ABAG POWER
ANNUAL BOARD MEETING

October 30, 2014 (10:30 a.m. to 1:00 p.m.)

Association of Bay Area Governments
Joseph P. Bort MetroCenter Auditorium
101 Eighth Street, Oakland, CA 94607

Chairman: Richard Sealana

1.	**Welcome** ATTACHMENT 1A - ABAG POWER JPA MEMBER LIST	Sealana	
2.	**Public Comments**	Sealana	
3.	**Approval of Minutes from October 24, 2013 Annual Board Meeting** ATTACHMENT 3A - MINUTES OF OCTOBER 24, 2013	Sealana	**Action**
4.	**Election of ABAG POWER Officers (Chair and Vice Chair)** ATTACHMENT 4A - PROPOSED EXECUTIVE COMMITTEE FOR FY 14-15	Sealana	**Action**
5.	**Staff Report and Review of Natural Gas Program** Staff will report the results of the Natural Gas Program for the 2013 – 2014 fiscal year. ATTACHMENT 5A - STAFF REPORT ON NATURAL GAS PROGRAM ATTACHMENT 5B - SUMMARY OF NATURAL GAS PROGRAM FY2013-14	Lahr	Info.
6.	**Natural Gas Pipeline Capacity Issue** Staff will discuss the effects to the program of the recent stranded pipeline capacity costs. ATTACHMENT 6A – STRANDED PIPELINE CAPACITY COSTS MEMO ATTACHMENT 6B – PIPELINE CAPACITY COSTS	Lahr	Info.
7.	**Financial Review** Staff will review preliminary financial statements for FY 2013-14 ATTACHMENT 7A – FINANCIAL REPORTS MEMO ATTACHMENT 7B1 – PRELIMINARY INCOME STATEMENT ATTACHMENT 7B2 – PRELIMINARY BALANCE SHEET	Pike	Info.
	Break for Lunch		
8.	**Guest Speaker – Community Choice Aggregation (CCA)** Tom Kelly (KyotoUSA), Shawn Marshall (LEAN) and Seth Baruch (Carbonomics) will provide an update on the status of Community Choice Aggregation, and how it is being implemented within the Bay Area.	Tom Kelly Shawn Marshall Seth Baruch	Info.
9.	**San Francisco Bay Area Regional Energy Network (BayREN)** BayREN Program Manager (Jenny Berg) will summarize the programs and accomplishments to date.	Berg	Info.

Adjourn approximately 1:00 p.m.

THE BOARD MAY TAKE ANY ACTION, INCLUDING NO ACTION, ON ANY ITEM ON THIS AGENDA.

ABAG POWER Board of Directors (JPA Membership)

Total JPA Membership = 67
Current Gas Members = 38

Jurisdiction Listed in the order of Cities/Towns, Counties, and Special Districts	Primary & Alternate	Membership Status
Alameda, City of	Bob Haun (P) Brad Farmer (A)	Current Gas Member
Albany, City of	Ray Chan (P)	Current Gas Member
Benicia, City of	Karin Schnaider (P) Brad Kilger (A)	Current Gas Member
Cupertino, City of	Erin Cooke (P)	Current Gas Member
Fremont, City of	Mike Sung (P) Dan Schoenholz (A)	Current Gas Member
Gonzales, City of	Rene Mendez (P) Carlos Lopez (A)	Current Gas Member
Half Moon Bay, City of	Vacant	Current Gas Member
Hercules, City of	David Biggs (P) Steve Duran (A)	Current Gas Member
Housing Authority, City of Alameda	Alan Olds (P)	Current Gas Member
Los Altos, City of	Dave Brees (P) Doug Schmitz (A)	Current Gas Member
Mill Valley, City of	Eric Erickson (P)	Current Gas Member
Millbrae, City of	Chip Taylor (P)	Current Gas Member
Milpitas, City of	Chris Schroeder (P) Emma Karlen (A)	Current Gas Member
Monte Sereno, City of	Brian Loventhal (P)	Current Gas Member
Oakland, City of Oakland Zoo	Scott Wentworth (P) Justin J. Hurd	Current Gas Member
Orinda, City of	Tonya Gilmore (P) Janet Keeter (A)	Current Gas Member
Pacifica, City of	Steven Carmichael (P) Sandra McClellan (A)	Current Gas Member
Petaluma, City of	Bill Mushallo (P)	Current Gas Member
Pleasanton, City of	Daniel Smith (P)	Current Gas Member
Richmond, City of	Angela Walton (P) Adam Lenz (A)	Current Gas Member

Jurisdiction **Listed in the order of Cities/Towns, Counties, and Special Districts**	**Primary & Alternate**	**Membership Status**
Salinas, City of	Michael Ricker (P) Miguel Gutierrez (A)	Current Gas Member
San Carlos, City of	Jay Walter (P) Rebecca Mendenhall (A)	Current Gas Member
San Rafael, City of	Nader Mansourian (P) Richard Landis (A)	Current Gas Member
Santa Rosa, City of	Mark Armstrong (P) Ed Buonaccorsi (A)	Current Gas Member
Saratoga, City of	Thomas Scott (P) Mary Furey (A)	Current Gas Member
Union City, City of	Richard Sealana (P)	Current Gas Member
Vallejo, City of	Fiona Strykers (A)	Current Gas Member
Watsonville, City of	Gabriel Gordo (P)	Current Gas Member
Winters, City of	John Donlevy (P) Shelly Gunby (A)	Current Gas Member
Atherton, Town of	George Rodericks (P)	Current Gas Member
Moraga, Town of	Stephanie Hom (P)	Current Gas Member
Contra Costa, County of	Julie Bueren (P) Steve Kowalewski (A)	Current Gas Member
Napa, County of	Steve Lederer (P) Jason Campbell (A)	Current Gas Member
San Mateo, County of	Doug Koenig (P) Gary Behrens (A)	Current Gas Member
Santa Clara, County of	Lin Ortega (P) Jeff Draper (A)	Current Gas Member
Golden Gate Bridge Highway & Transportation District	Jennifer Mennucci (P) Alice Ng (A)	Current Gas Member
R.A.F.C.	Mamie Lai (P) Robert Hoffman (A)	Current Gas Member
Vallejo Sanitation & Flood Control District	Melissa Morton (P)	Current Gas Member
JPA Members (non-active, ex-electric and/or gas opt-out members)		
Antioch, City of	Dawn Merchant (P) Jim Jakel (A)	Non-Active
Arcata, City of	Randy Mendosa (P)	Non-Active

