

Public Works Department

July 16, 2019

Memorandum for Public Works Committee

From: Jeffrey A. Lincoln, Public Works Director

Subject: Minutes of meeting of July 8, 2019

1. Meeting Convened at 5:30 PM, with members and Wright (Chair) and Beau Chevassus present, Mr. LaFleur absent. Meeting chaired by Council Member Wright. Staff Lincoln and Hawthorne present.
2. Minutes for July 8, 2019 were approved.
3. New Business:
 - a. Lincoln introduced a brief discussion of the City's gas hedged position for winter 2019-2020. Currently 75% of the average annual requirement is hedged at \$3.04. The operator of the pipeline feeding Sumas (Canadian gas), Enbridge, will be testing the remainder of the major pipeline feeding Sumas beginning Tuesday, July 10th. If repairs are required to any section the pipeline, it could be shut down and the supply constrained resulting in much higher pricing, which we observed in December 2018. Gas is currently priced for winter delivery below our currently hedged \$3.04. Ed Hawthorne briefed the current situation and the committee discussed managing the price risk of gas this upcoming winter related to a possible future disruption of Sumas supply. Three alternatives were presented: status quo, due nothing and risk the last 25% buy at market when needed; second, hedge out the last 25% at a rate less than \$3.04 when or if available, and third, hedge a smaller part of the final 25%, say 10 or 15% and risk open market pricing for the remainder. After discussion the two commissioners decided to recommend to the council taking a hedged position of the full 25% at a rate not to exceed the current hedged price of the first 75%, \$3.04/mmtherm.
4. The meeting was adjourned at 6:02 pm.
5. There being no further business, the meeting adjourned at approximately 6:10 PM.