



ABAG POWER Executive Committee Meeting No. 2008-04
August 20, 2008 (12 Noon - 2:00 p.m.)

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

AGENDA*

1. **Welcome and Introductions**
2. **Public Comments**
3. **Approve Summary Minutes of June 18, 2008 Executive Comm. Meeting**
Action:
ATTACHMENT A – SUMMARY MINUTES OF JUNE 18, 2008
4. **Report on Natural Gas Program**
Information: Staff will review the gas operations for May and June; recent gas purchases; the program's long-term hedge position; gas imbalances, and other miscellaneous program items.
ATTACHMENT A1 – MONTHLY SUMMARY OF OPERATIONS FY 07-08
ATTACHMENT A2 – MONTHLY SUMMARY OF OPERATIONS FY 08-09
ATTACHMENT B – GAS HEDGE CHART
5. **Natural Gas Program Working Capital Deposits**
Action: Review and approve the revised Working Capital Deposits.
ATTACHMENT A – WORKING CAPITAL DEPOSIT MEMO
ATTACHMENT B1 – REVISED WORKING CAPITAL DEPOSIT ALLOCATION (BY USAGE)
ATTACHMENT B2 – REVISED WORKING CAPITAL DEPOSIT ALLOCATION (BY COST)
6. **New Programs Development**
Information: Staff will provide an update on the development of the solar assistance initiatives within ABAG POWER, as well as the development of the 2009-11 ABAG Energy Watch/Green Communities program.
7. **Discussion of Distribution and Uses of Gas Litigation Proceeds**
Information/**Action:** Staff will discuss the distribution and possible uses of the proceeds from the natural gas market manipulation litigation.
ATTACHMENT A – GAS LITIGATION PROCEEDS MEMO
ATTACHMENT B – SAMPLE DISTRIBUTION ALLOCATION
ATTACHMENT C – JUNE 30 , 2008 MEMO TO GAS MEMBERS
8. **Agenda for Annual Board Meeting**
Information: Staff will discuss the timing and agenda for the Annual Board Meeting.
ATTACHMENT A – ANNUAL BOARD MEETING PRELIMINARY AGENDA

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

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 2008-03

June 18, 2008

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

WELCOME AND INTRODUCTIONS

Chairman Ed Buonaccorsi opened the meeting with introductions at 12:00 p.m.

Committee Representatives

Ed Buonaccorsi, Chairman
Terry Mann
Jennifer Mennucci
Ron Popp
Chris Schroeder

Jurisdictions

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

Members Absent

John Cerini, Vice- Chairman
Raj Pankhania

City of Vallejo
City of Hercules

Staff Present

Joseph Chan
Jerry Lahr
Vina Maharaj
Kenneth Moy

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PUBLIC COMMENTS & ANNOUNCEMENTS

There were no public comments.

Request was made by staff to add a Closed Session at the end of the meeting due to late breaking information on the ongoing subject matter of Natural Gas Market Manipulation Litigation. Motion was made by Mennucci/S/Popp/C/5:0:0 to add the Closed Session as the last item to the Agenda.

APPROVAL OF SUMMARY MINUTES OF FEBRUARY 20, 2008 MEETING

Motion was made by Popp/S/Mann/C/5:0:0 to approve the Summary Minutes of April 16, 2008 Executive Committee Teleconference Meeting.

MEMORANDUM

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

Representing City and County Governments of the San Francisco Bay Area

Attachment A



APPROVAL OF SUMMARY MINUTES OF MAY 28, 2008 MEETING

Motion was made by Popp/S/Mann/C/5:0:0 to approve the Summary Minutes of May 28, 2008 Executive Committee Teleconference Meeting.

REPORT ON NATURAL GAS PROGRAM

Jerry Lahr handed out various articles on regulatory activities. The articles included an update on LGSEC Activities as of June, 2008.

Monthly Summary of Operations

Lahr provided the members with the Monthly Summary of Operations report for FY 2007-08. He reported that natural gas prices were still very high at present, however, ABAG POWER was doing reasonably well and maintained a positive cumulative savings percentage as compared to PG&E starting with the new financial year in July, 2008.

