



SUMMARY MINUTES

ABAG Power Executive Committee

Meeting 2000-07

July 26, 2000

Metro Center 101 8th Street, Oakland CA 94607

WELCOME AND INTRODUCTIONS

Jerry Lahr opened the meeting with introductions at 12:20 p.m. Vina Maharaj was introduced as the newest member of ABAG POWER staff, and will serve as the replacement for Kathy Mendoza.

Committee Representatives Present

- Alan Nadritch
- Christine Tien, Alternate to Mark Lewis
- John Lisenko
- Kathy Brown
- Michael Garvey
- Wayne Green (via teleconference)

Guests Present

- Gerard Worster
- Scott Wentworth

Committee Representatives Absent

- Mark Lewis
- Robert Fugle

Staff Present

- Eugene Leong
- Jerry Lahr
- Ken Moy
- Joseph Chan
- Vina Maharaj

Jurisdictions

- City of Benicia
- City of Union City
- City of Foster City
- County of Contra Costa
- City of San Carlos
- City of Salinas

- TXU Energy Services
- City of Oakland

Jurisdictions

- City of Union City
- Golden Gate B.D.

- ABAG
- ABAG
- ABAG
- ABAG
- ABAG

PUBLIC COMMENT

There was no public comment.

APPROVAL OF MINUTES

Motion was made by Brown/S/Lisenko/roll call vote/C/to approve the Summary Minutes for June 28, 2000 and June 29, 2000 Executive Committee Meetings.

STATUS ON NATURAL GAS PROGRAM

Gerard Worster of TXU Energy Services reviewed the July natural gas purchase indicating that the projected rate for ABAG POWER's gas program supply was 8.4% above the PG & E rate for the month of July. This negative rate comparison has continued from the previous month, although this



should not significantly affect the overall program savings since this is the low-use time of the year. Worster noted that the gas price outlook for the rest of the year was primarily weather driven.

John Lisenko asked if the Rate Comparison chart could be presented to include a cumulative comparison of savings.

REPORT ON ELECTRIC AND RENEWABLE ENERGY PROGRAMS

Jerry Lahr reviewed the electric energy purchases for June 2000, the renewable energy rebate program and other related program activities. The average cost of energy for June was \$144.71/MWh with a total bill of \$4,163,970. This represents a significant increase over the forecasted cost of \$1,034,015 (\$35.98/MWh). Lahr said that he had made a request to the City of Palo Alto and Alameda Power & Telecom to extend the current power purchase agreement for an additional two to three months so that ABAG POWER could continue to make energy payments in arrears. It is expected that this agreement will be finalized in the next few days.

Jerry Lahr mentioned that a number of members had voiced concerns about the additional deposits. He added that it was likely that a certain percentage of members would refuse to pay the additional deposit, and may ultimately leave the program, thus adding to the pool's short-term cash flow difficulties. In the case of a member refusing to pay the additional deposit, ABAG POWER would notify the delinquent member and give 30 days to pay. If payment was not forthcoming, then a meeting of the Executive Board would be called to determine if the member should be expelled or suspended (a two third's votes from the committee would be required). Lahr said that ABAG POWER could not afford to float members that refused to pay the deposits. He said that no member had yet exited the pool due to the additional deposits, however, if members were to suddenly exit the program, existing deposits would act as a credit against any bad debts.

Eugene Leong added that ABAG POWER had scheduled meetings with Alameda Power & Telecom and the City of Palo Alto to discuss the extension of the current power purchase agreement and the pool's ultimate goal of becoming a full member of NCPA. He had explained to them that the main reason for their inability to meet the financial requirements had been cash flow difficulties caused by high-energy prices and NCPA's requirements that payments for energy be made in advance.

FISCAL YEAR 2000 – 2001 BUDGET

Jerry Lahr reviewed proposed revenues and expenses for the 00/01 program year. The review included program costs and revenues for both the electric and gas pools for July 1, 2000 through June 30, 2001. Lahr recommended approval of the administration fee based on a percentage of energy purchases. Motion to set the administrative fee at 4% of energy purchased (PX credit + 4%) was made by Green/S/Nadrich/roll call vote/C to approve.

A separate motion to approve the operating budget was made by Green/S/Nadrich/roll call vote/C to approve.

Jerry Lahr emphasized the need to explore different billing methods. He said that ABAG POWER currently billed its members based on the "PX Credit" calculated by PG&E. This credit represented the



cost that PG&E would have incurred if they had purchased power for the member. In the past this credit had been very close to the actual PX rate, however, the CPUC had recently allowed the utilities to engage in the “block forward” energy market which created the potential for the utility’s “PX Credit” to be different from the actual PX rate. This created a situation in which ABAG POWER may be billing its members for amounts that do not exactly correspond to their energy purchases, and potentially ABAG POWER would not be fully compensated for its energy purchases. ABAG POWER was currently exploring ways to modify its pricing structure to alleviate this problem.

AUTHORIZATION OF ABAG LOAN

Joe Chan reported that ABAG POWER had applied for and received a line of credit from Union Bank in the amount of \$500,000. ABAG POWER requested a line of credit for \$2 million, but only was approved for \$500,000, in part, because of a lack of credit history. Given the volatility of current energy prices, it is possible that this credit limit will not be sufficient to meet ABAG POWER’s working capital requirements. ABAG’s Executive Committee recently approved a procedure for ABAG POWER to receive a loan from ABAG’s \$1,000,000 line of credit, should it become necessary. It was estimated that ABAG POWER’s credit would be used in full prior to using ABAG’s line of credit. Chan recommended that the committee approve the terms of ABAG line of credit as a safety measure.

Discussion: John Lisenko asked whether this line of credit would affect the required deposit. Chan said that it would not and that this line of credit was a safety measure only. A brief discussion of who would make requests for draws on the loan followed with the decision that the either the Chair or Vice Chair of the Executive Committee could make the request. Recommendation was made to accept the line of credit. Motion was made by Nadrich/S/Green/roll call vote/C to approve the terms for the use of this line of credit, should it become necessary.

CITY OF OAKLAND UPDATE

Jerry Lahr provided an update on the negotiations to bring the City of Oakland on as a member of the pool. Scott Wentworth of the City of Oakland presented various approaches for City of Oakland to take, to the committee which included the following:

- A revision of the deposit philosophy to the payment in advance approach;
- An addition of another opportunity to withdraw from the program for agencies whose fiscal year end in June;
- ABAG’s position on lobbying the State for another amendment that allows public entities to receive CEC credits if they reuse all of those credits to buy green power.

A recommendation was made to have a workshop in September to proceed the October Board Meeting to discuss the issue of deposits and over program viability.

ADJOURN

Meeting adjourned at 1:20 p.m.

Next ABAG POWER Executive Committee Meeting will be on August 16, 2000 (12:00-2:00 p.m.), Metro Center, 101 8th Street, First Floor, Oakland CA 94607.