



SUMMARY MINUTES

ABAG Power Executive Committee

Meeting 2002-02

February 20, 2002

Metro Center 101 8th Street, Oakland CA 94607

WELCOME AND INTRODUCTIONS

Jeff Kolin (Chair) opened the meeting with introductions at 12:00 p.m.

Committee Representatives Present

Jeff Kolin
John Lisenko
Michael Garvey
Natasha Merkuloff Nichols
Steve Sprotte

Jurisdictions

City of Santa Rosa
City of Foster City
City of San Carlos
County of Napa
City of Union City

Alternates Present

Davida Amenta

County of Contra Costa

Guests Present

Steve Strickland

City of Vacaville

Committee Representatives Absent

Alan Nadritch
Terry Mann
Wayne Green

City of Benicia
County of Contra Costa
City of Salinas

Staff Present

Jerry Lahr
Joseph Chan
Ken Moy
Vina Maharaj

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PUBLIC COMMENTS

There were no public comments.

APPROVAL OF SUMMARY MINUTES OF JANUARY 16, 2002 MEETING

Motion was made by Merkuloff Nichols/S/Lisenko/C/ to approve the Summary Minutes of January 16, 2002 Executive Committee Meeting.

**PROCEDURAL DISCUSSION**

Jerry Lahr reminded the committee about the rules and regulations governing the Brown Act as related to teleconference meetings of the ABAG POWER Executive Committee.

STATUS REPORT ON THE SUSPENSION OF THE ELECTRIC PROGRAM**NCPA Letter Re: Deposits/ISO charges**

Jerry Lahr provided the Committee with an update on the ISO/PX deposit money being held by NCPA. Lahr said that ABAG POWER received a total of \$503,514, representing one-half of the current escrow balance as of December 31, 2001. Pending the outcome of the FERC refund proceedings, NCPA anticipates that it may be in a position to release the remainder of the ABAG ISO escrow in late summer, 2002.

Lahr mentioned that the PX deposit money is still being held up in the PX bankruptcy proceedings and there have been no further developments in the case.

PX Credit Claim

Lahr mentioned that PG&E had recently contacted him asking for back-up information on ABAG POWER's bankruptcy claim. ABAG POWER has subsequently provided this information to PG&E.

Breakdown of True-Up Distribution

Lahr said that the initial phase of the true-up process was complete and that checks were being mailed out to members.

Joseph Chan proposed that ABAG POWER provide this kind of cash distribution to members once every six months. He said that the next distribution would be as of the end of June, but due to the time required for accounting processes, it will be a few months after June 30 when the checks will be actually distributed.

UPDATE OF ABAG POWER OPERATING BUDGET**Revised Operating Budget FY 2001-02**

Jerry Lahr presented a revised operating budget for Fiscal Year ending June 30, 2002. Lahr said he was proposing some revisions to the budget which had been approved in July, 2001. He mentioned that the overall budget for the electric program has been reduced due to a significant decrease in metering fees and costs involved in returning members to PG&E. There was also a significant decrease in the estimate of outside legal expense, however, ABAG administrative costs have somewhat increased.

Motion was made by Lisenko/S/Merkuloff Nichols/C/ to approve the Revised Operating Budget FY 2001-02 as presented.

**STATUS REPORT ON NATURAL GAS PROGRAM**

Jerry Lahr presented the executive committee with a Summary of the Natural Gas Program pointing out that ABAG POWER is still maintaining a relatively stable price but is paying higher than PG&E's price for gas, therefore, showing a negative savings.

Lahr said that the California Public Utilities Commission had rejected on a 3-2 vote the draft decision to accept the petition filed jointly by ABAG POWER and SPURR. The petition had been filed to gain access to certain Canadian transportation rights.