Jurisdiction **Listed in the order of Cities/Towns, Counties, and Special Districts**	**Primary & Alternate**	**Membership Status**
Belmont, City of	Greg Scoles (P)	Non-Active
Berkeley, City of	Neal De Snoo (P)	Non-Active
Cloverdale, City of	Nina D. Regor (P)	Non-Active
Cotati, City of	Dianne Thompson (P)	Non-Active
Daly City, City of	Vacant	Non-Active
Davis, City of	Vacant	Non-Active
El Cerrito, City of	Maria Sanders (P) Garth Schultz (A)	Non-Active
Foster City, City of	Ray Towne (P)	Non-Active
Menlo Park, City of	Vacant	Non-Active
Newark, City of	Peggy Claassen (P)	Non-Active
Patterson, City of	Ken Irwin (P)	Non-Active
Pinole, City of	Belinda Espinosa (P)	Non-Active
San Leandro, City of	Lianne Marshall (P)	Non-Active
San Mateo, City of	David Culter (P)	Non-Active
San Pablo, City of	Bradley J. Ward (P) Brock Arner (A)	Non-Active
Sebastopol, City of	Ron Puccineli (P)	Non-Active
Hillsborough, Town of	Maria Edna Masbad (P)	Non-Active
Los Altos Hills, Town of	Carl Cahill (P)	Non-Active
Butte, County of	Grant Hunsicker (A)	Non-Active
Monterey, County of	Mario Salazar (P)	Non-Active
Sonoma, County of	John Haig (P)	Non-Active
Windsor, Town of	James McAdler (P)	Non-Active

Jurisdiction **Listed in the order of Cities/Towns, Counties, and Special Districts**	**Primary & Alternate**	**Membership Status**
H.A.R.D.	Larry Lepore (P) Karl Zabel (A)	Non-Active
Housing Authority, County of Alameda	Tom Makin (P) Christine Gouig (A)	Non-Active
Los Trancos County Water District	Keri Tate (P)	Non-Active
South County Fire Authority	Vacant (P)	Non-Active
West County Wastewater District	Brian Hill (P)	Non-Active

SUMMARY MINUTES

ABAG POWER Annual Board of Directors' Meeting 2013
October 24, 2013
Joseph P Bort MetroCenter
101 Eighth Street, Oakland, CA 94607-4756

WELCOME
Chairman Richard Sealana opened the meeting of the ABAG POWER Board of Directors' with introductions at 10:35 a.m.

The agencies having a representative at this meeting were as follows:

Jurisdictions Represented	**Representatives**
City of Benicia	Greg Henry
City of Fremont	Dan Schoenholz
City of Los Altos	Dave Brees
City of Milpitas	Chris Schroeder
City of Oakland	Pete Fong
City of Orinda	Tonya Gilmore
City of Pacifica	Jim Reese
City of Pleasanton	Craig Higgins
City of Salinas	Michael Ricker
City of Santa Rosa	Mark Armstrong
City of Union City	Richard Sealana
County of Contra Costa	Julie Bueren
County of Napa	Steve Lederer
County of San Mateo	Doeg Koenig
County of Santa Clara	Lin Ortega
Golden Gate Bridge & Highway District	Jennifer Mennucci
Housing Authority for the City of Alameda	Alan Olds
RAFC	Robert Hoffman
Town of Atherton	George Rodericks
Vallejo Sanitation & Flood Control District	Johnson Ho

Others Present

City of Newark	Peggy Claassen
County of Santa Clara	Sharlene Carlson
StopWaste.org	Heather Larsen

Staff Present

Herbert Pike	ABAG
Jerry Lahr	ABAG POWER
Vina Maharaj	ABAG POWER
Kenneth Moy	ABAG
Michelle Williams	ABAG
Jennifer Berg	ABAG
Daniel Hamilton	ABAG

WELCOME & CHAIRMAN'S OPENING REMARKS
Chairman Richard Sealana welcomed the board members and provided a brief history and a general overview of the ABAG POWER Program. He introduced and extended a special acknowledgment to the 2012-2013 Executive Committee and the ABAG POWER Staff.

PUBLIC COMMENTS
There were no public comments.

APPROVAL OF SUMMARY MINUTES OF OCTOBER 25, 2012 ANNUAL BOARD MEETING
Motion was made by Schroeder/S/Koenig/19:0:1(Tonya Gilmore abstained)/C/ to approve the Summary Minutes of October 25, 2012 ABAG POWER Annual Board of Directors' meeting.

ELECTION OF CHAIR AND VICE CHAIR FOR PROGRAM YEAR 2012-13
Motion was made by Armstrong/S/Schroeder/20:0:0/C/ to elect Richard Sealana of the City of Union City as Chairman and Julie Bueren as Vice-Chairwoman of the ABAG POWER Executive Committee for program year 2013-14.

RATIFICATION OF ABAG POWER EXECUTIVE COMMITTEE FOR PROGRAM YEAR 2013-14
Motion was made by Schroeder/S/Bueren/20:0:0/C/to approve the proposed ABAG POWER Executive Committee for program year 2013-2014 as follows:

Julie Bueren, County of Contra Costa
Stephanie Hom, Town of Moraga
Alan Olds, Housing Authority of the City of Alameda
Chris Schroeder, City of Milpitas
Richard Sealana, City of Union City
Daniel Smith, City of Pleasanton
Angela Walton, City of Richmond

STAFF REPORT AND REVIEW OF NATURAL GAS PROGRAM
Lahr provided an in-depth report on the operations of the Natural Gas Program for FY2013-14. He provided a review of the program and discussed the program goals, long-term program achievements and gas purchasing strategies.

ABAG POWER's blend of long-term and short-term gas purchases resulted in a weighted average cost of gas for the year of $3.70/Dth, representing a decrease of approximately 9% over the prior year. ABAG POWER's annual weighted average price was approximately 1.4% lower than PG&E's similar total rate (GNR-1). Due to the Program's levelized billing structure and long-term purchasing strategy, ABAG POWER's monthly rates were more stable than PG&E's rates throughout the year.

