MEMORANDUM

TO: Utilities Advisory Commission
FROM: Utilities Department
SUBJECT: Gas Utility Long-Term Plan (GULP) Guidelines and Implementation Recommendations
AGENDA DATE: January 9, 2008

REQUEST:
Staff requests that the Utilities Advisory Commission (UAC) recommend that the City Council approve two new Gas Utility Long-term Plan (GULP) guidelines and three implementation recommendations.

RECOMMENDATIONS
New Proposed GULP Guidelines
1. 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 (CMR:216:07); and
2. Develop alternatives to reduce the carbon intensity of the natural gas portfolio consistent with the Climate Protection Plan (CMR:435:07).

New Proposed GULP Implementation Recommendations
1. Reduce the carbon intensity of the natural gas portfolio by:
   a. Designing and implementing a voluntary retail program using low-carbon gas resources;
   b. Evaluating the participation of City facilities in the voluntary program; and
   c. Evaluating portfolio targets for low-carbon gas resources;
2. Pursue cost-effective opportunities for natural gas storage capacity; and
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.

The complete lists of existing and new guidelines and implementation recommendations are shown in Attachment A.

BACKGROUND
Palo Alto’s total annual natural gas usage is approximately 3,180,000 MMBtu comprised of approximately 20,000 residential customers, 2,300 commercial customers, and 10 large customers. The load has remained fairly steady over the past few years. Figure 1 below is a historical and projected representation of Palo Alto’s natural gas load.
In July 2003 City Council approved three objectives and four guidelines for GULP (CMR:345:03). The Council-approved GULP objectives are included in Attachment A. The four Council-approved GULP Guidelines are shown below.

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 Energy Efficiency Investments – Pursue cost-effective energy investments by:
   a. Providing expertise, education and incentives to support cost-effective customer efficiency improvements;
   b. Demonstrating new efficiency and load management alternatives; and
   c. Providing rate assistance and efficiency programs to low-income customers.

In September 2004, City Council approved six GULP implementation recommendations and requested that staff provide a biannual update on the status of the recommendations (CMR:368:04). The six recommendations were:

1. Do not contract for natural gas storage capacity at this time;
2. Do not acquire additional natural gas pipeline capacity at this time;
3. Approve staff undertaking initial steps related to gas reserve acquisition including:
   a. Identifying and evaluating potential consortiums including joint action opportunities;
   b. Entering into consortium agreement to scout properties;
   c. Through the consortium, employing an investment bank and consultants to scout properties and spend up to $65,000 in FY 04-05 related to this effort; and
   d. Through the consortium, identifying attractive, feasible opportunities;
4. Do not participate in a gas prepay deal at this time;
5. Pursue any low-cost, high-value prospects to acquire supply-related resources that may arise from time to time; and
6. 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.

In April 2005 and again in April 2006 Council received informational reports about GULP (CMR:186:05 and CMR:255:06). Staff reported that gas reserve acquisition was incompatible with the City’s business and risk assessment practices and had been abandoned as a project. The remaining recommendations were unchanged, and staff informed Council that no other GULP reports were planned.

**DISCUSSION**

The Gas Utility Long-term Plan (GULP) is the vehicle by which the gas commodity portfolio is managed consistently, transparently, and with input from the public and Council. Three main factors drove the need to update the 2004 GULP guidelines and implementation recommendations: (1) changes in the gas marketplace prompted a review of the economics of gas storage, (2) new opportunities and favorable economics and contracts terms prompted the need to re-examine gas pre pay deals, and (3) the arrival of renewable gas resources to the Pacific Gas and Electric (PG&E) pipeline system afforded new opportunities for the City to pursue green gas.
New Proposed Guidelines
Gas Efficiency and Solar Heating
Demand-side management goals were established for the gas utility via the Council-approved Ten-Year Energy Efficiency Portfolio Plan (Efficiency Plan) (CMR:216:07). The new proposed guideline replaces the Gas Energy Efficiency Investments guideline and updates GULP to be consistent with the Efficiency Plan which includes energy efficiency as well as solar hot water heating programs. Staff recommends Council adopt the following new GULP guideline replacing the existing gas energy efficiency guideline:

Recommendation:
1. 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.