He mentioned that ABAG POWER still had a positive imbalance against PG&E. Operating Imbalance should remain within the desired parameters set by the Committee, i.e. +1.0% to -2.0% of annual usage.

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 natural 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 mentioned that ABAG POWER's new Gas scheduler, Golden Valley Gas Services, Inc. will start services on July 1, 2008.

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.

FY 2008-09 ABAG POWER BUDGET

Lahr presented the Operating Budget for Fiscal Year Ending June 30, 2009.

Electric Budget discussion

The \$100,000 retained by ABAG POWER for use in ongoing Electric Program windup activities will be depleted to less than \$7,000 by the end of the current fiscal year (June 2008).

Some issues regarding the Electric Program windup remain outstanding, such as one million dollars held with the PX Bankruptcy and five hundred thousand dollars held with NCPA escrow account. An extension of the Windup Agreement states that staff will monitor these issues until December, 2008.

MEMORANDUM

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

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Lahr suggested the Executive Committee provide a recommendation to the full ABAG POWER Board in October, whether to continue monitoring these outstanding issues or take other actions. If the Board approves staff to continue active monitoring of these outstanding issues, then additional funds will be allocated under this item on the budget.

Natural Gas Budget discussion

During the last fiscal year, there was an over collection of funds from members which will be allocated back to members during the next true-up session at 2008 year end. For the FY 2008-09 Proposed Budget, there is a 20% increase in levelized collections due to the high price of gas commodity.

Working Capital Deposit

Lahr mentioned that the current Natural Gas agreements with members authorizes ABAG POWER to collect "Two times the average load (therms) times the current applicable rate (\$/therm)" of working capital deposit.

Due to the projection of a 20% increase in levelized collections, the matter of working capital deposit will need to be assessed by the Executive Committee at upcoming meetings.

Several options were discussed regarding how to best distribute the true-up over collection to members and concurrently collect additional working capital deposits. One other option is to establish a revolving line of credit as a backup. Staff will present recommendations to the committee at the next meeting.

Motion was made by Schroeder/S/Popp/C/5:0:0 to approve the ABAG POWER Operating Budget for FY 2008-09 as presented.

NEW PROGRAMS DEVELOPMENT

Green Communities Program

Lahr provided members a Draft Scope of Work for the ABAG Green Communities Program. Lahr said ABAG will work to further the goals of the Green Communities Program; to engage local governments in creating more sustainable communities, including reducing their greenhouse gasses, and implementing comprehensive demand-side management programs in their public facilities and throughout their communities.

Solar Program

ABAG POWER is moving ahead with the idea of a solar feasibility study. Energy Solutions has begun working on a feasibility study, the idea being that in this initial phase they will contract directly with the entity to do the study. The study would provide information such as solar viability for specific sites and/or other specific requirements by the entity. This study would be independent of an actual installer coming out and doing installations.

MEMORANDUM

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

Representing City and County Governments of the San Francisco Bay Area

Attachment A



Power Purchase Agreement

Lahr said he has held discussions with the City of Milpitas, Santa Clara County and Joint Venture Silicone Valley on an idea of a joint standard power purchase agreement. The idea is to see if the PPA Agreements could be standardized specific to local governments.

Utility Bill Analysis

This new program concept is to expand on what ABAG POWER already has in place for its gas billing services. To develop the capability to receive electric billing data from PG&E so that the program would have full utility information for an entity in its database to be able to do more robust analysis. John Cook of Utility Management Services believes that there is a possibility for ABAG POWER, as an established ESP, to be able to download electric data on behalf of its members, without having the liability to pay the bills. Expenses for this new program would probably include software upgrades and staff training.

Lahr added that using the proceeds from the gas litigation funds towards such an idea will be very constructive to the expansion of the ABAG POWER Program.

Staff will present several ideas to the Executive Committee regarding how best to use the gas litigation funds towards new program ideas at their next meeting in August.

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.