FINANCIAL REVIEW
Herbert Pike presented the preliminary financial reports for fiscal year ending June 30, 2013. Auditors were in the process of auditing the financial statements, which will be available by December, 2013.

NATURAL GAS PIPELINE CAPACITY ISSUE
Chairman Sealana and Lahr provided members with the background and details of the Gas Pipeline Capacity issue facing the program. They explained the previous California Public Utilities Commission (Commission) rulings, the 2002 Gas Accord decisions, and the approval by the Commission of the phase-in of full cost sharing beginning in 2015. The members were reminded of ABAG POWER's continued involvement in the regulatory process in an attempt to mitigate the stranded costs.

Lahr mentioned that while the goals of ABAG POWER are not solely related to cost savings, the stranded pipeline capacity costs could provide a significant barrier to this objective. The costs to the program in 2012-13 were approximately $68,000, and are estimated to reach $310,000/year by 2015 if current regulations remain unchanged

It was hoped that the current proceeding before the CPUC will result in modifications to the regulations so the program can begin to reduce the expenses associated with the stranded pipeline capacity costs.

SPEAKERS – BAY AREA REGIONAL ENERGY NETWORK (BAYREN)
Jennifer Berg, ABAG's Program Manager of BayREN gave an overview of the BayREN Program. Sharlene Carlson of the County of Santa Clara gave a presentation on single family residential and financing. Heather Larson of StopWaste.org spoke on multi-family residential and Daniel Hamilton spoke about codes and standards.

ADJOURNMENT
Chairman Sealana adjourned the meeting at 1:00 p.m.

/vm

*Example of a motion – *[Member No. 1/S/Member No. 2/O/Member No. 3/roll call vote/C/8:0:0]* means Member No.1 motions, seconded by Member No.2, Opposed by Member No. 3, after roll call vote, motion carries, 8 = "yes" votes, 0 = "no" votes and 0 = abstentions.

Proposed Executive Committee for FY 2014 – 2015

- Julie Bueren
  Director of Public Works, County of Contra Costa

- Stephanie Hom
  Administrative Services Director, Town of Moraga

- Alan Olds
  Finance Director, Housing Authority of the City of Alameda

- Chris Schroeder
  Purchasing Officer, City of Milpitas

- Richard Sealana
  Superintendent of Public Works, City of Union City

- Tonya Gilmore
  Senior Management Analyst, City of Orinda

- Angela Walton
  Public Works Administrative Manager, City of Richmond

DATE: October 23, 2014

TO: ABAG POWER Board of Directors

FROM: Gerald L. Lahr, Manager, ABAG POWER

RE: **Staff Report on 2013-2014 Natural Gas Program**

Summary

Natural gas prices remained moderate during the fall of 2013, however prices rose significantly in the winter due to cold weather and high demand in much of the country. December and January, in particular, saw dramatic, short-term spikes with gas prices rising as high as $23.00/Dth. Excluding these short-term spikes, near term, market-rate prices remained close to $5.00/Dth for most of this period, as opposed to the $4.00/Dth gas seen during the early fall. More recently prices have come down to approximately $4.50/Dth.

During the year, ABAG POWER purchased 45% of its gas with forward, fixed-price gas supply contracts, while additional amounts were purchased on the short-term market. The Program's gas costs ranged from a high of $23.17/Dth for one day in February, to a low of $3.55/Dth for gas purchased on the spot market in August. ABAG POWER's blend of long-term and short-term gas purchases resulted in a weighted average cost of gas for the year of $4.05/Dth, representing an increase of approximately 9% over the prior year. Ultimately, ABAG POWER's annual weighted average price was approximately 0.5% lower than PG&E's similar total rate (GNR-1). Due to the Program's levelized billing structure and long-term purchasing strategy, ABAG POWER's monthly rates were more stable than PG&E's rates throughout the year.

Program Goals

Since 2002 the ABAG POWER Natural Gas Program has operated with the dual, and often competing, goals of *Cost Savings* and *Price Stability*.

- **Price Stability.** It is desirable that the Program's purchasing strategy and costs allocation methods be such that will provide members a reasonable degree of certainty of the costs to be shared within any given program year.
- **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).

To meet these goals the program implemented a gas purchasing strategy that emphasized multiple layers of long-term, fixed-price contracts for a majority of its gas load, while the remaining portion of gas was purchased with short-term, indexed-based contracts. This strategy has generally resulted in positive savings during times of rising markets, and negative savings during falling markets, while maintaining price stability. Recently however, the additional costs associated with the pipeline capacity allocations have eroded the program's savings potential. (See discussion under 'Scheduling'.) As a result of this, the Executive Committee has continued to evaluate and modify the gas purchasing strategy in order to meet the program goals.

During the past year ABAG POWER continued to purchase a majority of its gas in the shorter term market in order to take advantage of spot prices that may result in savings, while also locking in a couple of moderate term, fixed-price contracts to gain stability. Recently the Committee again modified the purchasing strategy to place a greater emphasis on the shorter term market, and at the same time limit the length of fixed-price contracts. The Committee will continue to evaluate this revised strategy during the upcoming year.

Fiscal Year 2013 – 14.

During the recently completed fiscal year, ABAG POWER purchased 45% of its gas with forward gas supply contracts.[1] The remaining gas requirements were purchased in monthly or daily blocks with the price tied to a market index.[2] The Program's gas costs ranged from a high of $23.17/Dth for daily gas on February 6th, to a low of $3.55/Dth for daily gas in August 2013.[3] The Weighted Average Cost of Gas (WACOG) for the year was $4.05/Dth. The Natural Gas Program's net savings for the year ending June 30, 2014 was 0.5%.

The program's total monthly levelized rate (gas commodity and distribution) remained static throughout the year, as compared PG&E's similar (GNR-1) rate which ranged from $4.02 – 6.45/Dth.

Long Term Program Metrics.

ABAG POWER's average annual savings for the period July 2003 to June 2014 was 0.7% [4] (does not include proceeds from 2009 gas litigation settlement: $557,000). Throughout this period the Program's prices continued to be more stable than PG&E's. This is due to a strategy that relies more heavily on longer-term, fixed-price purchases, as well as the levelized billing system.

