

Gas Utility Long-term Plan (GULP) Objectives, Strategies and Implementation Plan

Approved by Council on April 23, 2012 (Staff Report 2552 – Resolution 9244)

GULP Objectives:

1. Market price transparency – Pass a market supply cost signal through to customers.
2. Supply Cost Management – Lower delivered gas cost over the long term.
3. Energy Efficiency – Ensure the deployment of all feasible, reliable, cost-effective energy efficiency measures.
4. Climate Protection – Reduce the carbon intensity of the gas portfolio in accordance with the Climate Protection Plan.
5. Parity with PG&E – At a reasonable cost, protect the City’s interests and maintain access to transportation on par with PG&E’s core customers.

GULP Strategies:

1. Pass a market supply cost signal through to customers by:
 - a. Purchasing natural gas at monthly and daily market index prices; and
 - b. Changing gas supply rates monthly to reflect market prices.
2. Lower delivered gas cost over the long term by:
 - a. Acquiring pipeline assets that yield supply costs below market and meet operational needs;
 - b. Taking advantage of the City’s low cost of capital to acquire gas supply and assets; and
 - c. Optimizing existing assets.
3. Ensure the deployment of all feasible, reliable, cost-effective energy efficiency measures by:
 - a. Developing and implementing a ten-year gas efficiency plan every three years that includes a reasonable carbon price premium for traditional gas supplies; and
 - b. Considering the impacts (cost, benefits, and GHG emissions) of substituting electricity-using appliances for gas-using appliances and vice versa in the ten-year gas efficiency plan.
4. Reduce the carbon intensity of the gas portfolio in accordance with the Climate Protection Plan by:
 - a. Designing and implementing a voluntary retail program using reasonably priced non-fossil fuel gas resources; and
 - b. Purchasing non-fossil fuel gas for the portfolio as long as it can be done with no rate impact.
5. At a reasonable cost, protect the City’s interests and maintain access to transportation on par with PG&E’s core customers by:
 - a. Participating in the regulatory and legislative arenas when the potential impact on the City is aligned with the cost to intervene and the probability of success;

- a. Negotiating with PG&E for fair access to transportation and storage; and
- b. Exploring potential joint action with other public agencies.

GULP Implementation Plan:

1. Transition to market price-based, monthly-adjusted gas supply rates by:
 - a. Developing a new purchasing plan to be approved by the Director of Utilities;
 - b. Designing a new monthly-adjusted gas supply rate;
 - c. Revising the reserve guidelines for Council approval; and
 - d. Conducting customer communication and outreach.
2. Pursue below-market assets available through the Gas Transportation and Storage Settlement by:
 - a. Evaluating the pipeline capacity reservation options available; and
 - b. Contracting with PG&E for any pipeline capacity with an estimated cost below the forecasted market value.
3. Pursue opportunities for natural gas prepay transactions by:
 - a. Hiring a consultant to help staff with:
 - i. Identifying any internal policy changes needed including the policy on the use of financial instruments;
 - ii. Identifying system and internal processes required;
 - iii. Identifying opportunities; and
 - iv. Evaluating opportunities and quantifying the benefits and costs; and
 - b. Seeking UAC recommendation and Council approval regarding whether to proceed with a gas prepay transaction.
4. Develop an implementation plan to meet the gas efficiency targets by summer 2011 including the:
 - a. Evaluation of the cost-effectiveness of substituting gas-using appliance for electric-using appliances and vice versa and the greenhouse gas impacts of such substitutions; and
 - b. Incorporation of any cost-effective substitution measures in the implementation plan to meet the gas efficiency targets.
5. Track and report progress against adopted gas efficiency goals by:
 - a. Providing quarterly updates on the gas efficiency program achievements to the UAC; and
 - b. Providing annual updates on gas efficiency program achievements to the UAC and the City Council.
6. Continue evaluating new gas efficiency technologies and undertake pilot studies where appropriate.
7. Pursue reasonably priced non-fossil gas for a voluntary program through NGPP by:
 - a. Reviewing the due diligence report to be provided to NGPP participants by the end of October 2010; and
 - b. Based on the results, recommending whether to continue participating in the projects.