ADJOURNMENT

Chairman Buonaccorsi adjourned the meeting at 1:40 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 2007-08 Monthly Summary of Operations

Preliminary

	days/mo.	Jul 31	Aug 31	Sep 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 29	Mar 31	Apr 30	May 31	Jun 30	Total
Gas Purchases⁽¹⁾														
Purchase 1	Qty	15,500	15,500	15,000	15,500	15,000	15,500	15,500	14,500	15,500	15,000	15,500	14,954	182,954
	Price	\$7.38	\$7.38	\$7.38	\$7.38	\$7.38	\$7.38	\$7.38	\$7.38	\$7.38	\$7.38	\$7.38	\$7.38	\$7.38
Purchase 2	Qty	15,500	15,500	15,000	15,500	15,000	15,500	15,500	14,500	15,500	15,000	15,500	15,000	183,000
	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	\$7.44
Purchase 3	Qty	15,379	15,500	15,000	15,500	15,000	15,500	15,500	14,500	15,500	15,000	15,500	15,000	182,879
	Price	\$8.09	\$8.09	\$8.09	\$8.09	\$8.09	\$8.09	\$7.99	\$7.99	\$7.99	\$7.66	\$7.66	\$7.66	\$7.66
Purchase 4	Qty	15,655	14,911	14,310	14,787	13,110	15,500	15,500	14,500	15,500	11,880	13,268	13,380	172,301
	Price	\$6.42	\$5.43	\$4.92	\$5.71	\$6.88	\$8.24	\$8.24	\$8.24	\$8.24	\$8.88	\$10.42	\$10.89	\$10.89
Purchase 5	Qty	13,050	1,500	4,000	6,159	12,600	31,035	17,378	19,931	13,733	30,600	20,700	6,600	177,286
	Price	\$6.33	\$6.08	\$5.87	\$7.01	\$6.88	\$7.24	\$6.97	\$7.83	\$8.57	\$9.47	\$10.90	\$11.73	\$11.73
Total Quantity Purchased		75,084	62,911	63,310	67,446	70,710	93,035	79,378	77,931	75,733	87,480	80,468	64,934	898,420
Total Purchase Cost		\$537,168	\$445,185	\$437,509	\$482,650	\$520,469	\$707,626	\$602,458	\$606,355	\$598,967	\$732,396	\$712,219	\$560,007	\$6,943,009
Backbone Shrinkage (Dths)		(618)	(620)	(600)	(620)	(570)	(589)	(589)	(551)	(589)	(570)	(589)	(570)	(570)
Weighted Avg. Cost of Gas (WACOG) ⁽²⁾		\$7.21	\$7.15	\$6.98	\$7.22	\$7.42	\$7.65	\$7.65	\$7.84	\$7.97	\$8.43	\$8.92	\$8.70	\$7.73
Storage/Inventory														
Total Injections/ (Withdrawals)		18,659	9,203	0	2,850	(9,700)	(18,408)	(33,691)	(14,600)	(8,200)	10,748	11,346	10,980	(20,813)
Total Inventory Quantity (Dths)		75,082	84,157	84,157	86,972	77,272	58,864	25,173	10,573	2,373	12,985	24,176	35,006	
Total Inventory (\$)		\$571,112	\$636,884	\$636,884	\$657,469	\$584,141	\$444,985	\$190,731	\$81,276	\$18,951	\$109,525	\$210,689	\$306,221	
Gas Program Monthly Expenses (from Financial Reports)														
Cost of Energy Used ⁽³⁾		\$ 420,022	\$ 396,743	\$ 454,743	\$ 472,336	\$ 610,823	\$ 863,812	\$ 869,942	\$ 732,967	\$ 677,337	\$ 658,550	\$ 625,709	\$ 636,767	\$ 7,419,751
Program Operating Expenses ⁽⁴⁾		22,746	34,014	28,893	30,485	25,975	28,799	36,095	30,887	29,036	31,630	26,865	18,044	343,470
Subtotal		\$ 442,768	\$ 430,757	\$ 483,636	\$ 502,821	\$ 636,798	\$ 892,611	\$ 906,037	\$ 763,854	\$ 706,374	\$ 690,180	\$ 652,574	\$ 654,812	\$ 7,763,221
Rate (\$/Dth)		\$7.84	\$7.59	\$8.34	\$6.99	\$7.87	\$7.83	\$7.25	\$7.36	\$8.09	\$9.03	\$9.72	\$12.31	\$8.16
PG&E Pass-through costs ⁽⁵⁾		113,578	125,441	131,116	142,333	210,265	222,647	387,804	364,589	231,187	194,604	171,706	127,396	2,422,667
Total ABAG POWER Cost		\$ 556,346	\$ 556,198	\$ 614,751	\$ 645,154	\$ 847,063	\$ 1,115,259	\$ 1,293,841	\$ 1,128,443	\$ 937,561	\$ 884,784	\$ 824,280	\$ 782,208	\$ 10,185,888
Actual (metered) Gas Usage														
Core ⁽⁶⁾		43,260	43,658	46,634	60,129	73,270	104,336	115,794	95,354	78,660	69,237	57,488	44,899	832,719
Non Core		13,211	13,066	11,382	11,776	7,617	9,732	9,121	8,426	8,605	7,210	9,674	8,301	118,119
Total Program Usage		56,470	56,724	58,015	71,904	80,886	114,068	124,915	103,781	87,266	76,447	67,162	53,200	950,838
ABAG POWER Total Core Rate		\$ 10.47	\$ 10.47	\$ 11.15	\$ 9.36	\$ 10.74	\$ 9.96	\$ 10.60	\$ 11.18	\$ 11.03	\$ 11.84	\$ 12.70	\$ 15.15	
PG&E Rate⁽⁷⁾														
Procurement Charge ⁽⁸⁾		9.34	7.76	7.53	8.06	8.56	8.97	7.99	8.65	8.95	9.92	10.39	11.95	
Transportation/Other Charge ⁽⁹⁾		2.63	2.87	2.81	2.37	2.87	2.13	3.35	3.82	2.94	2.81	2.99	2.84	
Total PG&E Rate		\$ 11.96	\$ 10.63	\$ 10.35	\$ 10.43	\$ 11.43	\$ 11.11	\$ 11.34	\$ 12.48	\$ 11.89	\$ 12.73	\$ 13.37	\$ 14.79	
Monthly Rate Difference (\$/Dth)		(1.49)	(0.16)	0.80	(1.07)	(0.69)	(1.15)	(0.74)	(1.29)	(0.85)	(0.89)	(0.67)	0.36	
Monthly Savings (\$)		64,642	7,123	(37,407)	64,043	50,501	119,638	85,304	123,276	67,103	61,741	38,581	(16,042)	
Cumulative Savings (\$)		64,642	71,765	34,357	98,400	148,901	268,540	353,843	477,119	544,223	605,964	644,545	628,502	
Cumulative Savings (%)		12.5%	7.3%	2.3%	4.7%	5.1%	6.6%	6.6%	7.2%	7.2%	7.2%	7.0%	6.4%	