While ABAG POWER's fixed price contracts produce greater stability, and have avoided the significant price spikes seen over the past several years, at times these contract prices are above the monthly and daily indices that are primarily followed by PG&E.

[1] Contracts greater than one month in length. Purchases staged throughout the year.
[2] National Gas Intelligence's (NGI's) monthly Bidweek index, or the Gas Daily's daily index for the appropriate delivery point.
[3] Gas priced at PG&E Citygate.
[4] Compared to PG&E's GNR-1 rate.

Operations and Billing.

Scheduling. ABAG POWER's gas scheduling agent remains DMJ Gas Marketing, which began providing scheduling services as of July 2013.

The program continues to schedule deliveries to take advantage of the transportation capacity that PG&E allocates to the program, when possible. However, as discussed in prior years, due to regulatory changes implemented in April 2012, the rules regarding the allocation of PG&E's pipeline capacity holdings have changed, and this has resulted in additional costs to the program. Several Core Transportation Agents (CTAs) have joined forces to petition the California Public Utilities Commission (CPUC) to revise these regulations so that programs such as ABAG POWER's are not burdened with stranded costs as a result of PG&E's pipeline capacity contracts. (See separate memo for additional information.)

Gas Purchase Agreements. ABAG POWER continues to seek out gas suppliers that may provide benefits to its portfolio. The program currently maintains master gas purchase contracts with the following suppliers:

- Allied Energy Resources
- BP Energy
- Cook Inlet Energy Supply
- Shell Energy North America
- Occidental Energy Marketing, Inc. (subsidiary of Occidental Petroleum)
- Pacific Summit Energy (subsidiary of Sumitomo Corp.)
- Sierra Southwest (Touchstone Energy Cooperative)
- United Energy Trading (UET)
- Utility Resource Solutions (Spark Energy)

Noncore. The ABAG POWER natural gas pool includes three large-usage (noncore) accounts. Natural gas for these accounts is scheduled separately, although it is allocated from the same pooled purchases.

Storage. Core aggregation programs such as ABAG POWER are required to maintain certain gas storage requirements throughout the year. For example, ABAG POWER is currently required to have approximately 800,000 therms of gas in storage at the start of the winter period (Nov. 1st). At various times in the past ABAG POWER has chosen to contract with third-party storage facilities for all or a portion of its storage requirement. However, due to the recent regulatory changes that require ABAG POWER to pay for a portion of PG&E's storage capacity regardless of whether or not it is actually used, the program has decided to use PG&E storage for 100% of its requirement in order to reduce stranded capacity costs. ABAG POWER is seeking to have these regulations changed, and, if successful, would then revisit the opportunity to use alternate gas storage facilities.

Billing. ABAG POWER continues to provide "ESP Consolidated Billing" services for all core accounts utilizing Electronic Data Interchange (EDI) processing. Under this option members receive only one bill with both ABAG POWER and PG&E charges. EDI processing is not available for noncore accounts, so these are billed using the "Dual Billing" option. Under Dual Billing PG&E sends a separate bill with just transportation and miscellaneous charges (i.e. no commodity charge).

ABAG POWER maintains its own internal accounting system that provides for "levelized" billing. Every member is invoiced each month for an amount that represents 1/12th of the annual cost estimate for that member. Along with the monthly levelized invoice, the program sends each member a detailed report showing the actual usage for each account. After the end of the fiscal year the actual costs for each member are compared to the levelized billings, and a credit or charge is then applied to true-up any difference.

Financial

The total cost of the natural gas program for 2013-2014 increased from the previous fiscal year by 3.5%: from $6.4 million to $6.6 million. This was primarily the result of an increase in the Program's total gas commodity expense. The increase in total program costs was mitigated however by a decrease in total gas consumption from 8,590,230 therms to 7,896,950 (8%). A review of each major program cost element is summarized below:

Natural Gas Commodity Cost. The natural gas commodity cost increased from $3.4 million in 2012-13 to $3.6 million for the 2013-2014 program year. This was the primary reason for the increase in total program gas cost, although the total was below the originally budgeted amount of $4.4 million.

The commodity portion of program costs is composed of: (1) natural gas purchases from gas suppliers for monthly consumption, (2) shrinkage, (3) required storage, and (4) additional costs to transport the gas to PG&E's distribution system. The natural gas commodity costs represented 54% of the total program costs for the year

PG&E Pass-through Costs.[5] A major cost of the natural gas program is the amount charged by PG&E for the distribution of natural gas to customers as well as other public benefit charges. These costs are charged by PG&E to all customers and are subject to regulation by the CPUC. During the past fiscal year these costs totaled approximately $2.6 million representing a 1.1% decrease from the prior year, although the unit rate of PG&E pass-through costs increased by 2.5% to $0.36/therm. The relative impact of the PG&E pass-through costs was 40% of total program costs.

Program Expenses. The remaining costs of the program are the expenses for program management, billing services, gas scheduling and administrative support, including financial and legal services. The cost of these services was $403,317 or 6% of the total program cost.

[5] PG&E costs for noncore accounts are paid by the agency directly to PG&E, and are therefore not included in ABAG POWER's financial reports.

