ABAG POWER Executive Committee Meeting No. 2009-02
April 15, 2009 (12 Noon - 2:00 p.m.)

Association of Bay Area Governments
101 Eighth Street, Conference Room B
Oakland, CA 94607

AGENDA*

Teleconference Locations

Association of Bay Area Governments
101 Eighth Street
Office of Jerry Lahr
Oakland, CA 94607

County of Contra Costa
General Services Department
1220 Morello Avenue, Ste.200
Martinez, CA 94553

Golden Gate Bridge, Highway, and Transportation District
Golden Gate Bridge Toll Plaza
San Francisco, CA 94129

City of Millbrae
Office of Ron Popp
621 Magnolia Avenue
Millbrae, CA 94030

City of Milpitas
Office of Chris Schroeder
455 E. Calaveras Blvd., 4th Floor
Milpitas, CA 95035-5411

City of Santa Rosa
Office of Ed Buonaccorsi
635 First Street, 2nd Floor
Santa Rosa, CA 95404

City of Vallejo
111 Amador St.
Vallejo, CA 94952

1. Welcome and Introductions

2. Public Comments

3. Approve Summary Minutes of February 18, 2009 Executive Comm. Meeting
Action:
ATTACHMENT 3A – SUMMARY MINUTES OF FEBRUARY 18, 2009

4. Report on Natural Gas Program
Information: Staff will review the gas operations for January and February; recent gas purchases; the program's long-term hedge position; gas imbalances, and other miscellaneous program items. Staff will also update the status of the Energy Data Pilot Project.
ATTACHMENT 4A – MONTHLY SUMMARY OF OPERATIONS FY 08-09
ATTACHMENT 4B – GAS HEDGE CHART
ATTACHMENT 4C – MARKET PRICE CHART
ATTACHMENT 4D – GAS PRICE COMPARISON

5. 2007-08 Financial Reports
Action: Approve 2007-08 Audited Financial Reports.
ATTACHMENT 5A – FINANCIAL STATEMENT FOR YEAR ENDING JUNE 30, 2008

6. Electric Program Escrow Funds
Information: Staff will update the Committee on recent developments regarding the release of the PX escrow deposits and discussions with NCPA.
ATTACHMENT 6A – ELECTRIC PROGRAM STATUS MEMO

7. Solar & Energy Efficiency Financing District
Information: Discussion of ABAG's interest in developing a regional solar financing district.
ATTACHMENT 7A – STAFF REPORT TO ABAG EXECUTIVE BOARD 3/19/09

*The Committee may take action on any item on this agenda

Attachment 3A

SUMMARY MINUTES

ABAG Power Executive Committee
Meeting 2009-01
February 18, 2009
Metro Center, 101 8th Street, Oakland, CA 94607

WELCOME AND INTRODUCTIONS

Chairman John Cerini opened the meeting with introductions at 12:05 p.m.

Committee Representatives	**Jurisdictions**
Ed Buonaccorsi	City of Santa Rosa
John Cerini, Chairman	City of Vallejo
Jennifer Mennucci, Vice-Chairwoman	Golden Gate Bridge District
Chris Schroeder	City of Milpitas
Members Absent	
Raj Pankhania	City of Hercules
Ron Popp	City of Millbrae
Terry Mann	County of Contra Costa
Guests Present	
Suzanne McFadden	Golden Valley Gas Services, Inc.
Staff Present	
Henry Gardner	ABAG
Jerry Lahr	ABAG POWER
Vina Maharaj	ABAG POWER
Kenneth Moy	ABAG
Herbert Pike	ABAG

PUBLIC COMMENTS & ANNOUNCEMENTS

There were no public comments.

APPROVAL OF SUMMARY MINUTES OF DECEMBER 17, 2008 MEETING

Motion was made by Buonaccorsi/S/Mennucci/C/4:0:0 to approve the Summary Minutes of December 17, 2008 Executive Committee Meeting.

Attachment 3A

REPORT ON NATURAL GAS PROGRAM
Monthly Summary of Operations FY 08-09
ABAG POWER's Financial Audit Report for FY 07-08 was not available due to a delay, however, Lahr said it will be presented to the members at the April meeting for approval.

Lahr handed out information on AB 2466, Renewable Energy Credits for Local Governments, which was part of a presentation by joint utilities at a recent workshop. AB 2466 allows an eligible customer to apply excess renewable power produced from a customer account ("Generating Account") as energy credits against charges for power delivered to one or more of its other accounts ("Benefiting Accounts"). Lahr mentioned that the way this legislation is written and the way utilities want to implement it, some in the industry doubt that it will work with the economics of the projects.

Lahr provided the members with the Monthly Summary of Operations report for FY 2008-09. He said that the cumulative savings has dropped off to a lower percentage in December due to the recent downturn in market prices, however, ABAG POWER has maintained a positive cumulative savings percentage compared to PG&E during the first five months of the fiscal year 2008-09.

Gas Hedge Chart
Lahr provided a chart showing ABAG POWER's long-term gas purchases. He mentioned that ABAG POWER entered into a new long-term gas purchase for a one-year contract, starting in July, 2009 through June, 2010, at a fixed price of $5.81.

GOLDEN VALLEY GAS SERVICES (GVGS)
Suzanne McFadden, Managing Director of GVGS made a presentation to the Executive Committee, regarding scheduling services it provides to ABAG POWER. Lahr said that GVGS had been scheduling gas for the program since July, 2008 when they were selected as the new schedulers for the program through a RFP process. McFadden gave an overview of her company's services and provided handouts to the members.

ENERGY DATA SYSTEM – PILOT PROJECT
Lahr provided a detailed description of the pilot project, including the project timeline, responsibilities of both ABAG and the Pilot agency and the expected outcomes of the project. Lahr explained the processes by which agencies were considered for participation in the pilot. He said that the end result was that two agencies, the Cities of Milpitas and Pleasanton were identified as the finalists. At this point, committee member Schroeder of the City of Milpitas, recused himself and left the room.

The balance of the Executive Committee members discussed the requirements of the project, and the pros and cons of both agencies were considered.

Motion was made by Buonaccorsi/S/Mennucci/C/3:0:0 that the City of Milpitas be considered as the test agency for the start of the Pilot project, however, in 3 – 6 months, an update be provided by the Staff to the Executive Committee. At that time the committee will re-evaluate the project and decide whether to continue and/or include the second agency, the City of Pleasanton. Committee member Schroeder rejoined the meeting at this point.

NATURAL GAS LITIGATION UPDATE
Lahr provided the members with a revised natural gas litigation proceeds allocation spreadsheet. He said that the total litigation settlements to date is $460,646.79.

There was discussion about the possibility of future litigation or other costs which could possibly be deducted from the proceeds. Moy and Lahr said that most of the litigation costs were incurred during the discovery processes, and they predict that future litigation costs, primarily for monitoring, will be minimal.

There was discussion whether to distribute the funds to the agencies who have opted-out of the natural gas program. A general consensus was reached to not distribute any funds at this time but to bring this issue back to the Executive Committee at their August meeting. At that time, the Executive Committee will decide on recommendations to take to the Board of Directors at the Annual Board meeting in October.

Update on the ABAG Energy Watch Program
Lahr provided the members with an update which included the program's achievements through December, 2008. He said ABAG had received bridge funds as well as additional incentive funds to continue projects beyond the official end date of December 31, 2008. Lahr said he was very pleased with the program's preliminary end-of-year results.

Lahr said that the ABAG Energy Watch Program is in the process of transitioning to the Energy Watch sub-regional partnerships.

Regional Energy Financing Initiative
Lahr mentioned that Ezra Rapport, who is ABAG's new Deputy Executive Director is leading and moving this project forward. His group plans on pursuing discussions which not only includes solar but encompasses renewable energy as well as energy efficiency. Their approach includes partnering with PG&E who have expressed interest by assigning staff time for this project.

