

# MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS **Agenda Item #3**

Representing City and County Governments of the San Francisco Bay Area

**Attachment A**



## SUMMARY MINUTES

**ABAG Power Executive Committee  
Teleconference Meeting 2008-02**

April 16, 2008

Metro Center, 101 8<sup>th</sup> Street, Oakland, CA 94607

### WELCOME AND INTRODUCTIONS

Chairman Ed Buonaccorsi opened the meeting with introductions at 12:05 p.m.

#### Committee Representatives (via teleconference)

Ed Buonaccorsi, Chairman  
Terry Mann  
Jennifer Mennucci  
Raj Pankhania  
Ron Popp (present at ABAG)  
Chris Schroeder

#### Jurisdictions

City of Santa Rosa  
County of Contra Costa  
Golden Gate Bridge District  
City of Hercules  
City of Millbrae  
City of Milpitas

#### Members Absent

John Cerini, Vice- Chairman

City of Vallejo

#### Staff Present

Joseph Chan  
Jerry Lahr  
Vina Maharaj  
Kenneth Moy

ABAG  
ABAG POWER  
ABAG POWER  
ABAG

### PUBLIC COMMENTS & ANNOUNCEMENTS

There were no public comments.

Jerry Lahr provided an update on Handouts which included regulatory updates on natural gas, LGSEC activities, community choice aggregation, climate change and several news articles.

### APPROVAL OF SUMMARY MINUTES OF FEBRUARY 20, 2008 MEETING

Motion was made by Popp/S/Schroeder/C/5:0:0 (Mennucci not present) to approve the Summary Minutes of February 20, 2008 Executive Committee Meeting.

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## **REPORT ON NATURAL GAS PROGRAM**

### **Monthly Summary of Operations**

Lahr provided the members with the Monthly Summary of Operations report for FY 2007-08. ABAG POWER is maintaining a positive cumulative savings percentage as compared to PG&E starting with this current financial year. He said he was happy to report that ABAG POWER may end the year on a positive mode.

He had mentioned at the last meeting that ABAG POWER had been showing a large positive imbalance against PG&E, however the imbalance was now much lower. Operating Imbalance should remain within the desired parameters set by the Committee, i.e. +1.0% to -2.0% of annual usage.

ABAG POWER was currently in the storage injection period. The end of the withdrawal period is at the end of March. ABAG POWER chose to remain with PG&E for gas storage services.

### **Gas Hedge Chart**

Lahr provided a chart showing ABAG POWER's long-term gas purchases. He is now looking to purchase a two to three year contract starting from July, 2008, however he believes this is not the right time to purchase a fixed-price contract due to high gas prices. The program will have only two long-term packages remaining beginning in July. The program's purchasing strategy is to purchase up to three years ahead and hedge up to 75% of the gas. Lahr discussed three general hedging strategies with members, 1) fix a price for gas, enter into one or two year contracts, 2) remain at status quo by just buying from monthly and daily markets, or 3) try other gas hedging products.

Lahr provided particulars of a gas hedge product in which the gas is priced at a discount to an index, with a minimum price ("floor"). If during the contract period the index price goes down, the contract price can only go down to the floor price. This strategy does not hedge against price volatility, although it guarantees a price below the market as long as the market price remains above the floor.

There was a general consensus amongst the members that Lahr should go forward with this proposition.

### **Budgeting for Next Year Gas Costs**

Lahr discussed a preliminary budget model for FY 2008-09. In this model, gas commodity costs increased by 16% over the current fiscal year budget, which equates to an overall 10% increase in gas costs. There will be an email going out to members informing them of this forecast for next fiscal year levelized charges.

Mennucci joined the meeting at this point.

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## **Gas Price Comparison**

Lahr provided the members with a Gas Price Comparison chart. This chart illustrates a six-year data on how ABAG POWER's savings percentage compared with PG&E's. ABAG POWER showed a positive savings against PG&E for five out of the last six years. The year 2006 was the only year when there was a negative savings against PG&E.

## **GAS SCHEDULING SERVICES RFP**

Lahr provided an update on the RFP process for a gas scheduling provider. The RFP was sent out on March 19, 2008 and responses were expected by the close of business on April 18, 2008. An Executive Committee member was invited to sit in on interviews and selection of the Gas Scheduler. Ed Buonaccorsi agreed to join the interview panel and selection team.

## **NEW PROGRAM DEVELOPMENT**

Moving forward with the pilot project for entities who were willing to come up with the initial funding for a solar feasibility study, Lahr said three agencies had been identified who were interested; 1) Housing Authority County of Alameda; 2) City of Milpitas; and 3) County of Santa Clara.

Energy Solutions is working closely with BART who is moving forward with solar projects. In order to make solar cost effective they are incorporating energy efficiency into their plans.

## **Energy Watch Program**

The Public Utilities Commission during its planning cycle has indicated that they are looking for a more integrated approach to energy efficiency.

PG&E had reviewed ABAG's abstract and have indicated that they would like to continue discussions with ABAG in order to participate in the pending and new 2009-2011 Green Communities Program.

## **CLOSED SESSION**

Conference with Legal Counsel – Existing Litigation [Govt. C. Sec. 54956.9(a)]

- Natural Gas Market Manipulation Litigation

It was reported out of closed session that a report was provided by Legal Counsel, Ken Moy to the Executive Committee on the above matter.

Motion was made by Schroeder/S/Popp/C/5:0:0 (Pankhania stepped away) to approve Resolution 08-01.

## **Discussion of Distribution and Uses of Gas Litigation Proceeds**

Lahr provided members with a potential methodology for distributing any proceeds resulting from the gas litigation. He also discussed the possibility of ABAG POWER retaining some of the proceeds to provide funding for new projects. It was agreed that the distribution methodology

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should be vetted in greater detail, and that any discussion of potential uses of the funds should be tabled until the amount of the proceeds is better known.

### **ADJOURNMENT**

Chairman Buonaccorsi adjourned the meeting at 1:50 p.m.

/vm

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\*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