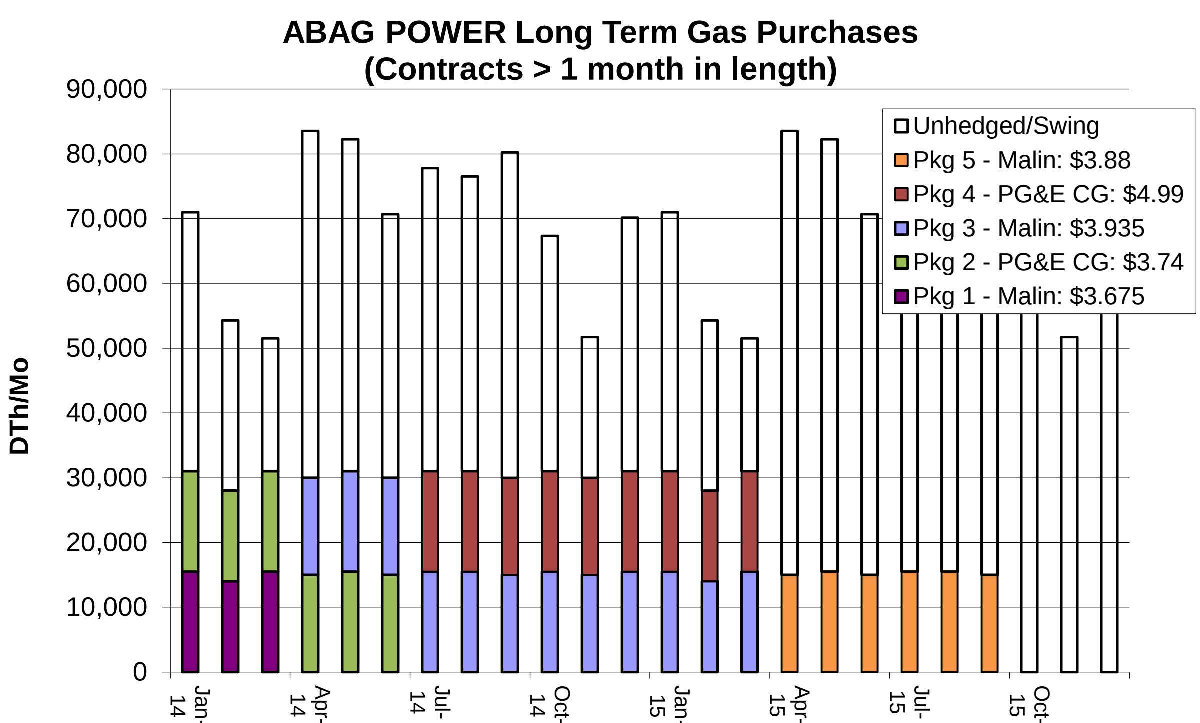
Working Capital Deposits. The ABAG POWER natural gas program agreement requires that each new member of the program provide a deposit equal to two times their estimated monthly charges (Working Capital Deposit). These funds are kept on deposit, and are refunded to members if they leave the program. The total deposit amount is generally reviewed on an annual basis to ensure the program has adequate cash reserves to meet all its payment obligations.

As of June 30, 2014 the gas program had total Working Capital Deposits of: $2,000,785 which represents 2.9 months' worth of currently budgeted expenditures. This is deemed sufficient, and as a result, additional working capital deposits are not anticipated during the current year.

Conclusion

While recent gas prices seem to have stabilized in the $4.00 - $5.00 range, the market volatility of this past winter was a reminder of the more lasting price increases seen during the hurricane year of 2005 and the oil market climb in 2008.

The goals of ABAG POWER's Natural Gas Program are to provide natural gas at a rate competitive with, or less than, the default provider (i.e. PG&E), while at the same time providing a rate that is stable and predictable. These goals require a balance between the need to have a large percentage of gas in long-range, fixed-price contracts or other hedge instrument, and the desire not to lock the program into higher than market rates. ABAG POWER currently maintains a hedged position of approximately 39% for FY 2014-15 (see chart below).



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During the coming year we will continue to evaluate the Program's gas purchasing strategy to best maximize the goals of the Program: *Cost Savings* and *Price Stability*. ABAG POWER will also be looking for opportunities to aid members and their constituents in all areas of energy management, as can be seen in the energy efficiency efforts of the *San Francisco Bay Area Regional Energy Network* (BayREN).

We look forward to working with you during the coming year to make this program responsive to the needs of its member agencies.

ABAG POWER Natural Gas Program

FY 2013-14 Monthly Summary of Operations

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
	days/mo.	31	31	30	31	30	31	31	28	31	30	31	30	
Gas Purchases[1]														
Purchase 1	Qty	15,500	15,500	15,000	15,500	15,000	15,500	15,500	14,000	15,500	15,000	15,479	15,000	182,479
	Price	$3.74	$3.74	$3.74	$3.74	$3.74	$3.74	$3.74	$3.74	$3.74	$3.74	$3.74	$3.74	
Purchase 2	Qty	15,500	15,500	14,963	15,500	15,000	15,500	15,500	14,000	15,500	15,000	15,467	15,000	182,430
	Price	$3.68	$3.68	$3.68	$3.68	$3.68	$3.68	$3.68	$3.68	$3.68	$3.94	$3.94	$3.94	
Purchase 3	Qty	31,819	32,798	31,674	32,798	29,790	30,783	30,783	27,804	30,628	29,640	30,573	29,640	368,730
	Price	$3.56	$3.42	$3.45	$3.41	$3.70	$3.73	$4.44	$4.99	$5.51	$4.51	$4.61	$4.43	
Purchase 4	Qty	3,776	1,500	7,800	5,250	-7,700	29,605	30,907	12,150		1,470	6,058	3,900	94,716
	Price	$3.85	$3.72	$4.00	$3.99	$3.91	$4.67	$4.70	$7.00		$5.10	$5.01	$5.12	
Purchase 5	Qty				-13,000									-13,000
	Price				$3.91									
Total Quantity Purchased		66,595	65,298	69,437	56,048	52,090	91,388	92,690	67,954	61,628	61,110	67,577	63,540	815,355
Total Purchase Cost		$242,753	$232,683	$251,549	$196,890	$191,341	$368,142	$396,867	$327,624	$283,693	$256,296	$290,039	$266,416	$3,304,292
Backbone Shrinkage (Dths)		(488)	(496)	(482)	(496)	(450)	(465)	(465)	(420)	(465)	(450)	(465)	(465)	
WACOG[2]		$3.67	$3.59	$3.65	$3.54	$3.71	$4.05	$4.30	$4.85	$4.64	$4.23	$4.32	$4.22	$4.05
Storage/Inventory														
Total Injections/ (Withdrawals)		9,351	12,100	13,749	0	0	(27,150)	(15,368)	(6,552)	(10,080)	1,341	5,898	17,949	1,238
Total Inventory Quantity (Dths)		49,264	61,364	75,113	75,113	75,113	47,963	32,595	26,043	15,963	17,304	23,202	41,151	
Total Inventory ($)		$214,946	$257,523	$308,550	$308,550	$308,550	$197,023	$134,164	$113,656	$70,194	$75,860	$101,390	$178,082	
Avg. Inventory Rate ($/Dth)		$4.36	$4.20	$4.11	$4.11	$4.11	$4.11	$4.12	$4.36	$4.40	$4.38	$4.37	$4.33	
Gas Program Monthly Expenses (from Financial Reports)														
Cost of Energy Used[3]		$ 242,846	$ 224,231	$ 235,899	$ 231,785	$ 230,005	$ 481,935	$ 527,454	$ 385,942	$ 360,760	$ 292,242	$ 294,205	$ 101,074	$ 3,608,377
Program Operating Expenses[4]		27,461	35,276	31,846	37,678	30,840	49,077	27,131	30,353	33,822	33,166	35,162	34,758	406,568
Subtotal		$ 270,307	$ 259,506	$ 267,745	$ 269,462	$ 260,845	$ 531,012	$ 554,584	$ 416,295	$ 394,583	$ 325,407	$ 329,366	$ 135,832	$ 4,014,945
Rate ($/Dth)		$5.24	$5.06	$5.36	$4.35	$3.40	$5.22	$6.15	$5.59	$5.55	$5.29	$6.27	$2.92	$5.08
PG&E Pass-through costs[5]		130,690	158,155	125,539	168,638	198,955	354,489	330,583	365,513	266,032	200,491	210,599	126,652	2,636,336
Total ABAG POWER Cost		$ 400,997	$ 417,661	$ 393,283	$ 438,100	$ 459,800	$ 885,502	$ 885,168	$ 781,808	$ 660,614	$ 525,898	$ 539,965	$ 262,484	$ 6,651,281
Actual (metered) Gas Usage														
Core[6]		46,071	45,920	45,370	57,730	72,804	96,909	85,394	70,760	66,515	55,949	46,919	41,548	731,888
Non Core		5,523	5,372	4,582	4,260	4,002	4,831	4,835	3,769	4,540	5,539	5,621	4,933	57,807
Total Program Usage		51,594	51,292	49,952	61,989	76,806	101,739	90,230	74,529	71,055	61,488	52,540	46,482	789,695
ABAG POWER Total Core Rate		$ 8.08	$ 8.50	$ 8.13	$ 7.27	$ 6.13	$ 8.88	$ 10.02	$ 10.75	$ 9.55	$ 8.88	$ 10.76	$ 5.97	
PG&E Rate[7]														
Procurement Charge[8]		4.46	4.33	4.02	4.06	5.14	4.73	5.20	5.91	6.45	5.47	5.88	5.50	
Transportation/Other Charge[9]		2.84	3.44	2.77	2.92	2.73	3.66	3.87	5.17	4.00	3.58	4.49	3.05	
Total PG&E Rate		$ 7.29	$ 7.77	$ 6.79	$ 6.98	$ 7.87	$ 8.38	$ 9.07	$ 11.08	$ 10.45	$ 9.06	$ 10.36	$ 8.55	