**Agenda Item #4
Attachment A1**

ABAG POWER Natural Gas Program

FY 2007-08 Monthly Summary of Operations

Preliminary

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Storage Gas Accounting														
Beginning Quantity		56,578												
Average Price		\$7.72												
Beginning of Month	Qty	56,578	75,082	84,157	84,157	86,972	77,272	58,864	25,173	10,573	2,373	12,985	24,176	
Injections	Qty	18,659	9,203	0	2,850	0	0	5,000	4,500	2,500	10,748	11,346	10,980	
	Price	\$7.21	\$7.15	\$0.00	\$7.22	\$0.00	\$0.00	\$7.65	\$7.84	\$7.97	\$8.43	\$8.92	\$8.70	
	Storage Shrinkage	155	128	0	35						136	155	150	
Withdrawals	Qty			0	0	9,700	18,408	38,691	19,100	10,700	0	0	0	
	Price	\$7.72	\$7.61	\$7.57	\$7.57	\$7.56	\$7.56	\$7.56	\$7.58	\$7.69	\$7.99	\$8.43	\$8.71	
End of Month	Qty	75,082	84,157	84,157	86,972	77,272	58,864	25,173	10,573	2,373	12,985	24,176	35,006	
	Avg. Pric	\$7.61	\$7.57	\$7.57	\$7.56	\$7.56	\$7.56	\$7.58	\$7.69	\$7.99	\$8.43	\$8.71	\$8.75	
End of Month Inventory		\$571,111.80	\$636,884.42	\$636,884.42	\$657,468.50	\$584,140.94	\$444,984.89	\$190,731.01	\$81,276.27	\$18,951.03	\$109,525.04	\$210,688.57	\$306,221.34	
Monthly Index Postings														
NGI Bidweek for PG&E Citygate		\$6.87	\$5.83	\$5.37	\$6.14	\$7.31	\$7.66	\$7.11	\$7.99	\$9.00	\$9.33	\$10.84	\$11.31	
Gas Daily Avg. for PG&E Citygate		\$6.31	\$6.08	\$5.92	\$6.99	\$7.02	\$7.21	\$7.91	\$8.45	\$9.38	\$10.18	\$10.96	\$12.07	
NGI Bidweek for Malin		\$6.40	\$5.42	\$4.91	\$5.69	\$6.86	\$7.25	\$6.76	\$7.68	\$8.56	\$8.86	\$10.41	\$10.87	