Renewable Natural Gas
While the Efficiency Plan establishes demand-side management goals, renewable supply resources have not played a significant role in the gas portfolio. New opportunities for non-fossil fuel supply sources on the PG&E system have now made renewable gas a realistic supply alternative. The new guideline updates GULP to be consistent with the Climate Protection Plan (CMR:435:07).

Recommendation:
2. Develop alternatives to reduce the carbon intensity of the natural gas portfolio consistent with the Climate Protection Plan.

Implementation Plan Recommendations
Renewable Resources
In accordance with the proposed guideline, staff recommends a three-pronged approach to reducing the carbon intensity of the gas portfolio. First a voluntary program similar to PaloAltoGreen whereby customers are able to elect non-fossil fuel gas resources will be developed for Palo Alto customers. Second, the voluntary program will be evaluated for participation by the City. Third, renewable resource targets for the portfolio will be evaluated.

Several types of low-carbon gas alternatives are available including physical biogas, offsets and financial credits. The most promising biogas resource is methane from the manure by-product at dairy farms ("cow gas"). The environmental benefit of using cow gas is two-fold. First, using cow gas displaces conventional fossil fuel gas resulting in a CO2 reduction benefit, and second, methane is prevented from being released into the atmosphere. Several electric generators including PG&E are using cow gas because of the greenhouse gas reduction benefit. Palo Alto could be the first utility to purchase cow gas for retail distribution.

Initial staff findings indicate a premium for cow gas of approximately $2 per MMBtu which is consistent with the emissions reduction credit sought by electric generators. The CO2 equivalent (CO2e) costs are shown below.
Cost to displace conventional supply
$2/MMBtu * 1MMBtu/116 lbs CO2e * 2204.6 lb/metric tonne = $38/metric tonne CO2e

Cost to prevent methane from escaping into atmosphere
$2/MMBtu * 1MMBtu/768 lbs CO2e * 2204.6 lb/metric tonne = $5.74/metric tonne CO2e

Cost when both environmental benefits are combined
$2/MMBtu * 1MMBtu/884 lbs CO2e * 2204.6 lb/metric tonne = $5.00/metric tonne CO2e

The Climate Protection Plan adopted a carbon reduction value of $20 per metric tonne CO2e. At a cost of $5 per metric tonne CO2e, the benefit of using cow gas is evident.

Portfolio targets for low-carbon gas supplies will also be evaluated. For a reference point, using cow gas at a $2 per MMBtu premium for 100% of the City’s gas needs would result in approximately a 14% rate increase on the total gas rate. Purchasing cow gas for 10% of portfolio needs translates to a rate increase of approximately a 1.4% or $0.02 per therm.

Currently only small entities with no credit rating are marketing cow gas, but staff has been exchanging information with the City’s current natural gas suppliers in hopes that more players will enter the field. This may be an opportunity for Palo Alto to be a leader in a relatively new non-fossil fuel industry and play a small part in aiding the growth of the cow gas or other renewable gas supply business. The supply is currently limited but growing. If a renewable resource target were adopted, implementation may result in layering in renewable gas supplies over time as the industry matures. While cow gas is the most obvious non-fossil gas supply, other alternative supplies may be available.

Staff will also evaluate offset programs and financial credits as alternatives to physical supply. For example, Palo Alto could implement a system similar to PG&E’s “ClimateSmart” program whereby customers support carbon reduction projects through voluntary contributions.

Recommendation:
1. Reduce the carbon intensity of the natural gas portfolio by
   a. Designing and implementing a voluntary retail program using low-carbon gas resources;
   b. Evaluating the participation of City facilities in the voluntary program; and
   c. Evaluating portfolio targets for low-carbon gas resources.

Gas Storage
Gas suppliers, local distribution companies (LDCs), and end-users use storage for a variety of reasons. Gas suppliers use it to balance supply with demand for groups of customers. Many LDCs, including PG&E, are mandated to hold storage for their core customers and use storage to help meet core demand on cold winter days. Large industrial customers use storage for reliability during curtailment events.