ABAG POWER Natural Gas Program

FY 2013-14 Monthly Summary of Operations

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Rate Comparison													
Monthly Rate Difference ($/Dth)	0.78	0.73	1.34	0.29	(1.74)	0.49	0.95	(0.33)	(0.89)	(0.18)	0.39	(2.58)	
Monthly Savings ($)	(36,072)	(33,613)	(60,845)	(16,569)	126,645	(47,781)	(81,147)	23,177	59,483	10,198	(18,424)	107,167	
Cumulative 'Savings' ($)	(36,072)	(69,684)	(130,529)	(147,098)	(20,453)	(68,235)	(149,382)	(126,205)	(66,723)	(56,524)	(74,948)	32,219	
Cumulative 'Savings' (%)	-10.7%	-10.1%	-13.0%	-10.5%	-1.0%	-2.4%	-4.2%	-2.9%	-1.3%	-1.0%	-1.2%	0.5%	
Rate Comparison excluding Stranded Pipeline Capacity Costs													
Standed Pipeline Capacity Costs	$ 15,043	$ 15,539	$ 15,163	$ 15,439	$ 14,152	$ 18,186	$ 18,991	$ 18,759	$ 14,275	$ 15,999	$ 15,319	$ 15,372	
Monthly Savings	(22,639)	(19,701)	(47,073)	(2,191)	140,060	(30,459)	(63,174)	40,987	72,846	24,756	(4,744)	120,907	
Cumulative Savings ($)	(22,639)	(42,340)	(89,413)	(91,603)	48,456	17,997	(45,177)	(4,190)	68,656	93,412	88,668	209,576	
Cumulative Savings (%)	-6.7%	-6.1%	-8.9%	-6.5%	2.5%	0.6%	-1.3%	-0.1%	1.4%	1.7%	1.5%	3.3%	
Monthly Index Postings													
NGI Bidweek for PG&E Citygate	$3.81	$3.76	$3.88	$3.86	$3.98	$3.95	$4.64	$5.18	$5.53	$5.00	$5.21	$5.02	
Gas Daily Avg. for PG&E Citygate	$3.82	$3.71	$3.99	$3.98	$3.86	$4.67	$4.69	$6.84	$5.23	$5.09	$5.04	$5.11	
NGI Bidweek for Malin	$3.55	$3.41	$3.44	$3.40	$3.69	$3.72	$4.43	$4.98	$5.50	$4.50	$4.60	$4.42	

Notes:

(1) All gas quantities in Dth and rates in $/Dth. (Does not include imbalance purchases traded to storage.)
(2) Weighted Average Cost of Gas (WACOG) at PG&E Citygate
(3) Includes costs to transport gas to PG&E Citygate from alternate delivery points, as well as physical storage costs.
(4) Includes scheduling fees, billing fees, administrative costs and misc. expenses; less interest income.
(5) PG&E charges billed to ABAG POWER via EDI process and passed through to customers. These costs do not necessarily tie directly to the actual gas usage shown above due to timing difference in reporting.
(6) From billing data
(7) Based on PG&E's G-NR1 rate schedule.
(8) Includes: Procurement Charge, Capacity Charge, Brokerage Fee, Shrinkage, and Storage.
(9) PG&E Transportation Charge; Customer Charge, and surcharge for Public Purpose Programs. Does not include Franchise Fees and City Taxes.

DATE: October 23, 2014

TO: ABAG POWER Board of Directors

FROM: Gerald L. Lahr, Manager, ABAG POWER

RE: **Natural Gas Pipeline Capacity Costs Update**

This memo provides an update on the stranded pipeline capacity cost issue that has been discussed with the Board over the past couple of years.

