

Increase Limits on Forward Energy Purchases for the CRA

Finance and Insurance Committee

Item 8-1

March 7, 2011

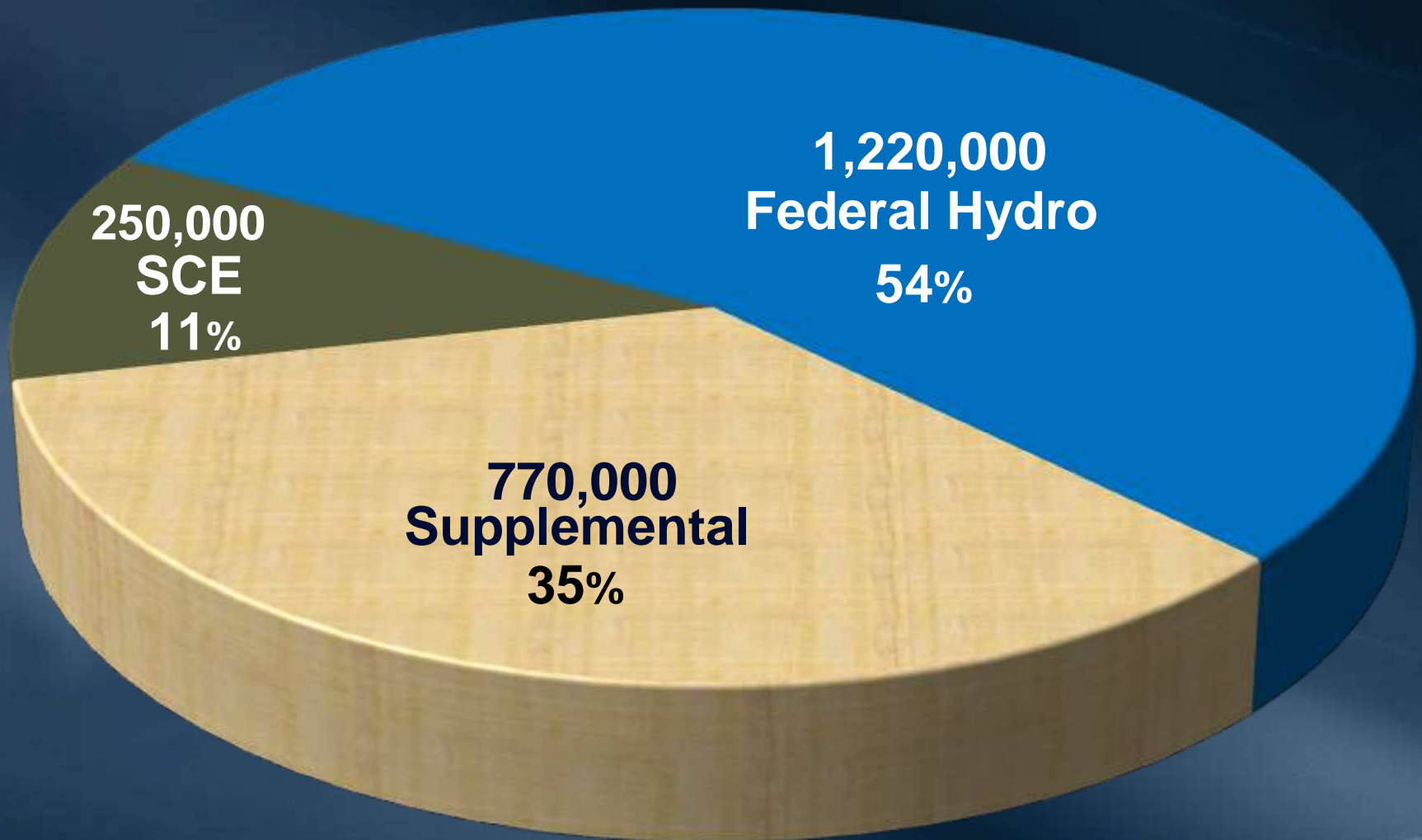
Action

- Authorize an increase to the CRA forward energy purchase limitation from the present \$35 million to \$50 million

CRA Forward Energy Purchases

- **Presentation February 2011**
- **2002 Board approved risk management policy**
 - **Established Risk Oversight Committee**
 - **Limit on forward purchases to 2 years**
 - **Limit total forward purchases to \$35 million**
- **2000/2001 energy crisis**

Typical CRA Energy Mix (MWh)