Staff identified seasonal gas price differences as the main source of potential value for storage. The value of storage when used to capture seasonal price differences is the ability to buy gas in less expensive time periods and withdraw it during periods when the price of gas is higher. Given the City’s laddering strategy, this means that the City can buy gas in the lower-cost
summer months, inject it into storage, and withdraw it during the winter when market prices are higher. Therefore, storage service that costs less than the differential between summer and winter prices is economically beneficial.

Palo Alto has not held storage capacity since PG&E unbundled its gas rates more than 10 years ago. Staff recommends contracting for cost-effective storage to experiment with the impact of storage on daily operations and to evaluate the actual seasonal price difference benefit. While storage ownership will alter the City’s physical load profile by shifting some purchases from winter to summer, the laddering strategy will not be affected since the additional summer purchases will, in fact, be fixed-price winter hedges. Staff recommends the following new GULP implementation strategy replacing the previous implementation recommendation regarding gas storage.

**Recommendation:**

2. **Pursue cost-effective opportunities for natural gas storage capacity.**

Any recommendation for gas storage acquisition will return to the UAC for discussion and recommendation and to Council for approval.

**Opportunities to Prepay for Natural Gas Purchases in Return for Concessionary Pricing Terms**

Effective October 2003, a set of new IRS regulations explicitly permits tax exempt financing of public utility electricity and natural gas pre-purchases. The federal Energy Policy Act of 2005 (EPAct) codified this benefit that provides the City the opportunity to seek cost savings by prepaying for the purchase of natural gas in return for a discount.

In a prepay transaction, a municipality receives gas (or electricity) at a discount to the market price by prepaying using tax-exempt bonds. The amount of the discount is dependent on the cost of capital differential between the supplier and the City, the length of the prepay term, and the marginal federal and state corporate tax rates. Depending on how a transaction is structured, the recourse for the bond payment default could circle back to the surety, the supplier, or the bond-issuer.

Several factors have changed since the City evaluated prepay deals in 2004. First, the EPAct codified this tax benefit. Many other municipal utilities have completed prepay transactions including the City of Long Beach, the City of Roseville, the Sacramento Municipal Utility District, and the City of Vernon. Many other municipalities and municipal consortiums have processes underway to complete prepay transactions. The number of suppliers participating in prepays has also grown dramatically. The increased number of deals has resulted in more standardized contract terms and more favorable terms (lower risk) for the municipalities. In addition, higher interest rates and higher gas prices yield bigger reward for prepayment.

Staff estimates that, given current interest rates, the discount for entering into a prepay deal is in the range of $0.60-$1.20 per MMBtu for a 20 to 30-year transaction with an AA rated (Standard and Poor’s Rating) supplier. This results in a potential benefit of $1 to $2 million per year if 5,000 MMBtu per day of gas (50% of the City’s expected gas usage) were purchased through a 30-year prepay agreement.
While the benefit of issuing gas prepay bonds is substantial, a number of issues still need to be addressed. Staff has identified multiple options for Palo Alto to take advantage of the City's tax-exempt status resulting in a discounted cost of gas. Some of these options require the issuance of debt by Palo Alto while other options rely on the issuance of debt by another municipal utility. Because the discount is locked in for the entire term on one day, it is likely that the City will want to enter into a series of one to three prepay arrangements over a number of years. The following options, therefore, are not necessarily mutually exclusive.

1. Palo Alto acts alone to issue bonds and prepay for gas
   This is the example described above. This alternative yields the highest discount and offers Palo Alto the highest level of control with respect to the contract terms. On the downside, Palo Alto bears all the performance risk and the up-front transaction costs which staff estimates to be approximately $2 million.

2. Palo Alto joins a consortium of municipal utilities to issue bonds and prepay for gas. This is the same as alternative 1 except that a group of municipal utilities shares the performance risk and the up-front costs. On the other hand, compromises are inevitable in a consortium and the process may be slowed by additional decision makers. Because the transaction costs and performance risk would be shared among the members.

