

MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area

Attachment 3A



SUMMARY MINUTES

ABAG Power Executive Committee

Regular Meeting 2009-06

December 16, 2009

Metro Center, 101 8th Street, Oakland, CA 94607

Revised

WELCOME AND INTRODUCTIONS

Vice Chairman Chris Schroeder opened the meeting with introductions at 12:00 noon.

Committee Representatives

Mark Armstrong
Richard Sealana
Jennifer Mennucci
Ron Popp
Chris Schroeder, Vice Chairman

Jurisdictions

City of Santa Rosa
City of Union City
Golden Gate Bridge District
City of Millbrae
City of Milpitas

Members Absent

John Cerini, Chairman
Terry Mann
Raj Pankhania

City of Vallejo
County of Contra Costa
City of Hercules

Others Present

Suzanne McFadden
Joy Young
Lisa Spearman
Golden Valley Gas Services, Inc.
Golden Valley Gas Services, Inc.
Member of Public (resident of West Oakland)

Staff Present

Herbert Pike
Vina Maharaj
Kenneth Moy
Jerry Lahr
ABAG
ABAG POWER
ABAG
ABAG POWER

PUBLIC COMMENTS & ANNOUNCEMENTS

Lisa Spearman, a resident of West Oakland was present. There were no public comments.

This is the first meeting after being voted as executive committee members in October, 2009, for Mark Armstrong of the City of Santa Rosa and Richard Sealana of the City of Union City.

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APPROVAL OF SUMMARY MINUTES OF AUGUST 19, 2009 MEETING

Motion was made by Popp/S/Armstrong/C/4:0:0 to approve the Summary Minutes of August 19, 2009 Executive Committee Meeting.

APPROVAL OF SUMMARY MINUTES OF SEPTEMBER 22, 2009 MEETING

Motion was made by Popp/S/Armstrong/C/4:0:0 to approve the Summary Minutes of September 22, 2009 Special Executive Committee Teleconference Meeting.

REPORT ON NATURAL GAS PROGRAM

Monthly Summary of Operations FY 09-10

Lahr provided the members with the Monthly Summary of Operations report for FY 2009-10. He said that the cumulative savings in comparison with PG&E is in a significant negative 31% to 35% range due to the decline in market-rate gas prices as compared to ABAG POWER's higher priced locked-in gas. As an example, PG&E's core procurement charge was \$4.95 in July and \$4.99 in August, 2009, while ABAG POWER's rate varied between a high of approximately \$7.90 to a low of \$5.81 for the fixed price gas during this period.

Jennifer Mennucci joined the meeting at this point.

Market Price Chart

Lahr provided a power point presentation and explanation of the market price indices chart.

PG&E Proceedings before the California Public Utilities Commission

PG&E has two proceedings before the California Public Utilities Commission that affect gas suppliers and customers, as follows:

- 1) Application of PG&E to Revise its Gas Rates and Tariffs Effective July 1, 2010; and;
- 2) Application of PG&E Proposing Cost of Service and Rates for Gas Transmission and Storage Services for 2011-2014.

ABAG POWER will monitor these proceedings and intervene as necessary.

Suzanne McFadden and Joy Young, ABAG POWER's gas schedulers joined the meeting at this point.

GAS OVER-DELIVERY PENALTY

A penalty of \$1,150 was charged to ABAG POWER by PG&E for over-delivered gas during one day in October. Lahr provided an explanation and an over-delivery penalty calculation estimate. Under the NBAA (Noncore Balancing Aggregation Agreement), all the three noncore accounts are scheduled as a group. Any penalty that is applied to this group is applied to ABAG POWER who has signed the NBAA agreement with PG&E. Lahr explained the systematic processes of scheduling and the extenuating circumstance which caused the penalty. The committee discussed whether to apply this penalty to the specific members involved or to the program as a whole.

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There was a general consensus among the members that Staff send correspondence to the Noncore entities with a copy to the Executive Committee, explaining the situation and giving them some ramifications of unwinding the NBAA. Staff was requested to bring back the members' reactions to the next ABAG POWER Executive Committee meeting.

NATURAL GAS PROGRAM GOALS AND PURCHASING STRATEGY

There was discussion about the current gas program goals and the associated purchasing strategy intended to meet those goals. Lahr provided a gas hedge chart, a core gas rate comparison between ABAG POWER and PG&E and a historical analysis of short-term purchase strategy. Lahr also provided the members with the current purchasing strategy, which was determined by the Executive Committee at their meeting on February 20, 2002, as follows:

“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.”

Motion was made by Sealana/S/Mennucci/C/5:1:0 (Armstrong- “No” Vote) to adjust the current purchasing strategy as follows:

1. Purchase three-year, fixed-price contract(s) for up to 40% of the current gas requirements.
2. Purchase one-year (near-term), “participating” fixed-price contracts, for up to 30% of the current gas requirements.
3. Purchase the remaining gas requirements (30%) based on a monthly or daily index that will float with the spot price of gas.

2007-08 NATURAL GAS PROGRAM TRUE-UP

The 2008-09 True-up revealed that ABAG POWER over-collected funds by approximately \$3 million. These funds have begun to be refunded to members on their monthly invoices, starting with November, 2009.

True-up Calculation of Gas Accounts

Lahr mentioned that prior true-ups were calculated on a “member by member” basis, however, starting with the 2007-08 true-up, he has begun calculating it on a “site by site” basis. While the

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“account by account” basis would have been desirable, he was able to achieve the 07-08 true-up on a “site by site” basis, which was less labor-intensive.

2009-10 BUDGET UPDATE

Lahr said that the executive committee normally reviews the budget mid-way during the financial year primarily to determine if there is a need to adjust the levelized charges. However, looking at the income statement, the sale of energy is 33.60% of budget for the October financials, which is what is expected at this time of the financial year. The interest expense/bank charges were 73.71% of budget which was extremely high. Finance Director, Pike said he was working with the bank to reduce the FDIC costs.

ENERGY DATA PILOT UPDATE

Lahr provided an update indicating the frustrations he and his staff have faced in getting data from PG&E in a timely manner. Getting the data translated for ABAG POWER’s system has also been difficult. He was not able to provide a Pilot Assessment report at this point due to these problems, however, from a program manager’s viewpoint, he presumes the program would be somewhat costly for the members considering at least the requirement of a half-time staff.

Schroeder said he has had some very good results from the set-up to the current phase of the Pilot program. The program has the potential to eliminate a lot of man hours that his agency currently puts into electric billing.

SEP 2 APPLICATION & ENERGY FINANCING DISTRICT UPDATE

Lahr presented the members with a copy of a memo which was presented to ABAG’s Executive Board on November 4, 2009. This memo was an update on the various Energy Financing District programs including applications for funding under the stimulus funding opportunities.

2010 MEETING SCHEDULE

A list of 2010 Executive Committee meetings were presented to the Committee. These meetings are also now available for viewing at ABAG POWER’s website.

ADJOURNMENT

Vice Chairman Schroeder adjourned the meeting at 2:10 p.m.

/vm

*Example of a motion – [Member No. 1/S/Member No. 2/roll call vote/C/8:0:0] means Member No.1 motions, seconded by Member No.2, after roll call vote, motion carries, 8 = “yes” votes, 0 = “no” votes and 0 = abstentions