Summary. During the past year ABAG POWER continued its involvement with the CTA Consortium (CTAC) in an effort to modify regulations that currently require Core Transportation Agents (CTAs), such as ABAG POWER, to take or pay for a share of all long-term interstate pipeline capacity held for core customers by PG&E. CTAC and ABAG POWER are seeking regulatory modifications that will reduce the significant cost burden this policy places on the program.

The primary vehicle for seeking this regulatory change has been through the California Public Utilities Commission's (CPUC or Commission) proceeding in which PG&E has applied "to set a new core interstate pipeline capacity planning range" (A13-06-011). The advancement of this proceeding is substantially complete, and it is now awaiting a decision at the CPUC.

Background. California's "core aggregation" program provides retail choice in the core natural gas market by allowing core customers to purchase gas directly from competitive suppliers (Core Transportation Agents or CTAs) rather than from investor owned utilities (IOUs) such as PG&E. ABAG POWER's natural gas aggregation program operates under the policies and regulations applied to all CTAs, and the program seeks to achieve the dual goals of providing cost savings and price stability to local government agencies.

Until early 2012 CTAs were able to request and receive an assignment of PG&E's core interstate pipeline capacity in monthly or annual increments, but were never obligated to pay for pipeline capacity contracted by PG&E for its core customers that the CTAs did not actually use. However, due to prior decisions by the Commission these rules were changed such that CTAs are now required to pay for a portion of PG&E's pipeline and storage capacity in an amount equal to their market share, whether or not CTAs actually use the capacity.

In July 2011 ABAG POWER joined with other CTAs ('CTA Consortium') in an effort to reduce its exposure to the stranded capacity costs created by PG&E. The Consortium hired legal counsel (Winston & Strawn) along with technical consultants to study the issues, offer advice, and represent CTAC members before the Commission. Ultimately these advocacy efforts led to the requirement that PG&E file an application with the Commission to determine the appropriate level of interstate capacity for PG&E to hold in the future, and whether they should hold capacity on behalf of CTAs.

In June of 2013 PG&E filed its application as required, and the proceeding has moved through the testimony, hearings and briefing process. Oral argument is now expected to be scheduled in October, with a final decision to follow shortly.

To date, ABAG POWER has obligated itself to spending approximately $39,000 for its share of the legal costs associated with this effort.

Discussion. In April 2012 ABAG POWER began receiving invoices from PG&E for the unrecovered pipeline capacity costs in accordance with current regulations. We are now in the third year of a four-year transition period, with the invoices averaging approximately $16,000/month over the past year. ABAG POWER staff currently estimate that the cost burden to the program could increase to approximately $25-30,000/month in 2015 ($310,000/yr), assuming the CPUC regulations remain unchanged. This cost has the potential to overwhelm any program savings.

In the past, ABAG POWER has chosen not to utilize the interstate capacity offered to it for a variety of reasons, including: (1) the cost of the capacity is relatively high; (2) the amount of capacity offered varies from pipeline to pipeline creating mismatches that lead to stranded capacity; (3) significant administrative burden in implementing and maintaining contracts with the various pipeline companies; (4) accepting the capacity forces the program to purchase gas based on PG&E's selection of pipelines, thus limiting the program's flexibility to purchase gas at the least cost; (5) the relatively small amounts of capacity offered to ABAG POWER are not in quantities that are preferred by gas suppliers.

Due to the reasons stated above, ABAG POWER and its operations team have, so far, concluded that it is more favorable to decline the interstate capacity offerings; allow the rejected capacity to be entered into PG&E's market auction, and accept the revenue that is gained from the auction as an offset to the cost.

Conclusion. While the goals of ABAG POWER are not solely related to cost savings, this remains a significant driver of the program, and the unrecovered capacity costs could provide a barrier to this objective.

In addition, CTAs as a group desire to maintain their ability to choose for themselves the most economical way to supply the natural gas needs of their customers, rather than being bound by the capacity decisions made by PG&E. ABAG POWER concurs with this desire, and therefore intends to continue to support the efforts of the CTA Consortium. It is hoped that the current proceedings before the CPUC will result in modifications to regulations such that the program can begin to reduce the expenses associated with the stranded pipeline capacity costs.

ABAG POWER staff, in consultation with the Executive Committee, will continue to monitor the regulatory proceedings as well as the costs associated with this issue to see if any change in strategy or program operation is warranted.

ABAG POWER

CTA Unrecovered Capacity - Invoices

Bill Period	Amount	Estimate
Apr-12	$ 616	
May-12	614	
Jun-12	663	
Total FY 2011-12:	**$ 1,892**	
Jul-12	$ 3,358	
Aug-12	3,366	
Sep-12	3,387	
Oct-12	3,692	
Nov-12	2,704	
Dec-12	3,408	
Jan-13	3,771	
Feb-13	4,022	
Mar-13	4,687	
Apr-13	11,446	
May-13	11,683	
Jun-13	12,065	
Total FY 2012-13:	**$ 67,587**	
		Projected (8/13)
Jul-13	$ 15,043	$ 15,042
Aug-13	15,539	15,042
Sep-13	15,163	15,042
Oct-13	15,439	15,042
Nov-13	14,152	14,857
Dec-13	18,186	14,993
Jan-14	18,991	14,993
Feb-14	18,759	14,993
Mar-14	14,275	13,732
Apr-14	15,999	18,657
May-14	15,319	18,657
Jun-14	15,372	18,657
Total FY 2013-14:	**$ 192,238**	**$ 189,707**

Bill Period	Amount	Estimate
Jul-14	$ 11,827	$ 18,657
Aug-14	11,575	18,657
Sep-14	11,522	18,657
Oct-14		18,657
Nov-14		18,657
Dec-14		20,451
Jan-15		20,451
Feb-15		20,451
Mar-15		18,657
Apr-15		25,223
May-15		25,223
Jun-15		25,223
Total FY 2014-15:	**$ 34,923**	**$ 248,961**
Jul-15		$ 25,223
Aug-15		25,223
Sep-15		25,223
Oct-15		25,223
Nov-15		25,223
Dec-15		27,728
Jan-16		27,728
Feb-16		27,728
Mar-16		25,223
Apr-16		25,223
May-16		25,223
Jun-16		25,223
Total FY 2015-16:	**$ -**	**$ 310,189**
Total to date:	**$ 296,640**	