3. Palo Alto purchases prepaid gas through a conduit. There are a number of variations of this structure of which two broad examples are described below.
   a. Palo Alto is identified as a qualified gas user as part of another municipal utilities’ prepay deal. This structure is commonly referred to as a “blind pool.” The discount would be less because the bond issuer would demand some of the benefit, and Palo Alto would give up control of the contract terms. However, the staff and consultant time needed to participate would be greatly reduced.
   b. Palo Alto buys prepaid gas as part of a cooperative buying pool. This alternative relies on a middle man between the bond issuer and Palo Alto. Under this scenario Palo Alto would continue to buy gas from the City’s current counterparties, assign the gas over to a third party supplier and then receive the gas back at a discount. There are advantages to this structure including low overhead similar to option 3a and the ability to continuing the City’s hedging program by purchasing physical gas under various pricing structures. The discount is variable each month and uncertain over the life of the contract.

4. Palo Alto shops for excess gas from another’s prepay deal
   If a municipal utility buying prepaid gas has a reduced need for the gas due to operational factors, that gas must be sold to another qualified municipal utility. Palo Alto already purchases excess prepaid gas from the City’s existing gas suppliers in the course of normal transacting practices.
Table 1 below highlights the main differences between the options.

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Issue Bonds Alone</th>
<th>Issue Bonds w/ Consortium</th>
<th>Blind Pool</th>
<th>Cooperative Buying Pool</th>
<th>Shop for Short-term Excess Prepaid Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount Magnitude</td>
<td>High</td>
<td>High</td>
<td>Med/High</td>
<td>Med/High</td>
<td>Low</td>
</tr>
<tr>
<td>Discount Certainty</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Transaction Cost</td>
<td>High</td>
<td>Med-High</td>
<td>Med</td>
<td>Med-Low</td>
<td>Low</td>
</tr>
<tr>
<td>Complexity</td>
<td>High</td>
<td>High</td>
<td>Med</td>
<td>Med-Low</td>
<td>Low</td>
</tr>
<tr>
<td>Change from Current Operations</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>None</td>
</tr>
<tr>
<td>Performance Risk</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Very Low</td>
<td>Non-existent</td>
</tr>
</tbody>
</table>

It is important to note that all of these structures involve an underlying prepay transaction by some municipal entity and that this structure is relatively complex. It is also important to note that most of these structures result in physical gas delivery at a monthly index-based price and that, while the discount is guaranteed, hedging against market price volatility will require the use of financial instruments. Staff is evaluating the suitability of using financial products to fix the monthly index price of the physical prepaid gas delivered.

Staff has concluded that the benefits of participating in a prepay consortium or through a prepay conduit are large enough to justify an aggressive analysis. Staff intends to evaluate internal system needs relative to prepayment deals including reporting of prepay deals on financial statements. Any relevant City policies and any needed modifications to those policies will also be identified.

To choose between the alternative structures will require some help from consultants. Staff plans to issue a Request for Proposal for option 3 and then compare the results to the economics of options 1 and 2. Funds in the existing FY 07/08 budget will be sufficient to cover the cost, which staff estimates to be $50K to $100K. The following recommendation replaces the previous implementation recommendation regarding gas prepay deals.

**Recommendation:**

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.
Any recommendation for a gas prepay deal will return to the UAC for discussion and recommendation and the Council for approval.

**RESOURCE IMPACT**
Implementation recommendation #3 regarding prepay transactions requires consulting costs of $50K to $100K. These funds are available in the existing FY 07/08 budget.

**ATTACHMENTS:**
A. Proposed Complete Guidelines and Implementation Recommendations
B. Natural Gas Supply Portfolio Planning and Management Objectives and Guidelines for the Gas Utility Long-Term Plan (GULP) Approved by City Council on August 4, 2003 and the GULP implementation recommendations approved by City Council on September 13, 2004

**PREPARED BY:**

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Karla Dailey
Resource Planner

**REVIEWED BY:**

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**APPROVED BY:**

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Valerie Fong
Director of Utilities
Proposed Complete Guidelines and Implementation Recommendations

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.
Excerpted Draft Minutes of the UAC’s January 9, 2008 meeting (Not Yet Approved)

ITEM 2: INFORMATION ITEM:  Gas Utility Long-Term Plan (GULP) Guidelines and Implementation Recommendations:
Karla Dailey, Resource Planner, provided a presentation to the Commission, which closely followed the written report on the subject.

Dailey noted that Council approved three GULP objectives and GULP Guidelines in July 2003 and approved six implementation recommendations in September 2004. In April 2005 and April 2006 informational reports were provided to Council and a decision was made to abandon gas reserve acquisition.

