

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 2006-04**

August 16, 2006

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

WELCOME AND INTRODUCTIONS

Vice-Chairman Ed Buonaccorsi opened the meeting with introductions at 12:01 p.m.

Committee Representatives Present

Ed Buonaccorsi, Vice-Chairman (via phone)
John Cerini
Terry Mann

Jurisdictions

City of Santa Rosa
City of Vallejo
County of Contra Costa

Members Absent

Steve Sprotte, Chairman
Jennifer Mennucci
Ron Popp

City of Union City
Golden Gate Bridge District
City of Millbrae

Staff Present

Henry Gardner
Joseph Chan
Jerry Lahr
Vina Maharaj
Kenneth Moy

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PUBLIC COMMENTS/ANNOUNCEMENTS

John Cerini was attending the meeting as an official Executive Committee member.

There were no public comments.

APPROVAL OF SUMMARY MINUTES OF APRIL 19, 2006 MEETING

Motion was made by Mann/S/Cerini/C/3:0:0 to approve the Summary Minutes of June 21, 2006 Executive Committee Meeting.

MEMORANDUM

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Attachment A



REPORT ON NATURAL GAS PROGRAM

Monthly Summary of Operations

Jerry Lahr provided members with the monthly Summary of Operations report for FY 2005-06 and FY 2006-07. Lahr mentioned that gas prices were relatively low in the \$5 to \$6 range in May and June, 2006. In July prices started rising slightly, however, still below \$6.00. Lahr said that he doesn't foresee prices remaining that low.

Lahr mentioned that in April, ABAG POWER beat PG&E's price by a significant margin, however, that was due to an anomaly that was the result of a large adjustment to the program's Operating Imbalance with PG&E. Lahr said that the adjustment is over one hundred thousand therms which represents about sixty to seventy thousand dollars worth of gas. He said he is concerned about this large adjustment, which may have been caused by PG&E's missed meter reads, clerical error, wrong billing adjustments or wrong usage information. PG&E has sent a breakdown specifying two main accounts that were being adjusted, one being a City of Milpitas account and the other, a County of San Mateo account. Lahr said that he is trying to figure out whether to charge those particular accounts for the gas, however, that would be difficult as the 2005-06 true up has already been completed.

Lahr provided the members with a Gas Hedge Chart showing recent gas purchases. There was some discussion about when it was a good time to buy long term gas.

Imbalance Tracking

Lahr said that ABAG POWER has been buying extra gas now and trading that against the Operating Imbalance, however, buying extra gas will ultimately affect the program's financial statements and performance numbers. He provided the members with a chart, demonstrating ABAG's core aggregation operating imbalance tracking.

AOC Account Transfers

Lahr said that ABAG POWER provided AOC with everything needed to accelerate the contract process so that their accounts could remain with the ABAG POWER Program. However, while there was a lot of action at one point, the process has significantly slowed down. The documents seem to be sitting at a state agency that handles contracts for AOC.

Billing Transfer Process

Lahr provided an update on the transfer of billing process from IQ Solutions to ABAG POWER. He said since takeover from IQ Solutions, ABAG POWER mailed out its first gas invoices the beginning of August, 2006.

ABAG POWER Gas Rates

Lahr provided an explanation of the different gas rates mentioned in various ABAG POWER documentation:

MEMORANDUM

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Budgeted Rate: Before the start of a fiscal year, staff estimate gas costs for the year, which gets converted into an average rate. This rate is used to calculate gas costs and levelized payments in the approved budget.

Monthly Rates: These are the rates that are presented on the monthly summary of operations reports at the Executive Committee meetings, and are based on actual costs as shown in the monthly financial statements.

Final ABAG POWER (True-up) Rate: The final rate is determined after the trueup is completed at the end of the fiscal year, and is based on the approved year-end financial statements and actual billed usage.

PG&E NATURAL GAS HEDGING PROPOSAL

There was a discussion on PG&E's proposals to the CPUC in proceeding no. 04-01-025 as well as comments recently provided by ABAG POWER. Lahr provided the members with the joint comments of SPURR and ABAG POWER regarding proposed decision and alternate proposed decision on petitions of PG&E, SoCal Gas, and SDG&E for authority to be relieved of risk from natural gas hedging purchases.

Lahr suggested that ABAG POWER spend up to \$5,000 for costs associated with preparing testimony in the proceeding, possibly including hiring an expert witness. The total costs would be shared with SPURR and possible other interested parties. The 2006-07 budget has an approved line item for these costs. There was a general consensus by the committee to move forward.

Financial Review

Joseph Chan presented the preliminary June 30, 2006 financials.

ABAG ENERGY WATCH UPDATE

Lahr provided the members with an update on the ABAG Energy Watch Program. He said the contract had been signed by ABAG POWER and its sub-contractors and had been sent to PG&E to be executed by them. Lahr mentioned that unlike the LGEP, which was a technical information-only program, ABAG Energy Watch will also provide incentive funds for the actual installation of equipment.

ABAG POWER Annual Board Meeting

There was a general consensus that the date October 18, 2006 be set for the Annual Board Meeting.

CLOSED SESSION

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

Vice-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.

MEMORANDUM

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Attachment A



ADJOURNMENT

Meeting adjourned at 1:25 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