ADJOURNMENT
Chairman Cerini adjourned the meeting at 2:05 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

ABAG POWER Natural Gas Program
FY 2008-09 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	15,500	15,000	182,500
	Price	$7.44	$7.44	$7.44	$7.44	$7.44	$7.44	$7.44	$7.44	$7.44	$7.44	$7.44	$7.44	
Purchase 2	Qty	15,500	15,500	15,000	15,500	14,781	15,500	15,500	14,000	15,500	15,000	15,500	15,000	182,281
	Price	$7.66	$7.66	$7.66	$7.66	$7.66	$7.66	$7.66	$7.66	$7.66	$7.50	$7.50	$7.50	
Purchase 3	Qty	15,500	15,500	15,000	15,500	14,998	15,500	15,500	14,000	15,500				136,998
	Price	$12.32	$8.44	$7.90	$7.90	$7.90	$7.90	$7.90	$7.90	$7.90				
Purchase 4	Qty	13,826	13,594	13,200	13,578	15,000	15,500	15,500	14,000	15,500				129,698
	Price	$12.18	$8.28	$7.17	$6.26	$9.09	$9.09	$9.09	$9.09	$9.09				
Purchase 5	Qty	4,020	8,325	11,950	12,700	14,751	43,602	32,547	20,896	14,067				162,858
	Price	$9.61	$8.04	$6.73	$6.37	$5.89	$6.16	$5.90	$4.47	$3.87				
Total Quantity Purchased		64,346	68,419	70,150	72,778	74,530	105,602	94,547	76,896	76,067	30,000	31,000	30,000	794,335
Total Purchase Cost		$631,970	$544,309	$520,008	$522,386	$566,554	$766,122	$689,330	$542,684	$551,818	$224,100	$231,570	$224,100	$6,014,951
Backbone Shrinkage (Dths)		(589)	(590)	(570)	(589)	(568)	(589)	(589)	(532)	(589)				
Weighted Avg. Cost of Gas (WACOG) [2]		$9.91	$8.02	$7.47	$7.24	$7.66	$7.30	$7.34	$7.11	$7.31	$7.47	$7.47	$7.47	$7.57
Storage/Inventory														
Total Injections/ (Withdrawals)		11,966	11,966	12,738	10,633	0	(14,350)	(19,665)	(16,150)					(2,862)
Total Inventory Quantity (Dths)		46,972	58,938	71,676	82,309	82,309	67,959	48,294	32,144					
Total Inventory ($)		$424,830	$520,854	$616,691	$694,414	$694,414	$571,278	$405,970	$270,209					
Gas Program Monthly Expenses (from Financial Reports)														
Cost of Energy Used[3]		$ 529,250	$ 464,139	$ 439,964	$ 460,509	$ 579,235	$ 910,085	$ 868,570						$ 4,251,751
Program Operating Expenses[4]		20,299	28,516	27,161	29,466	19,637	29,940	19,877						174,894
Subtotal		$ 549,548	$ 492,655	$ 467,125	$ 489,975	$ 598,872	$ 940,024	$ 888,446	$ -	$ -	$ -	$ -	$ -	$ 4,426,645
Rate ($/Dth)		$10.07	$9.03	$8.58	$7.27	$7.77	$8.49	$8.02	$0.00					$7.09
PG&E Pass-through costs[5]		122,274	139,604	81,317	146,291	144,044	297,992	300,910						1,232,432
Total ABAG POWER Cost		$ 671,822	$ 632,259	$ 548,442	$ 636,265	$ 742,916	$ 1,238,016	$ 1,189,356						$ 5,659,078
Actual (metered) Gas Usage														
Core[6]		43,666	41,708	41,542	54,783	67,333	99,574	99,043	85,098					532,747
Non Core		10,908	12,845	12,907	12,600	9,712	11,149	11,764	9,460					91,344
Total Program Usage		54,574	54,553	54,449	67,383	77,044	110,723	110,808	94,558	0	0	0	0	624,091
ABAG POWER Total Core Rate		$ 12.87	$ 12.38	$ 10.54	$ 9.94	$ 9.91	$ 11.48	$ 11.06						
PG&E Rate[7]														
Procurement Charge[8]		14.80	12.45	9.05	7.79	7.18	5.92	7.03	6.54	5.32	4.68			
Transportation/Other Charge[9]		2.80	3.35	1.96	2.67	2.14	2.99	3.04	-					
Total PG&E Rate		$ 17.60	$ 15.80	$ 11.01	$ 10.46	$ 9.32	$ 8.91	$ 10.07	$ 6.54	$ 5.32	$ 4.68	$ -	$ -	
Monthly Rate Difference ($/Dth)		(4.73)	(3.42)	(0.47)	(0.51)	0.59	2.57	0.99						
Monthly Savings ($)		206,643	142,718	19,726	28,156	(40,009)	(256,052)	(97,975)						
Cumulative Savings ($)		206,643	349,361	369,087	397,243	357,235	101,183	3,208						
Cumulative Savings (%)		26.9%	24.5%	19.6%	16.2%	11.6%	2.5%	0.1%						

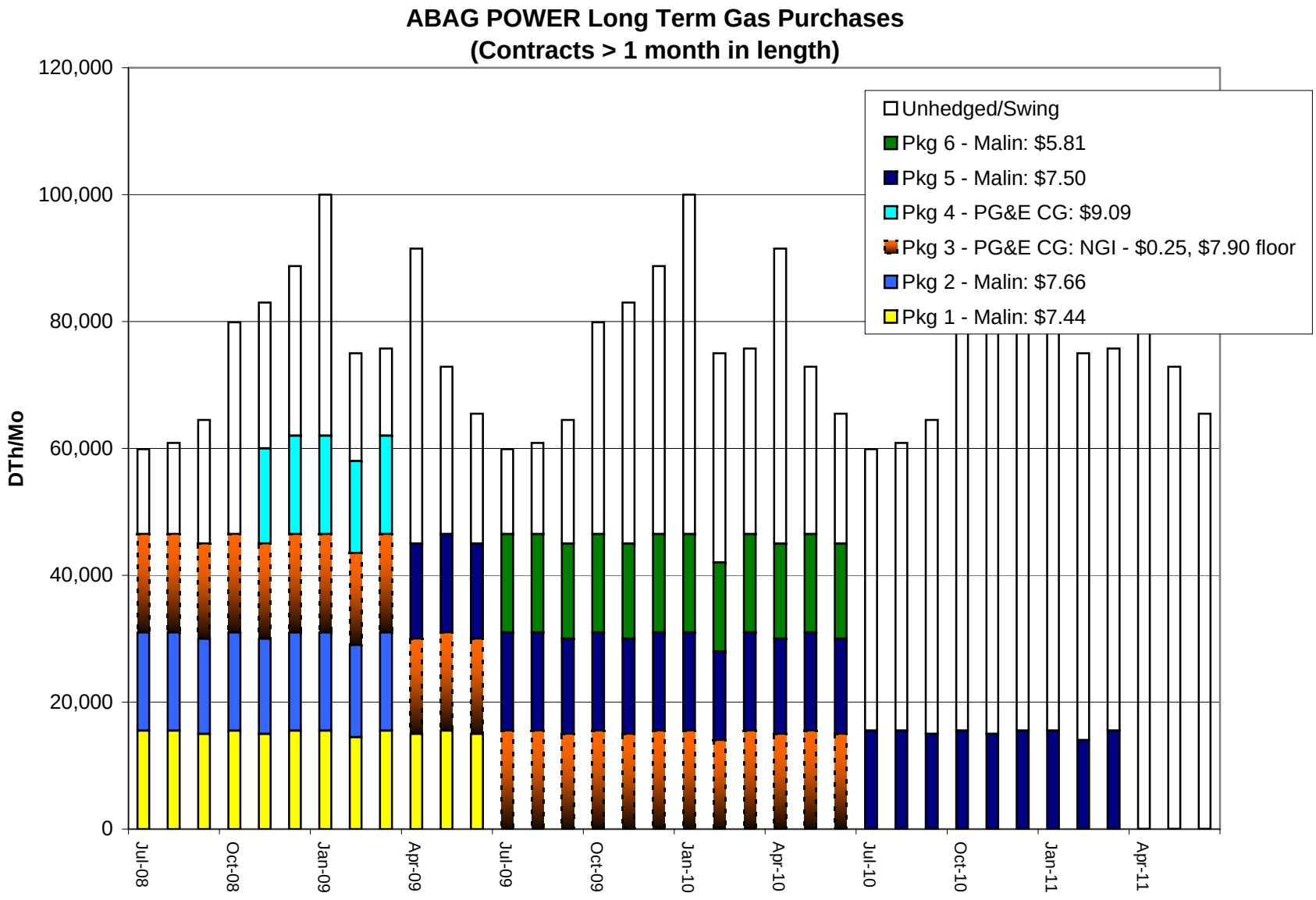
ABAG POWER Natural Gas Program
FY 2008-09 Monthly Summary of Operations