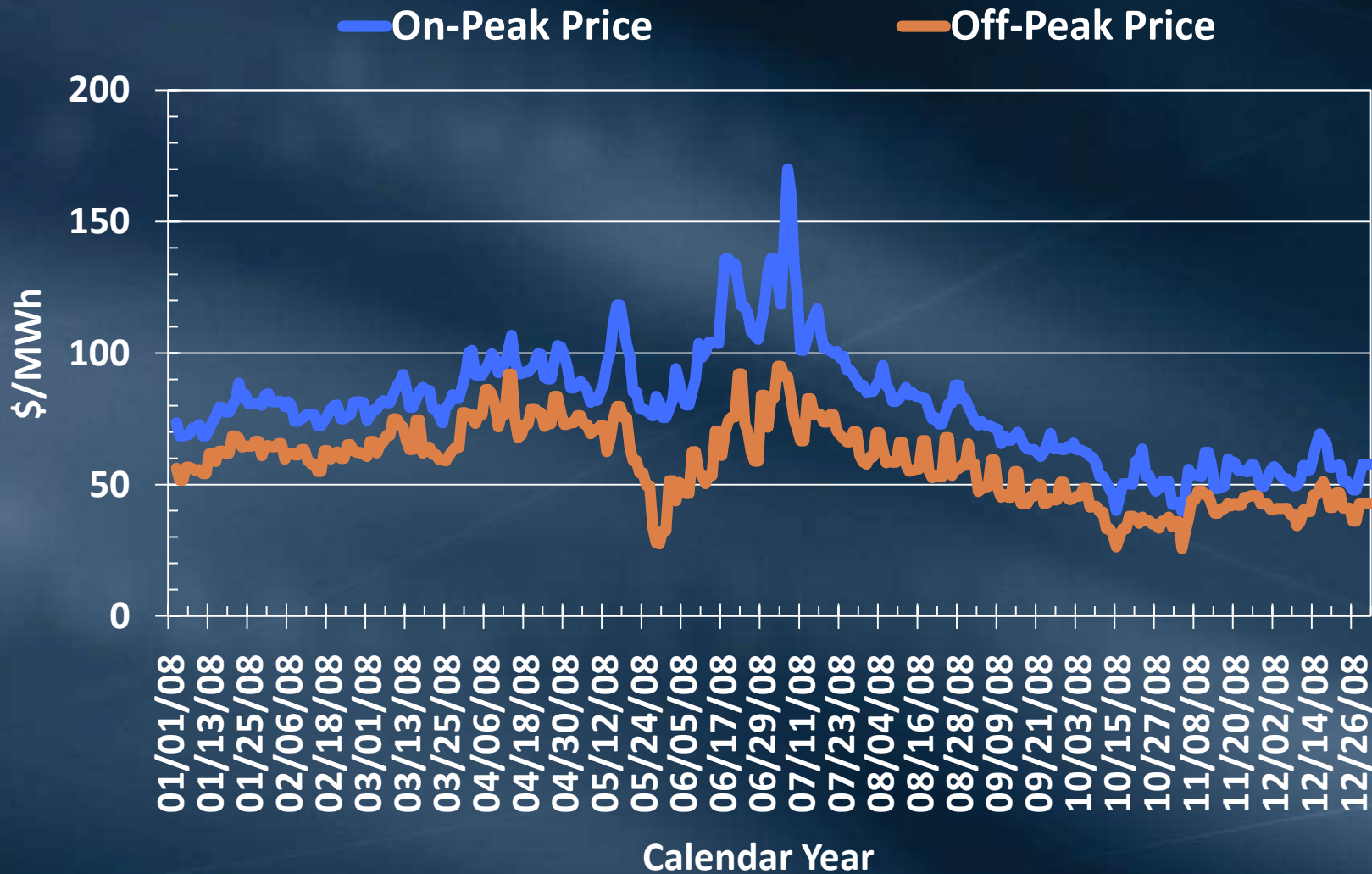


Total CRA Energy = 2,240,000 MWh
1.12 MAF

Forward Energy Purchases: Tool to Reduce Volatility

- A commitment to purchase energy in the future
 - Fixed price
 - Fixed volume
 - Delivery point
- Payment is made after delivery

Supplemental Energy Costs - 2008



Benefits of Forward Purchases

- Insurance against severe price increases
- Reduces CRA energy cost volatility
- Provides price and supply certainty
- Assists in multi-year budget development

Reviewed Limit on Forward Purchases

- Reached limit in 2010
- Price increases and CRA pumping needs
 - 1.1 MAF CRA delivery
 - 70% supplemental need
 - 2017 prices
- Limit would be equal to \$50 million

Admin Code Change

- § 8122. (e) Power and Transmission Contracts.
- (1) General Authorization. The General Manager is authorized to negotiate and execute contracts of up to 24 months duration from the end of the current month to furnish power or transmission capability to the District or dispose of power or transmission capability available to the District. Such contracts for power or transmission capability may not exceed a total payment obligation of \$50 million within any 24-month period unless authorized by the Board.

Board Options

- **Option # 1**
 - Adopt the CEQA determination, and
 - Amend the Administrative Code Section 8122 (e)(1) to increase the CRA forward energy purchase limitation to \$50 million
- **Option # 2**
 - Retain the present limit of \$35 million

Staff Recommendation

- Option # 1