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.
- (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.

ABAG POWER Natural Gas Program

FY 2008-09 Monthly Summary of Operations

	days/mo.	Jul 31	Aug 31	Sep 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	Mar 31	Apr 30	May 31	Jun 30	Total
<u>Gas Purchases⁽¹⁾</u>														
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	15,000	15,500	15,500	14,000	15,500				137,000
	Price	\$7.66	\$7.66	\$7.66	\$7.66	\$7.66	\$7.66	\$7.66	\$7.66	\$7.66				
Purchase 3	Qty	15,500												15,500
	Price	\$12.32												
Purchase 4	Qty	13,826				15,000	15,500	15,500	14,000	15,500				89,326
	Price	\$12.18				\$9.09	\$9.09	\$9.09	\$9.09	\$9.09				
Purchase 5	Qty	4,020												4,020
	Price	\$9.61												
Total Quantity Purchased		64,346	31,000	30,000	31,000	45,000	46,500	46,500	42,000	46,500	15,000	15,500	15,000	428,346
Total Purchase Cost		\$631,970	\$234,050	\$226,500	\$234,050	\$362,850	\$374,945	\$374,945	\$338,660	\$374,945	\$111,600	\$115,320	\$111,600	\$3,491,435
Backbone Shrinkage (Dths)		(589)												
Weighted Avg. Cost of Gas (WACOG) ⁽²⁾		\$9.91	\$7.55	\$7.55	\$7.55	\$8.06	\$8.06	\$8.06	\$8.06	\$8.06	\$7.44	\$7.44	\$7.44	\$8.15
<u>Storage/Inventory</u>														
Total Injections/ (Withdrawals)		12,121												12,121
Total Inventory Quantity (Dths)		46,972												
Total Inventory (\$)		\$424,830												
<u>Gas Program Monthly Expenses (from Financial Reports)</u>														
Cost of Energy Used ⁽³⁾														\$ -
Program Operating Expenses ⁽⁴⁾														-
Subtotal	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rate (\$/Dth)														#DIV/0!
PG&E Pass-through costs ⁽⁵⁾														-
Total ABAG POWER Cost														\$ -
Actual (metered) Gas Usage														
Core ⁽⁶⁾														0
Non Core														0
Total Program Usage		0	0	0	0	0	0	0	0	0	0	0	0	0
ABAG POWER Total Core Rate														
<u>PG&E Rate⁽⁷⁾</u>														
Procurement Charge ⁽⁸⁾		14.80	12.45											
Transportation/Other Charge ⁽⁹⁾														
Total PG&E Rate	\$	14.80	\$ 12.45	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Monthly Rate Difference (\$/Dth)														
Monthly Savings (\$)														
Cumulative Savings (\$)														
Cumulative Savings (%)														