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Storage Gas Accounting														
Beginning Quantity		35,006												
Average Price		$8.75												
Beginning of Month	Qty	35,006	46,972	58,938	71,676	82,309	82,309	67,959	48,294	32,144	20,000	20,000	20,000	
Injections	Qty	12,121	12,121	11,730	7,455	0	0	0	0					
Storage Shrinkage	Qty	-155	-155	-150	-101									
	Price	$9.91	$8.02	$7.47	$7.24	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Imbalance Trades	Qty			1,158	3,279		2,150							
	Price			$8.03	$7.47		$7.47							
Withdrawals	Qty	0	0	0	0	0	16,500	19,665	16,150	12,144				
	Price	$8.75	$9.04	$8.84	$8.60	$8.44	$8.44	$8.41	$8.41	$8.41				
End of Month	Qty	46,972	58,938	71,676	82,309	82,309	67,959	48,294	32,144	20,000	20,000	20,000	20,000	
	Avg. Pric	$9.04	$8.84	$8.60	$8.44	$8.44	$8.41	$8.41	$8.41					
End of Month Inventory		$424,830.27	$520,854.15	$616,690.54	$694,413.97	$694,413.97	$571,278.00	$405,969.77	$270,209.39					
Monthly Index Postings														
NGI Bidweek for PG&E Citygate		$12.57	$8.69	$7.73	$6.45	$6.06	$6.42	$6.00	$4.77	$4.19	$3.99			
Gas Daily Avg. for PG&E Citygate		$10.75	$8.06	$6.73	$6.36	$6.15	$6.12	$5.35	$4.56	$3.96				
NGI Bidweek for Malin		$12.15	$8.26	$7.15	$6.24	$5.80	$6.19	$5.67	$4.52	$3.82	$3.59			

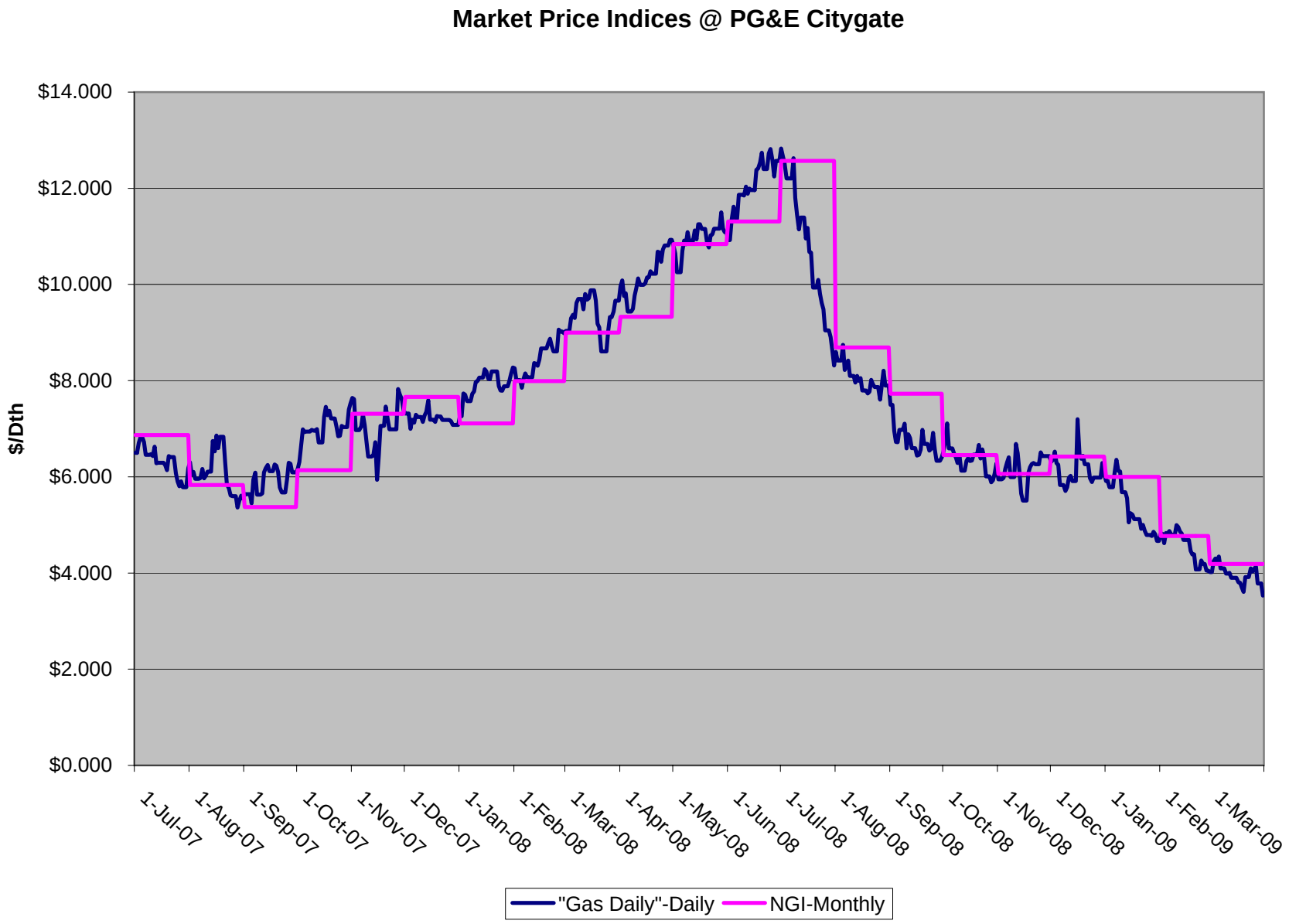
Notes:
(1) All gas quantities in Dth and rates in $/Dth.
(2) WACOG at PG&E Citygate
(3) Includes costs to transport gas to PG&E Citygate from alternate delivery points, as well as physical storage costs.
(4) Includes scheduling fees, billing fees, administrative costs and misc. expenses; less interest income.
(5) Actual cost of PG&E charges billed to customer via EDI process. 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.