DATE: October 23, 2014

TO: ABAG POWER Board of Directors

FROM: Herbert L. Pike, ABAG Chief Financial Officer

RE: **Preliminary Financial Reports – June 2014**

We are happy to present the preliminary financial reports for the fiscal year ending June 30, 2014. Highlights of these reports can be summarized as follows:

Natural Gas Pool

As of June 30, 2014, the Natural Gas Pool has about $3.50 million in total assets, including the $2.09 million investment in LAIF. In FY 2013-14, natural gas billings amounted to $7.65 million, but $1.00 million was reclassified as unearned energy revenues to be refunded to the members in FY 2013-14 (in the True-Up). Thus, the Income Statement reflects the net revenue of $6.66 million from natural gas billings and interest income.

The balance of working capital, a refundable deposit from members, amounted to $2.00 million as of June 30, 2014. This $2.00 million is unchanged from the previous fiscal year-end working capital. The interest income earned in a year resulting from holding working capital, although nominal at current interest rates, is included as part of the true-up adjustment to be paid in the following year.

Overall revenues were almost 15 percent below budget, with the variance of some $1.12 million being attributed to lesser than expected energy usage (mild winter) and unit cost of natural gas. Energy costs were less than originally expected resulting in $1.12 million (15.2 percent) less than budget being spent. Of the $6.24 million spent on energy, 42 percent ($2.64 million) was attributed to PG&E pass-through and 58 percent ($3.61 million) to actual cost of energy used. All other operating expenses came in about $27 thousand less than budgeted. Most of this reduction ($11 thousand) in eliminated Billing Agent Fees and ($15 thousand) is attributable to reduced personnel costs due to Mr. Lahr spreading his hours out to both the POWER program and numerous new grant-funded projects involving energy retrofits, establishing electric vehicle charging stations, energy inventories, and other miscellaneous energy-related projects. Total expense, excluding energy costs, was $439 thousand.

Our auditors are in the process of auditing these financial statements. To-date, we have not been advised of any deficiencies or necessary adjustments. We expect the audited financial statement will be available in December.

Attachments: Balance Sheet as of June 30, 2014
Income Statement for FY 2013-2014

INCOME STATEMENT

ABAG Power Pool - Gas Pool
JUN-14 USD FINAL

	FY Budget	Actual Year-to-date	% of Budget	Budget Balance
REVENUES				
SALE OF ENERGY	7,794,635.00	6,651,280.53	(85.33)%	1,143,354.47
INTEREST INCOME	9,000.00	5,041.51	(56.02)%	3,958.49
	---------------	---------------	----------------	---------------
TOTAL REVENUES	7,803,635.00	6,656,322.04	(85.30)%	1,147,312.96
	---------------	---------------	----------------	---------------
EXPENSES				
COST OF ENERGY				
COST OF ENERGY USED	4,365,587.00	3,608,377.05	82.66%	757,209.95
PG&E PASSTHROUGH	2,999,495.00	2,636,335.66	87.89%	363,159.34
	---------------	---------------	----------------	---------------
TOTAL COST OF ENERGY	7,365,082.00	6,244,712.71	84.79%	1,120,369.29
	---------------	---------------	----------------	---------------
CONSULTANT SERVICES				
LEGAL CONSULTANTS	15,000.00	17,500.00	116.67%	(2,500.00)
BILLING AGENT FEES	10,500.00	(1,853.52)	(17.65)%	12,353.52
SCHEDULING AGENT FEES	18,014.00	16,246.58	90.19%	1,767.42
ABAG FEES	386,039.00	371,424.08	96.21%	14,614.92
	---------------	---------------	----------------	---------------
TOTAL CONSULTANT SERVICES	429,553.00	403,317.14	93.89%	26,235.86
	---------------	---------------	----------------	---------------
OTHER DIRECT CHARGES				
INTEREST EXPENSE/BANK CHARGES	9,000.00	8,292.19	92.14%	707.81
	---------------	---------------	----------------	---------------
TOTAL OTHER DIRECT CHARGES	9,000.00	8,292.19	92.14%	707.81
	---------------	---------------	----------------	---------------
TOTAL EXPENSES	7,803,635.00	6,656,322.04	85.30%	1,147,312.96
	---------------	---------------	----------------	---------------
SURPLUS/(DEFICIT)	0.00	0.00	n/m	0.00
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BALANCE SHEET

ABAG POWER POOL - GAS POOL
JUN-14 USD FINAL

	Total	Natural Gas	Electricity
	------------	------------	------------
ASSETS			
CASH IN BANK	827,748.83	827,748.83	0.00
LOCAL AGENCY INVEST. FUND	2,093,023.98	2,093,023.98	0.00
ACCOUNTS RECEIVABLE	167,021.32	167,021.32	0.00
ACCT. REC. POWER POOL SALES	232,921.16	232,921.16	0.00
ACCR. INT. REC. LAIF	1,201.62	1,201.62	0.00
NATURAL GAS INVENTORY	178,082.02	178,082.02	0.00
	------------	------------	------------
TOTAL ASSETS	3,499,998.93	3,499,998.93	0.00
	============	============	============
LIABILITIES			
ACCOUNTS PAYABLE	496,364.35	496,364.35	0.00
UNEARNED ENERGY REVENUES	1,002,849.47	1,002,849.47	0.00
WORKING CAPITAL CLIENT DEPOSITS	2,000,785.11	2,000,785.11	0.00
	------------	------------	------------
TOTAL LIABILITIES	3,499,998.93	3,499,998.93	0.00
	------------	------------	------------
FUND EQUITY			
GENERAL EQUITY			
CURRENT YEAR SURPLUS/(DEFICIT)	0.00	0.00	0.00
	------------	------------	------------
TOTAL GENERAL EQUITY	0.00	0.00	0.00
	------------	------------	------------
TOTAL FUND EQUITY	0.00	0.00	0.00
	------------	------------	------------
TOTAL LIABILITIES AND FUND EQUITY	3,499,998.93	3,499,998.93	0.00
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