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

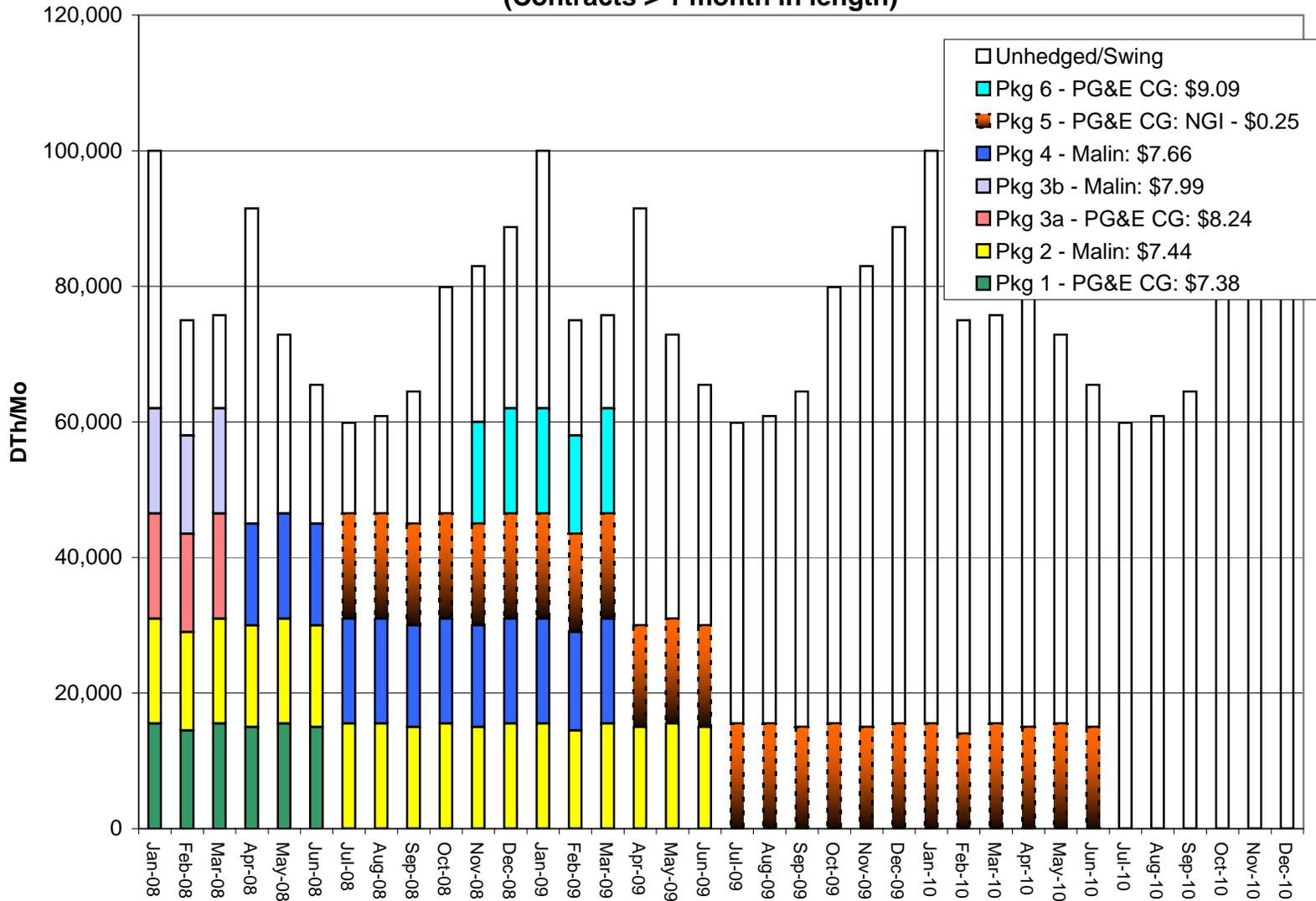
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Storage Gas Accounting														
Beginning Quantity		35,006												
Average Price		\$8.75												
Beginning of Month	Qty	35,006	46,972	46,972	46,972	46,972	46,972	46,972	46,972	46,972	46,972	46,972	46,972	46,972
Injections	Qty	12,121												
	Price	\$9.91	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	Storage Shrinkage	155												
Withdrawals	Qty	0												
	Price	\$8.75	\$9.04											
End of Month	Qty	46,972	46,972	46,972	46,972	46,972	46,972	46,972	46,972	46,972	46,972	46,972	46,972	46,972
	Avg. Pric	\$9.04												
End of Month Inventory		\$424,830.27												
Monthly Index Postings														
NGI Bidweek for PG&E Citygate		\$12.57	\$8.69											
Gas Daily Avg. for PG&E Citygate		\$10.75												
NGI Bidweek for Malin		\$12.15	\$8.26											