Gas Hedge Chart

Attachment 4B



Attachment 4C



ABAG POWER

Agenda Item #4D

Gas Price Comparison 2003 - Present

Calendar Year	ABAG POWER Avg. Rate*	PG&E Core Proc. Avg. (GNR-1)*	ABAG POWER Core Usage (Dths)	Savings	% Savings	Avg. Market Rates (Commodity only) NGI FOM Index	Avg. Market Rates (Commodity only) Gas Daily Avg Index
2003	5.37	5.83	780,486	$ 358,551	7.9%	5.20	5.02
2004	5.62	5.88	756,084	$ 199,470	4.5%	5.85	5.74
2005	7.92	8.28	771,504	$ 280,282	4.4%	7.73	7.92
2006	9.30	8.15	821,155	$ (945,551)	-14.1%	6.70	6.47
2007	7.96	8.24	809,645	$ 225,528	3.4%	6.86	6.89
2008	8.42	9.03	809,222	$ 493,924	6.8%	8.63	8.59
Total Average	7.47	7.60	Grand Total: (Weighted Avg.)	$ 612,204	1.7%	6.83	6.77

* Average weighted by monthly usage.

ABAG
PUBLICLY OWNED ENERGY RESOURCES

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

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ABAG
PUBLICLY OWNED ENERGY RESOURCES
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

Table of Contents

Page

Independent Auditors' Report 1

Management's Discussion and Analysis 3

Basic Financial Statements

Statement of Net Assets 6

Statement of Activities 7

Statement of Cash Flows 8

Notes to Financial Statements 9

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MAZE & ASSOCIATES

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 · FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
ABAG Publicly Owned Energy Resources
Oakland, California

We have audited the financial statements of each major fund of the ABAG Publicly Owned Energy Resources (POWER) for the year ended June 30, 2008, which collectively comprise POWER's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of POWER's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects the respective financial position of each major fund of POWER as of June 30, 2008, and the respective changes in financial position and cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Maze + Associates

December 22, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

ABAG Publicly Owned Energy Resources (POWER) has issued the financial reports for fiscal year ending June 30, 2008 based on the provisions of the Government Accounting Standards Board Statement 34, "Basic Financial Statement and Management's Discussion & Analysis—for State and Local Governments," (GASB 34). One of the most significant requirements of GASB 34 is for government entities to prepare financial reports using the full accrual basis of accounting. Since POWER has already been using this method of accounting, changes in its financial reports are primarily in format of presentation.

GASB 34 requires POWER to provide an overview of financial activities in the fiscal year and it should be read in conjunction with the accompanying financial statements.

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements required under GASB 34 include:

(1) Statement of Net Assets—provides information about the financial position of POWER, including assets, liabilities and net assets. The difference between this statement and the traditional Balance Sheet is that net assets (fund equity) are shown as the difference between total assets and total liabilities.
(2) Statement of Activities—presents revenues, expenses and changes in net assets for the fiscal year. It differs with the traditional Statement of Revenues and Expenses in that revenues and expenses directly attributable to operating programs are presented separately from investment income and financing costs.
(3) Statement of Cash Flows—provides itemized categories of cash flows. This statement differs from the traditional Statement of Cash Flows in that it presents itemized categories of cash in flows and out flows instead of computing the net cash flows from operation by backing out non-cash revenues and expenses from net operating income. In addition, cash flows related to investments and financing activities are presented separately.

The Basic Financial Statements above provide information about the financial activities of POWER's two programs—Natural Gas and Electricity, each in a separate column instead of in summary form, as in the past.

FISCAL YEAR 2008 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

- POWER's total assets were $5.3 million at June 30, 2008. At June 30, 2007, total assets were $3.9 million.
- POWER's total revenues, including program and general revenues, were $10.2 million in FY 2008, while total expenses were $10.2 million.
- POWER's total net assets remained at zero at June 30, 2008. The accounting process for POWER is set up such that all surpluses and deficits are recorded as liabilities due to members.

- Revenues from sale of natural gas were $10.1 million and cost of gas amounted to $9.9 million in FY 2008.
- The Electricity Pool was suspended on June 30, 2001 and had no operating revenues and operating expenses during FY2008.
- General and administrative expense, comprising professional fees and reimbursement of administrative expenses to ABAG, were $333 thousand for the Natural Gas Pool.
- Under other income (expense), the Natural Gas Pool had $105 thousand in interest income. The Electricity Pool reported administrative expenses in a net amount of $24 thousand that is offset by a transfer of funds from the Members' Balancing Account. The closing of the Electricity Pool is described further in Note 3.

MAJOR PROGRAM INITIATIVES IN FY 2008

Natural Gas Pool

Currently the natural gas aggregation program has 38 member cities, counties and special districts located in Northern California. As of June 30, 2008, the pool was serving a total of 850 core accounts and three non-core accounts. For FY 2008, levelized natural gas billings totaled $11.6 million, while total expenses were $10.2 million. The excess of revenues over expenses in the amount of roughly $1.5 million was recorded as unearned revenues and will be returned to members as true up adjustments in billings during FY 2009. Total gas usage of the program was approximately 9.5 million therms during FY 2008.

Continuing with POWER's strategy in purchasing natural gas, about 68% of purchases during FY 2008 were with fixed-price contracts. The remainder of the program's gas requirements was filled with monthly and daily purchases. This combination of purchases produced an end-of-year weighted average price that was approximately 7.3% lower than PG&E's similar rate schedule (GNR-1).

Electricity Pool

In accordance with the wind up agreement, ABAG POWER distributed to members in 2004 the remaining assets of the Electricity Pool in the amount of $21 million and retained $100,000 to cover residual administrative expenses going forward. During FY 2008, approximately $24 thousand (net of interest earnings) was withdrawn to cover expenses, leaving a balance of about $7 thousand as of June 30, 2008.

PROGRAM OUTLOOK FOR FY 2009

Although natural gas prices have softened up over the past year, management believes gas prices will continue to be relatively volatile over the near term. The business objective of ABAG POWER is to offer a reliable energy source at stable prices. The program is deemed to be even more valued during periods of uncertainty. Management is also in the process of upgrading the billing system to enhance its usage analysis capabilities.

ABAG Energy Watch

In 2006, ABAG received funding to implementing an energy efficiency program for local governments that complements the ABAG POWER energy aggregation program. The

ABAG Energy Watch program is designed to assist local governments achieve energy and cost savings by improving energy efficiency in public facilities and help local governments create community-wide energy savings through energy policies and programs. The program is funded by California utility ratepayers under the auspices of the California Public Utilities Commission, and all services of the program are free to eligible agencies.

The ABAG Energy Watch program has a goal of saving 25,000,000 kWh of electricity. At June 30, 2008, 70 government entities have enrolled in the program.

Funding for the current program runs through December 2009. Management is negotiating with PG&E for funding to continue the program in the 2009-11 funding cycle.

New Programs

Under direction from the ABAG POWER Executive Committee, staff has begun in FY 2008 the development of a program to assist local governments with solar PV installations on public facilities as well as residential homes. The feasibility study is currently in progress and will continue in FY 2009.

CONTACTING POWER'S FINANCIAL MANAGEMENT

This Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of POWER's finances. Questions about this Report should be directed to the Finance Department, at 101 Eighth Street, Oakland, California 94607.

