

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

Meeting 2007-04

August 15, 2007

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

WELCOME AND INTRODUCTIONS

Chairman Ed Buonaccorsi opened the meeting with introductions at 12:10 p.m.

Committee Representatives Present

Scott Baker
Ed Buonaccorsi, Chairman
John Cerini, Vice-Chairman
Terry Mann
Jennifer Mennucci
Raj Pankhania
Ron Popp

Jurisdictions

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

Others Present

Chris Schroeder
Debra Dorsey
Melinda Dorsey

City of Milpitas
Dorsey Enterprises
Dorsey Enterprises

Staff Present

Joseph Chan
Jerry Lahr
Vina Maharaj
Kenneth Moy

ABAG
ABAG POWER
ABAG POWER
ABAG

PUBLIC COMMENTS/ANNOUNCEMENTS

Debra Dorsey of Dorsey Enterprises stated that she wished to make comments as the meeting advanced due to the fact that her questions were related to specific subjects. Members agreed to include her comments during the meeting.

APPROVAL OF SUMMARY MINUTES OF APRIL 18, 2007 MEETING

Motion was made by Baker/S/Popp/C/7:0:0 to approve the Summary Minutes of June 20, 2007 Executive Committee Meeting.

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ABAG POWER FY 2006-07 Preliminary End-of-Year Financials

Joseph Chan presented the preliminary end-of-year financials. Chan said that upon completion of ABAG POWER true-up in October/November, the final reconciliation of the financials will be conducted.

REPORT ON NATURAL GAS PROGRAM

Monthly Summary of Operations

Lahr provided the members with the Monthly Summary of Operations report for FY 2006-07. He proposed a new way of calculating the savings comparison with PG&E. He suggested comparing ABAG's core procurement/operational costs with PG&E's core procurement rate, leaving out of the calculation, the transmission/distribution costs in order to avoid estimation errors. Lahr said his intent was to do all future savings comparison with this new method of calculation.

Gas Hedge Chart

Lahr provided a chart showing ABAG POWER's long-term gas purchases. He mentioned he had recently made purchases for gas during the period of December, 2007 to March, 2008. This completes the need for long-term gas through March 2008. Staff will now look to make purchases from April 2008 forward.

Operating Imbalance Tracking Chart

ABAG POWER continues to closely monitor the Operating Imbalance with PG&E, and purchase additional gas and/or make trades, as necessary. The most recent imbalance statement (April '07) showed the Operating Imbalance at positive 2.3% of annual load, which is outside the preferred range set by the Committee. Staff will attempt to bring the imbalance within the parameters of +1.0% to -2.0%.

Comments by Debra Dorsey Regarding the City of Milpitas Accounts

Debra Dorsey of Dorsey Enterprises commented that she had prepared an assessment of ABAG POWER Natural Gas costs for the City of Milpitas. She reported that the results of her assessment indicated that the City of Milpitas had paid \$188,000 more in Natural Gas costs than they would have paid, had they purchased gas directly from PG&E.

Chris Schroeder of the City of Milpitas stated that the City had engaged Ms. Dorsey to analyze the City's electric and natural gas costs. His role at the meeting was to get a better understanding of the processes of the ABAG POWER system.

After some discussion it was determined that there was a disagreement between ABAG POWER staff and Ms. Dorsey regarding the methods and calculations used in the comparison. The Committee agreed that this matter would have to be discussed at another forum. It was agreed that Dorsey and Schroeder would work with Lahr to discuss Dorsey's calculations and to bring back a report to the Executive Committee.

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NATURAL GAS PROGRAM REVIEW

At the Executive Committee's last meeting, it was suggested that staff come back to the Committee with some new strategies on whether it was beneficial to continue the Natural Gas program.

Lahr provided the members with a comprehensive, extensive report detailing the Natural Gas Program background, achievements and current status, opportunities/challenges, contractual considerations and future program strategies and options.

Members discussed the viability of the Natural Gas program and its value to the member jurisdictions of the pool. Lahr spoke about the challenges facing the program and said that while the program has provided price stability to members, the large imbalance, and certain fixed-price contracts has had a negative effect on member savings over the past year and a half.

Members discussed on how to judge success of the Program. Lahr requested that the committee consider whether and how to alter the program's goals and/or operations to best meet the members' needs. The potential options he provided were:

- Continue the Program as-is, making incremental changes as necessary.
- Revise the Program goals with either more or less emphasis on cost savings.
- Change the gas purchasing strategy to include more varied hedging products; a greater emphasis on shorter-term products, and/or single gas provider.
- Discontinue the program and return accounts to PG&E or other program.

The members generally agreed that the savings of the program can be determined best only after the true-ups have been completed. The committee gave directions to staff to continue the same purchasing strategy and manage the program as it has been operating until a time when additional information is available to executive committee members.

The Executive Committee planned to meet again via teleconference in September to discuss the outcome of Debra Dorsey's meeting with ABAG staff and to further discuss the agenda for ABAG POWER Annual Board Meeting of October 17, 2007.

Gas Price Comparison 2003-06

Lahr provided a Gas Price Comparison spreadsheet comparing ABAG POWER's commodity costs, with PG&E's Core Procurement (GNR-1) costs since 2003, and he explained the methods used in this comparison.

BP Hedging Product Presentation

Lahr presented a Natural Gas Risk Management idea by BP Corporation North America, Inc. and discussed various methods of buying gas.

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NEW POTENTIAL PROGRAMS

Lahr provided the members with a general overview of potential New Programs and Services. Discussion took place on various listed options. It was decided that a survey, listing all the potential programs be sent to the membership and the discussion to be continued at the Annual Board Meeting.

ABAG POWER ANNUAL BOARD MEETING

There was a brief discussion on the timing and agenda for the Annual Board Meeting.

CLOSED SESSION

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

Chairman Buonaccorsi reported out of closed session that an update was provided by staff to the Executive Committee. No action was taken in closed session.

ADJOURNMENT

Chairman Buonaccorsi adjourned the meeting at 2:30 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