Reasons for Revisiting GULP today include: (1) changes in the gas storage marketplace, (2) new opportunities and favorable economics and contracts terms for gas pre pay deals, and (3) the arrival of renewable gas resources to the PG&E pipeline system and the developing credit and offset markets for green gas.

The two new Proposed GULP Guidelines are to make GULP consistent with the recently adopted ten-year efficiency plan and the Climate Protection Plan adopted by the Council in December 2007.

Implementation recommendation #1 addresses the new Renewable Gas Supply Guideline and refers to low-carbon gas alternatives. Commissioner Keller questioned the term “low-carbon,” and staff suggested that “non-fossil fuel” may be a better term. The commissioners also questioned the “CO2 reduction” benefit since methane is burned whether from a renewable resource or a traditional resource.

Cow gas (methane recovered from cow manure) is most promising physical renewable gas resource. Costs are estimated to $2 per MMBtu premium on top of an $8 per MMBtu gas price. The methane capture credit costs $5 per metric tonne CO2 equivalent. 100% of portfolio purchases results in an approximate 14% rate increase.

The commissioners expressed a preference for physical biogas supply over offsets and financial credits. Staff stated the cost, quality, and appeal to potential Palo Alto participants will be considered when designing the voluntary program.

Implementation Recommendation #2 relates to the pursuit of cost-effective opportunities for natural gas storage capacity.

Storage holders inject gas into storage during summer when prices are lower and withdraw gas from storage during winter when prices are higher. Recent evaluations show storage available at economic rates (cheaper than difference between expected summer and winter prices).

Commissioner Keller expressed concern about the environmental impact of storing gas. Staff stated that losses and fuel requirements were small but may need to be tracked once greenhouse gas reporting requirements go into effect.
Implementation Recommendation #3 is to 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 pre-pay structures.

Gas prepay deals provide a way for municipal agencies to leverage ability to issue lower cost, tax-exempt debt. In return for pre-payment, gas suppliers provide discounts on gas deliveries from indexes (current at the time of fuel delivery) in the range of $0.60 - $1.20/MMBtu (7.5% to 15% discount on $8.00/MMBtu gas). Projected annual savings are up to $3.5 million. Larger volumes and longer terms increase savings but require larger up-front financial commitments when issuing debt.

Many factors have changed since 2004 to improve the cost-effectiveness of gas prepays including: (1) higher interest rates and gas prices yield bigger discounts, (2) the IRS 2003 Regulation was further clarified under the 2005 EPAct, (2) contracts terms have been standardized, (3) There is less risk to gas buyer, and (4) smaller volumes are now transacted.

There are a variety of structures including: (1) Palo Alto acts alone to issue bonds and prepay for gas, (2) Palo Alto joins a consortium of municipal utilities to issue bonds and prepay for gas, (3) Palo Alto purchases prepaid gas through a conduit (either traditional or corporative buying pool) or (4) Palo Alto shops for excess prepaid gas arising from operation changes. Palo Alto already does #4.

Next Steps for Prepay:
1. Continue to analyze prepay structures
2. Continue to investigate use of financial transactions by other munis and evaluate appropriateness for Palo Alto
3. Evaluate system needs relative to various prepay arrangements
4. Identify applicable City policies and any needed modifications
5. Issue RFI or RFP for gas purchase through a prepay conduit
6. Evaluate prepay structures relative to each other
7. Make recommendation for action

Commissioner Rosenbaum expressed concern about the complexity of the transaction and the risks associated with a 30-year gas prepay deal. He also indicated that the transaction is very complicated and difficult to explain and he's not convinced that staff thoroughly understands all aspects of the issue. Rosenbaum requested that the staff recommendation and related motion be broken out to allow a separate vote on the GULP pre-pay issue.

The Commission agreed with Rosenbaum's requests.

Melton moved and Bechtel seconded a motion to recommend that the Council approve the 2 GULP guidelines and implementation recommendations #1 and #2. The motion passed unanimously. Melton moved and Bechtel seconded a motion to recommend that the Council approve implementation recommendation #3. The motion carried on a 3-1 vote with Commissioner Rosenbaum voting "no."