ABAG
PUBLICLY OWNED ENERGY RESOURCES
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Electricity Pool	Natural Gas Pool	Total
ASSETS			
Cash and Cash Equivalents (Note 2)	$6,756	$4,771,105	$4,777,861
Receivable from Members		127,704	127,704
Receivable from PG&E		10,931	10,931
Interest Receivable	346	22,817	23,163
Capital assets (Note 3)		42,664	42,664
Natural Gas Inventory (Note 1E)		306,221	306,221
Total Assets	7,102	5,281,442	5,288,544
LIABILITIES			
Accounts Payable	1,938	1,837,697	1,839,635
Payable to Members - PG&E Distribution	5,164		5,164
Payable to Members - Other		1,939,600	1,939,600
Deferred Revenue		1,504,145	1,504,145
Total Liabilities	7,102	5,281,442	5,288,544
NET ASSETS			

See accompanying notes to basic financial statements

ABAG
PUBLICLY OWNED ENERGY RESOURCES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	Electricity Pool	Natural Gas Pool	Total
OPERATING REVENUES			
Sale of natural gas		$10,089,327	$10,089,327
Total operating revenues		10,089,327	10,089,327
OPERATING EXPENSES			
Cost of natural gas sold		9,847,070	9,847,070
Depreciation		14,221	14,221
Total operating expenses		9,861,291	9,861,291
Gross margin		228,036	228,036
GENERAL AND ADMINISTRATIVE EXPENSES			
Billing agent fees		(2,546)	(2,546)
Metering agent fees		42,731	42,731
Management and administration (Note 1)		292,494	292,494
Total general and administrative expense		332,679	332,679
OTHER INCOME (EXPENSE)			
Management and administration fees for suspended Electricity Pool (Note 4)	($25,642)		(25,642)
Interest income	1,594	104,643	106,237
Transfer to Members' Balancing Account	24,048		24,048
Total other income (expense)		104,643	104,643
CHANGE IN NET ASSETS			
BEGINNING NET ASSETS			
ENDING NET ASSETS			

See accompanying notes to basic financial statements

ABAG
PUBLICLY OWNED ENERGY RESOURCES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	Electricity Pool	Natural Gas Pool	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members		$10,661,779	$10,661,779
Payments to suppliers		(8,509,570)	(8,509,570)
Payments for agent and legal fees		(292,494)	(292,494)
Payments for management and administration		(40,185)	(40,185)
Cash Flows from Operating Activities		1,819,530	1,819,530
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payments for management and administration	($25,642)		(25,642)
Distribution to members to settle Electricity Pool	(118)		(118)
Cash Flows from Noncapital Financing Activities	(25,760)		(25,760)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	2,032	99,875	101,907
Cash Flows from Investing Activities	2,032	99,875	101,907
Net increase (decrease) in cash and cash equivalents	(23,728)	1,919,405	1,895,677
Cash and investments at beginning of period	30,484	2,851,700	2,882,184
Cash and investments at end of period	$6,756	$4,771,105	$4,777,861
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:			
Depreciation		14,221	14,221
Change in assets and liabilities:			
Receivable from members		$178,839	$178,839
Receivable from PG&E		151,536	$151,536
Interest receivable		(104,643)	(104,643)
Natural gas inventory		130,292	130,292
Accounts payable		1,207,208	1,207,208
Payable to Members - Other		218,864	218,864
Deferred revenue		23,213	23,213
Cash Flows from Operating Activities		$1,819,530	$1,819,530

See accompanying notes to basic financial statements

ABAG
PUBLICLY OWNED ENERGY RESOURCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description

ABAG Publicly Owned Energy Resources (POWER) is a joint powers agency of local government entities in Northern California. POWER is governed by a Board of Directors composed of representatives from member jurisdictions. The Board appoints an Executive Committee to carry out policy decisions.

POWER is a "Energy Service Provider (ESP)", aggregating the natural gas requirements of its members as allowed by the California Public Utilities Commission, and purchasing gas directly from natural gas producers that offer competitive prices and reliable supply. POWER arranges for the transportation and delivery of natural gas to its members by pipelines from its source. POWER pays these vendors and bills its members for their usage, transportation and administration costs on a monthly basis.

The area served by POWER is encompassed by Pacific Gas & Electric Company, which delivers gas to POWER's members.

POWER has contracted with a number of vendors for natural gas purchases. As required by the utility companies, the amount of gas POWER purchases each month must be nominated to PG&E distribution system in advance, and POWER is obligated to purchase the amount nominated, regardless of actual usage. The difference between the amount of gas nominated and the amount actually used results in an "imbalance", which must be cured by making purchases or sales on the open market.

POWER has contracted separately with the Association of Bay Area Governments (ABAG), to act as POWER's trustee, providing promotional, administrative, accounting and clerical support. POWER paid ABAG $313,075 for these services in the fiscal year ended June 30, 2008.

The members of POWER must be voting members or cooperating members of ABAG at the time they join POWER, but not all ABAG members are members of POWER. For that reason, POWER is not a component unit of ABAG.

B. Basis of Presentation

POWER's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Statements require that the financial statements described below be presented.

The Statement of Net Assets and the Statement of Activities display overall financial activities of POWER's overall operation. Eliminations have been made to minimize the double counting of internal activities. These statements display the *business-type activities* of POWER that are financed in whole or in part by fees charged to external parties.

ABAG
PUBLICLY OWNED ENERGY RESOURCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of POWER's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

C. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenses equal to at least ten percent of their fund-type total and five percent of the grand total. POWER's major funds are presented separately in the fund financial statements.

POWER reported all its enterprise funds as major funds in the accompanying financial statements:

Electricity Pool Fund – this fund accounts for the discontinued utility electricity operations.

Natural Gas Pool Fund – this fund accounts for utility natural gas pool operations.

D. Basis of Accounting

POWER accounts for all transactions in enterprise funds, which are separate sets of self-balancing accounts that comprise assets, liabilities, net assets, revenues and expenses. All transactions are accounted for on the accrual basis, which means that expenses are recorded when the liability is incurred and revenues are recorded when earned, rather than when cash changes hands.

Revenues from sales of natural gas are recognized in the period in which the gas is delivered to members. Members are billed monthly on a levelized basis based on anticipated average usage.

Any excess of billings to members over total actual cost of a fiscal year is reflected as deferred revenue and will be reflected as true-up adjustments in billings in the following fiscal year.

POWER follows statements and interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

E. Natural Gas Inventory

Temporary inventories of natural gas are stated at cost, and transfers to the cost of natural gas sold are accounted for on a weighted average cost basis.

ABAG
PUBLICLY OWNED ENERGY RESOURCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 2 - CASH AND CASH EQUIVALENTS

A. Carrying Amount and Fair Value

Cash and investments comprised of the following at June 30, 2008:

	Fair Value
Local Agency Investment Fund (LAIF)	$3,203,699
Cash in Banks	1,574,162
Total Cash and Cash Equivalents	$4,777,861

B. Interest Rate Risk

Interest rate risk is the potential adverse effect resulting from changes in market interest rates on the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. As of year end, the weighted average maturity of the investments in the LAIF investment pool is approximately 212 days.

C. Credit Risk

Credit risk is the risk of failure of an issuer of an investment in fulfilling its obligation to the holder of the investment. LAIF is not rated by a nationally recognized statistical rating organization.

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, POWER may not be able to recover its deposits. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its agent having a fair value of 105% to 150% of a public agency's deposit. All of POWER's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in POWER's name.

E. Local Agency Investment Fund

POWER is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The carrying value of LAIF approximates fair value.

ABAG
PUBLICLY OWNED ENERGY RESOURCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 3 - CAPITAL ASSETS

Capital Assets activity was as follows for the year ended June 30, 2008:

	June 30, 2007	Additions	June 30, 2008
Cost			
Capitalized software	$71,105		$71,105
Total	71,105		71,105
Accumulated depreciation			
Capitalized software	14,221	$14,220	28,441
Total	14,221	14,220	28,441
Capital Assts, Net	$56,884	($14,220)	$42,664

NOTE 4 – DISCONTINUED OPERATION – ELECTRICITY AGGREGATION PROGRAM

In April 2004, POWER received the $17,000,000 PG&E DA credit claim settlement plus accrued interest. During fiscal year 2003-2004, a windup agreement to distribute the Electricity Pool's assets was drafted. This agreement was ultimately signed by members of the Electricity Pool. According to the windup agreement, POWER has distributed to the Electricity Pool members during fiscal 2004-05 all CTC reversed billings (with a retention to pay for future expenses), and all working capital balances. The retention fund had a balance of $5,164 as of June 30, 2008.

MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS Agenda Item #6A

Representing City and County Governments of the San Francisco Bay Area

DT: April 6, 2009

TO: ABAG POWER Executive Committee

FM: Gerald L. Lahr, ABAG POWER Program Manager

RE: **Electric Program Status and Recent Developments**

Summary

Approximately $1,600,000 in funds associated with the suspended Electric Aggregation Program has been tied up in legal issues since the suspension of the program. Recently the portion of these funds that had been held subsequent to the California Power Exchange (Cal PX) bankruptcy has been released to NCPA (approximately $1 million). ABAG POWER staff now intend to enter into discussions with NCPA for the recovery of these funds and the potential negotiation of a mutually beneficial agreement that will resolve the remaining issues between ABAG POWER and NCPA.

Background. The Electric Aggregation Program was suspended in July of 2001. At the time of the suspension, NCPA was acting on ABAG POWER's behalf as its Scheduling Coordinator (SC). The agreement with NCPA for SC services obligated ABGA POWER to maintain certain security deposits with NCPA in order for NCPA to conduct business as ABAG POWER's agent. At the time of the program suspension, NCPA maintained deposits with the Independent System Operator (ISO) and Cal PX, on ABAG POWER's behalf, of approximately $1 million each. Due to continued obligations and risks on the part of both parties, ABAG POWER and NCPA subsequently entered into a Security Agreement in order to formally address the obligations of each party during the post-program period. Since this time, the Cal PX deposits have been held subject to the requirements of the court as a result of the Cal PX bankruptcy, and the ISO deposits have been held as security against a possible liability resulting from the Federal Energy Regulatory Commission's (FERC) price manipulation/refund hearings. Early in 2002, approximately half of the ISO security deposit was recovered from NCPA and returned to members leaving a total of approximately $1.5 million on deposit.

In the Fall of 2003, the ABAG POWER Board authorized staff to conclude the wind-up of the Program. ABAG POWER and each Electric Program participant executed a Windup Agreement which distributed all Program assets and liabilities, including certain contingent liabilities. These activities were completed in the summer of 2004. Although all Program assets were returned to members, there remained the $1.5 million* in agency funds on deposit with the NCPA. The

* Interest accrual and expected refund allocations have subsequently increased this amount.

release of these funds has been delayed due to regulatory enforcement actions by the FERC, a lawsuit by the investor-owned public utilities and the bankruptcy of the Cal PX.

Recent Developments. Staff have recently been notified that the funds associated with the Cal PX bankruptcy have been released to NCPA. ABAG POWER and NCPA staff have initiated discussions related to the further release of these funds to ABAG POWER, and with regard to the potential for a mutually beneficial agreement that would allow for the complete resolution of all obligations and liabilities – i.e. bi-lateral release. Staff will meet with NCPA with the intent of negotiating such an agreement, and return to the Executive Committee with a proposal.

/vm

cc: Henry Gardner, President, ABAG POWER
Kenneth Moy, ABAG Legal Counsel

ASSOCIATION OF BAY AREA GOVERNMENTS
Representing City and County Governments of the San Francisco Bay Area

ABAG

MEMO

Submitted by: Ezra Rapport, Deputy Executive Director

Subject: Solar and Energy Efficiency District

Date: March 4, 2009

Executive Summary

Numerous cities and counties are taking action to reduce residential energy use to meet climate change goals. AB 811 enabled cities and counties to allow property owners to finance the up-front cost of renewable energy and energy efficiency improvements through his/her property tax bill. In order to bring this program to scale, ABAG is considering creating a regional financing district, or Solar and Energy Efficiency (SEE) District, in partnership with PG&E. The District could spread overhead and financing cost over a much larger market area, making the program more feasible and encouraging broader retrofit participation for solar and energy efficiency improvements. This program would consolidate available subsidies and work in concert with existing PG&E initiatives.

Recommended Action – Information Item

The concept of a regional solar and energy efficiency financing district will be presented at the March 19, 2009 ABAG Executive Board Meeting for discussion. Discussion points include:

- What are the risks and benefits of a regional approach to financing solar and energy efficiency projects?
- How can an ABAG sponsored program add value to existing clean energy municipal financing programs?
- Should financing solar and energy efficiency projects be a priority for ABAG?

Next Steps

If Executive Board members see value in further defining the Solar and Energy Efficiency District concept, a business plan will need to be developed to determine the program costs, product and services provided, demand, risks, and fees and other program details.

Attachments: Solar and Energy Efficiency Financing Report

Mailing Address: P.O. Box 2050 Oakland, California 94604-2050 (510)464-7900 Fax: (510) 464-7970 info@babag.ca.gov
Location: Joseph P. Bort MetroCenter 101 Eighth Street Oakland, California 94607-4756

Solar and Energy Efficiency District

Report to the ABAG Executive Board
March 4, 2009

Executive Summary

Given the context of climate change, urgent action is needed to reduce energy use in commercial and residential buildings and cut greenhouse gas emissions. Several state and local programs already exist to reduce energy use through the installation of solar panels and energy efficiency improvements, but the high up-front cost of these installations is a barrier to implementation. Local governments are attempting to address this barrier by offering various financing programs. An opportunity may exist to reduce program administration costs, improve financing terms, and encourage broader adoption of energy efficiency technologies by creating a regional district, referred to as the Solar and Energy Efficiency (SEE) District, using ABAG's Joint Powers Agency, the ABAG Finance Authority for Nonprofit Corporations. ABAG staff is currently assessing the feasibility of such a District. The District would finance solar and energy efficiency improvements if private property owners within the District agree to make special tax payments on their property tax bills over a 20 year term. Creation of a regional financing district could stimulate private investments in solar and energy efficiency projects, which supports the local economy, job creation, and a reduction in energy use.

Issue Summary

The projected effects of global climate change underscore the urgent need for bold actions to be taken now to change course. Sir Nicholas Stern, Head of the UK Government Economic Service and former Chief Economist of the World Bank, conducted a comprehensive review of the economic consequences of climate change. His report finds that the costs of not acting (between 5% and 20% of the global gross domestic product (GDP) each year) outweigh the costs of acting (approximately 1% of global GDP each year). Thus, *The Stern Review* shines light on the opportunity to work collaboratively to reduce greenhouse gas emissions.

California has adopted innovative policies to combat global warming. One of these is the California Global Warming Solutions Act of 2006, or AB 32, which became the first state law in the nation to limit greenhouse gas emissions. This law lays the foundation for a plan to limit California's greenhouse gas emissions to 1990 levels by the year 2020. The California Air Resources Board (CARB) was charged with developing the plan. The resulting *Draft Scoping Plan* adopted by CARB in December 2008 set a 2020 target of 427 million metric tons of carbon equivalent (MMTCO2E), which requires a reduction of 169 MMTCO2E from the state's projected business as usual emissions. CARB estimates that the second largest contributor to greenhouse gas emissions behind the transportation sector is the electricity and commercial/residential energy sector. The Plan identifies several greenhouse gas reduction measures to incorporate renewable energy sources and energy efficiency improvements. By implementing strategies that encourage the use of solar energy and improving energy efficiencies in buildings, the residential and

commercial sectors of our economy can make a significant contribution toward the 2020 target.

Background

California adopted legislation that encourages the installation of renewable energy sources and energy efficiency improvements on private property. On July 21, 2008, California Assembly Bill 811 (AB 811) was signed into law to provide cities and counties with a tool to finance these projects using contractual fixed lien assessments. Contractual fixed lien assessments are voluntarily placed against private property to secure loans from a local government to pay for private improvements. These fixed liens are secured on a parity with property taxes. Through contractual assessment financing, cities and counties could agree to pay for renewable energy and energy efficiency improvements on private property, and a private property owner could agree to finance the improvements overtime through the payment of assessment installments on his/her property tax bill.