Program Recommendations

Jerry Lahr presented the executive committee with revised recommendations for the continuation of the Natural Gas Program based on results from an informal survey of program members. He also provided a Pricing Analysis which TXU Energy Services prepared to show members various purchasing strategies. The recommendations were as follows:

1. **Program Continuation.** Continue the Natural Gas Aggregation Program for another three years beyond the current contract termination date (June 30, 2002), assuming a sufficient number of entities choose to remain in the Program to maintain a minimum load of 400,000 Dth/yr. Staff shall notify members of ABAG POWER's intention of continuing the Program for an additional three years. In addition, this notification shall include a discussion of the current status of the Natural Gas Program and the options regarding continued participation in the program.
2. **Goals.** State the program goals as follows to reflect the desire for both cost savings and price stability.
 - a) **Price Stability.** It is desirable that the Program's purchasing strategy and costs allocation methods be such that will give members a reasonable degree of certainty of the costs to be shared within any given program year.
 - b) **Cost Savings.** Given the desire for price stability, the Program shall attempt to provide gas procurement services for less than the equivalent services provided by the default provider (i.e. PG&E).
3. **Natural Gas Purchasing Strategy.** Based on continued direction from the Executive Committee, staff shall attempt to purchase natural gas at the lowest reasonable cost while taking advantage of longer-term contracts in order to stabilize prices.
 - a) Purchase a three-year, fixed-price contract for approximately 50% of the current gas requirements.
 - b) Purchase one-year, "participating" fixed-price contracts, for approximately 20% of the current gas requirements.
 - c) Purchase the remaining gas requirements (30%) based on a NYMEX index that will float with the monthly spot price of gas.



4. **Billing Services.** Staff shall investigate opportunities to extend the Program's ability to continue the current Consolidated Billing process through the end of the contract period (June 30th). If this is unsuccessful, ABAG POWER shall change its billing process to "Dual Billing" in order to comply with the ESP billing procedures. Regardless of the outcome of the current billing process, ABAG POWER shall issue an RFP for billing services. One of the primary requirements of a new billing agent would be the ability to accept billing information in EDI format. This would allow for smoother billing transactions, as well as make the billing credit from PG&E available to ABAG POWER. We would also look for an agency that could present billing information on the internet.
5. **Gas Aggregation Agreement.** Any member that has not approved the 1st Amendment to the Natural Gas Aggregation Agreement by June 1, 2002 shall be dropped from the Program.

The Executive Committee discussed how to present to the POWER Pool members the conditions under which the Gas Program would continue to operate for three more years. There was also discussion about whether an opt-in or opt-out method should be used for continuing the program. Ken Moy mentioned that the current agreement with members uses the opt-out method.

The Executive Committee recommended continuation of the program for an additional three years, and directed staff to take the following steps in notifying the current participants of the continuation of the natural gas program:

- (a) present best available projections on the purchasing strategy of the pool, including scenarios;
- (b) identify the risks; and
- (c) continue the "opt-out" procedure as stated in the current agreement with members.

Motion was made by Garvey/S/Amenta/C on a 3-2 vote.

The Committee felt it was important to convey to the members that providing them with rate stability is a major element of the Program's future viability, and that while cost savings will continue to be a primary goal, it could not be fairly represented as the sole reason for staying with the Program.

Lahr discussed PG&E's new requirement for CTA's that desire to conduct "Consolidated Billing" (as ABAG POWER currently does) to comply with their requirements by this summer. Lahr said ABAG POWER was currently not able to get an extension to continue their current billing practices through the end of June, however, PG&E may be able to make a small extension through the end of May. Lahr said he was trying to get some pricing for services that would allow ABAG POWER to conform to the new EDI process, and he estimated that start up costs would most probably be in the order of \$20,000 to \$60,000, with monthly fees of \$1,000 – 1,500 above current billing fees. Lahr recommended that ABAG POWER not go through this expense until it becomes



certain that the program would go forward. He suggested switching to the dual billing process and notifying members accordingly. The Committee agreed with the recommendations.

Lahr informed the committee that there were still a few members who had not signed the amendment to the gas aggregation agreement. The July 1999 Amendment extends the renewal term of the prior Natural Gas Aggregation Agreement from one year to three years, and the possibility that an entity would end its participation before the three year period is up poses unacceptable risks to the program. He recommended that ABAG POWER drop the members from the Gas Program who have not signed the Amendment to the Natural Gas Aggregation Agreement by June 1, 2002. The Committee agreed with Lahr's recommendations.

ADJOURN

The meeting adjourned at 1:35 p.m.

Next Executive Committee Meeting is scheduled for March 20, 2002 (12 p.m. – 2 p.m.), Metro Center, 101 8th Street, First Floor, Oakland, CA 94607.

/vm