewable Resources - Develop alternatives to reduce the carbon intensity of the natural gas portfolio consistent with the Climate Protection Plan.

GULP Implementation Recommendations

1. Pursue cost-effective opportunities for natural gas storage capacity;
2. Do not acquire additional natural gas pipeline capacity at this time;
3. Take steps to analyze Palo Alto's tax-exempt status to realize a discount to the City's gas cost by:
 - a. Identifying risks and costs associated with prepay transactions including required modifications to City policies and operating procedures; and
 - b. Exploring alternative prepay structures.
4. Pursue any low-cost, high-value prospects to acquire supply-related resources that may arise from time to time;
5. Develop comprehensive demand-side management goals and implementation plan by fall 2004 in time for incorporation into FY05-06 and future ratemaking and budget decisions. In the interim, continue implementation of current and planned FY 04-05 demand-side management programs; and
6. Reduce the carbon intensity of the natural gas portfolio by
 - a. Designing and implementing a voluntary retail program using non fossil-fuel gas resources;
 - b. Evaluating the participation of City facilities in the voluntary program; and
 - c. Evaluating portfolio targets for non-fossil fuel gas resources.