Assembly Bill 1709, vetoed by the Governor last year, would have provided expanded authority for local governments to finance the installation of energy efficiency and renewable energy improvements to or on real property and in buildings through the creation of community facilities districts and the levy of special taxes under the Mello-Roos Community Facilities Act of 1982. This bill was reintroduced on February 24, 2009 as Senate Bill 279 (SB 279). SB 279, which is based on a special tax financing law adopted by the City of Berkeley under its powers as a charter city, would allow the cost of renewable energy/energy efficiency improvements to be paid by the property owner over a 20 year term through a voluntary special tax also on a parity with his/her property taxes. The Solar and Energy Efficiency District design would utilize the special tax financing mechanism proposed in SB 279 instead of assessment financing allowed by AB 811 and, as a result, would mitigate several legal issues that cloud implementation of financings under AB 811.

A number of local governments have begun efforts to finance renewable energy and energy efficiency improvements to private property using expanded legal authority through AB 811 or charter city authority to amend municipal ordinances. The City of Berkeley was the first in the Bay Area to develop a municipal financing program for solar installations using the city's charter authority. The City of Palm Desert has a financing program that encompasses solar and energy efficiency improvements using AB 811. Other local governments have financing programs under development including San Francisco (a charter city special tax program like Berkeley's), San Diego (based on AB 811), Sonoma County (based on AB 811), and Solana Beach (based on AB 811). California Statewide Communities Development Authority will also be authorizing a statewide program soon (based on AB 811 while SB 279 is unavailable).

The following table outlines several existing financing programs:

Jurisdiction	Program	Status
City of Palm Desert	Energy Independence Program (EIP)	Approximately $1.5 million in funds for Phase 1 and Phase 2 of the Energy Independence Program are all currently allocated from this city's general fund. Seeking additional funding sources for Phase 3.
City of Berkeley	Berkeley FIRST	Pilot program rolled out November 2008. 38 projects have funding committed. 2 Loans have been originated.
City of San Diego	San Diego Clean Generation program (pilot)	RRQ due Feb. 27, 2009; Pilot Program Start Date expected Sept. 1, 2009
Sonoma County & Cities of Sonoma County	Sonoma County Energy Independence Program	Under consideration by the Board of Supervisors
City and County of San Francisco	Clean Energy Loan Program	RFP due April 1, 2009
City of Solano Beach	Solana Beach Solar and Energy Efficiency Financing Program	RFP due March 13, 2009
California Statewide Communities Development Authority	Renewable Energy System & Energy Efficiency Upgrade Financing Programs	Program launch expected early 2009

The SEE District will build upon these efforts to achieve the broadest penetration of solar and energy efficiency retrofit measures in the Bay Area. The objectives for the SEE program could potentially be to use special tax financing authority, spread the administration cost over a wide base, maximize state and federal subsidies, and be designed with a comprehensive customer service component to make the solar and energy efficiency financing and installation process as easy as possible for the residential and small business owner.

The SEE District will seek to maximize state and federal subsidies available for energy efficiency and solar installations. For instance, the California Solar Initiative offers financial incentives for solar installations based on expected performance. The federal stimulus package, or American Recovery and Reinvestment Act of 2009, clarified the use of a federal energy tax credit when used in conjunction with clean energy municipal financing. In addition the federal stimulus package provides $3.2 billion for Energy Efficiency and Conservation Block Grants, $2.25 billion for energy-efficiency retrofits for low-income housing, $5 billion for the Weatherization Assistance Program for efficiency in low-income households, and $3.2 billion in Qualified Energy Conservation Bonds, which are tax credit bonds that may be issued to finance renewable/energy efficiency improvements to private property. These incentives present opportunities to

make solar and energy efficiency installations more affordable to property owners and underscore the need to proceed as quickly as possible with this District.

Program Vision

The SEE District would be available for every interested and qualified San Francisco Bay Area property owner to finance solar and energy efficiency improvements to their residential or commercial property through a regional financing program. The program will be designed for easy accessibility and provide assistance to take full advantage of all local, state and federal incentives. The District could also promote existing efforts to improve the solar permitting process and to ensure an adequate workforce exists to meet the increased demand for solar and energy efficiency improvements.

Program Design

The program design can be divided into three work elements: administration, financing, and facilitating program implementation. Each work element is large and potentially costly, but the program could be designed to cover these costs. Specifics regarding roles and responsibilities need to be defined with partners and a potential program administrator, who could manage the administrative components of the program.

ABAG staff believes PG&E is a logical strategic partner in the design of this program and has begun meeting with PG&E staff to explore this opportunity. Initial meetings with PG&E suggest the utility is committed to exploring the feasibility of this program with ABAG. PG&E has designated staff within each of their programmatic teams to review implementation issues and identify possible solutions. When this report refers to "partner," the goal is to use PG&E as that partner, but since the program design is still in the exploratory phase, partner is left generalized until further direction is received from the ABAG Executive Board and PG&E management.

Financing

The financing component of this program assumes SB 279 will be signed into law. This will open the community facilities district financing model to property owners in general law cities.

Before financing can begin, a community facilities district must be established. One available option is for ABAG to create the District through its joint powers agency, the ABAG Finance Authority for Nonprofit Corporations ("Authority"). The Authority has an Executive Committee Board ("Board") structure. Members of the Board are mainly elected Bay Area County Treasurers. Under the Mello-Roos Act, Section 53317(h) of the California Government Code, a joint powers agency, such as the Authority, is authorized to use the law to create a community facilities district. The Authority has already performed this function many times on behalf of ABAG member jurisdictions. This regional entity could form a community facilities district for financing solar installations and energy efficiency projects on private property throughout the Bay Area.

Although several technical issues need to be researched further, the following steps provide a general outline of how the District would be formed as a regional community

facilities district through the Mello-Roos Community Facilities Act of 1982 if SB 279 is signed into law:

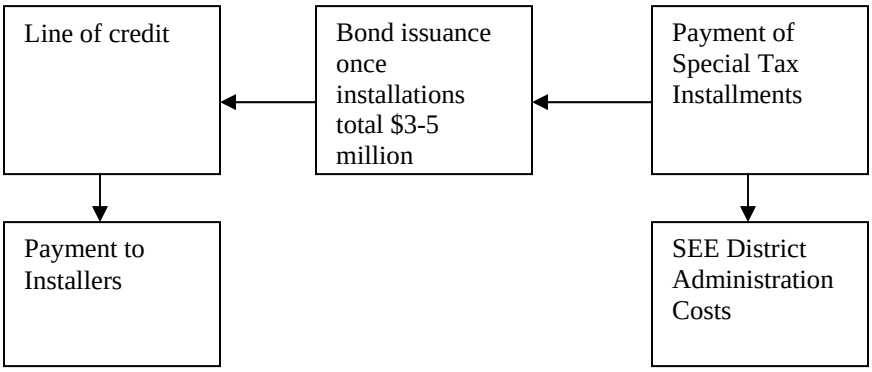
1. To confirm local support, each County Board of Supervisors would hold a public hearing and adopt a resolution supporting the formation of a District by the Authority. (This step not required by the Mello-Roos Act.)
2. At an ABAG Authority Board meeting, the Board must adopt a resolution of intention to form the District and a resolution of intention to issue bonded indebtedness for the District.
3. The Authority would send the adopted resolution of intention to form the District and exhibits to each legislative body of the cities and counties within the territory of the District for notice purposes only.
4. The Authority Board holds a public hearing. At this hearing, the Board would review protests of owners within the proposed territory of the District. Then, the Board would adopt a resolution of formation (assuming there are not enough protests to halt formation of the District), adopt a resolution of necessity to incur bonded indebtedness, and pass an ordinance levying special taxes in the District on those parcels that annex into the District by "unanimous approval."

Once the District framework is created, the program could be launched to solicit applications. A generalized application and financing process could involve the following steps:

1. Property owner has an energy and water conservation site assessment performed.
2. Property owner works with a contractor to define the scope of the project and what amount to request for financing by the district based on eligible improvements.
3. Property owner submits an application.
4. The application is approved or rejected based on program criteria.
5. If approved, an applicant can begin work with the certainty that the cost of the improvement will be paid by the District.
6. The installation is completed.
7. The installation is certified.
8. An invoice is submitted for the work completed.
9. A schedule of special tax installments up to 20 years based upon the amount financed plus interest and administrative expenses is established.
10. The property owner will execute a "unanimous approval" agreement to annex his/her property to the District and to pay the scheduled special taxes, and a lien is placed on the property.
11. Payment is made to the installer from a line of credit.
12. The property owner repays the installments as scheduled through his/her property tax bill.
13. Once sufficient demand exists (enough property owners agreeing to annex to the District and pay the special tax), bonded indebtedness would occur.

Several other financing components need to be considered as well. These elements include covering program start-up and administration costs, securing a line of credit to pay for the installations immediately upon installation, determining the interest on which the special tax obligation is based, and issuing bonds to repay the line of credit provider. The program needs to have enough revenue to cover these costs. Revenue to pay for a Program Administrator may be generated by charging an application fee as well as by creating a spread between debt service on bonds issued by the Authority and the scheduled special taxes to be paid by properties within the District. The most cost effective way to issue bonds is to wait until the District has financed approximately $3-5 million in improvements, but the program should not force property owners or installers to wait for financing until this amount is reached. To cover the payment to installers, a line of credit is needed. Discussions are underway to determine alternative means of covering program start-up costs and providing a line of credit to pay for the solar and energy efficiency installations as they are installed. Once $3-5 million of installations have been financed, the Authority will issue bonds to repay the line of credit provider and replenish program capacity for financing additional improvements.

The following figure sets forth how District funds could flow:



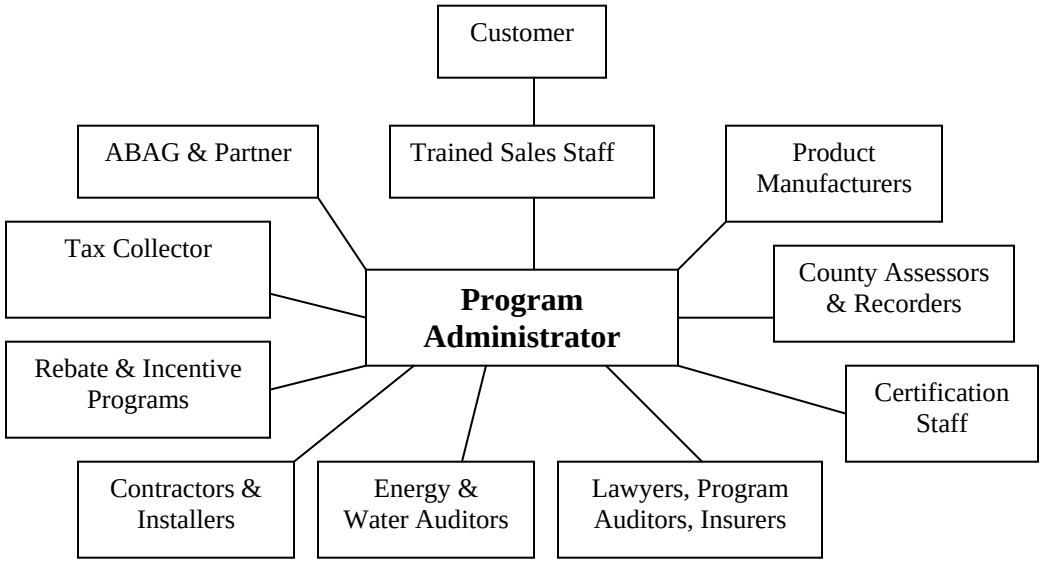
Administration

The administration component of this program envisions that a Program Administrator will be hired. This entity would manage the following items:

1. Establishment of the rules and regulations for program administration
2. Quality control standards
3. Documentation for project tracking and audits
4. Program website
5. Program applications
6. Application approvals (Confirm the applicant is the property owner, current on property taxes, and not in bankruptcy proceedings)
7. Billing and payment
8. Customer service representatives

9. Energy and water use assessments program criteria
10. Products available for financing
11. Installations
12. Certification of work completed
13. Coordination of available solar and energy efficiency installation incentives to reduce cost to the customer

Interested property owners would find out about the program through their utility bill, program website, or home improvement retail outlet. They would call or e-mail a sales person to guide the customer through the entire application and installation process. The Program Administrator will coordinate all parties involved in the program (See Diagram).



Facilitating Program Implementation
Implementation of the program can be facilitated by marketing to utility customers, minimizing permitting barriers, and ensuring an adequately trained work force exists to meet projected demand for solar and energy efficiency improvements.

Marketing to property owners will be important to generate enough customers to support the District and make strides toward reducing the region's demand for energy and production of greenhouse gases. A demand forecast will need to be developed in order to establish the feasibility of the District.

As programs advance solar and energy efficiency installation projects, an increase in demand is expected for these services, particularly if energy costs rise and/or additional legislative mandates are required for energy efficiency and greenhouse gas reduction. These factors will contribute to the already rapid growth of solar and energy efficiency industries, providing new employment opportunities for workers trained to perform

energy audits, weatherize homes, install solar panels, and undertake other related "green collar" occupations. The Centers of Excellence, an initiative of the California Community Colleges, completed a report in April 2008 that surveyed the solar industry in the San Francisco Bay Area and found that 257 solar firms projected they would add close to 1,900 jobs in the following 12 months. The report further found that solar employers have reported difficulty recruiting experienced and entry-level employees with adequate skills and training, and indicated strong interest in expanded training and educational programs that could be developed by the community colleges and other entities. The Center of Excellence is completing a similar study on Green Building and Energy Efficiency jobs. To respond to this demand, community colleges have already added coursework. Relevant training is also being offered by community based organizations, such as Cypress Mandela Training Center in Oakland, Rising Sun in Berkeley, and Solar Richmond. Job placement programs also exist to connect newly-trained workers with local employers. The SEE District can monitor the demand for solar and energy efficiency improvement services and the supply of a trained workforce in order to ensure a balance exists for further dissemination of solar and energy efficiency upgrades to reduce energy consumption.

Next Steps

The feasibility of creating a Solar and Energy Efficiency District to finance energy efficiency and solar installations for existing residential and small commercial units needs to be examined further. A business plan would help frame this process. Some program details that would need to be developed further or occur include:

- Signing SB 279 into law
- Establishing a partnership with PG&E to assist with the procurement of a Program Administrator and identify start-up and line of credit financing
- Conducting a market analysis
- Creating a business case and financial model
- Setting a minimum and maximum amount that will be financed by the District.
- Determining if the troubled financial markets can provide reasonable financing costs
- Developing a list of approved technologies and improvements that can be financed
- Coordinating energy and water conservation site assessments
- Establishing boundaries for the community facilities district
- Creating procedures for forming a community facilities district under SB 279 authority
- Coordinating with municipal utilities

Summary

The SEE District, as described above, would establish a regional special tax district financing program for renewable energy and energy efficiency projects. It will go beyond existing programs by incorporating a comprehensive customer service component and integrate other regional objectives around energy and water conservation, solar permitting process improvements, and green job creation and training.