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.
- (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

**ABAG POWER Long Term Gas Purchases
(Contracts > 1 month in length)**



MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS Agenda Item # 5

Representing City and County Governments of the San Francisco Bay Area

Attachment A



DT: August 20, 2008

TO: ABAG POWER Executive Committee

FM: Gerald L. Lahr, ABAG POWER Program Manager
Herbert Pike, ABAG Finance Director

RE: **Recommendation to Increase Working Capital Deposits**

In June, the ABAG POWER Executive Committee approved the 2008-09 Operating Budget and requested staff review the current status of the gas program Working Capital Deposits, and provide a recommendation with respect to any changes.

Background. The ABAG POWER natural gas program agreement requires that each new member of the program provide a deposit equal to two times their estimated monthly charges (Working Capital Deposit). These funds are kept on deposit with the program and are refunded to members if they leave the program.

The total deposit amount is generally reviewed on an annual basis to ensure the program has adequate cash reserves to meet all its payment obligations. In 2006, the Executive Committee approved an increase to the Working Capital Deposits in the amount of \$300,000 for a total deposit amount of \$1,658,255, representing 1.7 months worth of budgeted expenditures. At the same time, the total deposits were adjusted among members in proportion to their annual estimated gas usage. In 2007, the total deposit amount was deemed sufficient, so there was no program-wide collection of additional funds, although the total deposit amount increased slightly due to a few large accounts being added to the program. As of June 30, 2008 the gas program had total Working Capital Deposits of: \$1,720,735, which represented 1.5 months worth of currently budgeted expenditures.

Discussion. Typically the need to increase the total deposit amount is a result of increased costs. The largest expenditure of the program is for natural gas commodity which represents approximately 77% of the budget. Since 2006, the program's gas commodity costs have increased by 35%.

Due to an increase in program costs, ABAG POWER is at an increased risk of not being able to meet all of its payment obligations in a timely fashion. If the program does not meet the payment terms of its supply contracts, it will likely become subject to increased credit requirements which will make it more difficult to purchase gas at a reasonable price, and ultimately lead to greater commodity costs. Similarly, disruptions on payments of PG&E transportation costs would result in increased credit requirements.

MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS Agenda Item # 5

Representing City and County Governments of the San Francisco Bay Area

Attachment A



Recommendation. While a disruption of payments to vendors is not imminent, we believe it is prudent to increase the program's ability to cover expected expenditures for at least 1.7 months, and therefore reduce the risk of being subject to costs associated with additional credit requirements. Cash deposits have been the program's traditional method of mitigating this risk. We recommend increasing the program's Working Capital Deposits by an additional \$300,000 (to 1.74 months of budgeted expenditures).^{*} At the same time, we recommend re-allocating the total Working Capital Deposits based on either the current estimated usage, or the current estimated costs. The difference represents PG&E transportation costs. Both methods are presented as attachments.

In addition, we recommend amortizing the collection of these additional deposits over the same months that the 2007-08 true-up will be allocated to members (i.e. approximately Nov. '08 – Jun '09).

/vm

Attachments

^{*} Alternatively, ABAG POWER could consider opening a line of credit with a financial institution, although the cost of a line of credit was not evaluated at the time of this assessment.

**ABAG POWER -
Working Capital Deposits (Allocation by Usage)**

**Agenda Item # 5
Attachment B1**

Customer	Estimated Annual Usage @ PG&E Citygate (therms)	Working Capital Deposit 2007-08	Total Required Deposit	Additional Deposit
			\$ 2,020,735.53	
Core				
Alameda, City	215,558	\$ 27,021.59	\$ 44,931.19	\$ 17,909.60
Albany, City	23,530	4,279.95	4,904.66	624.71
Atherton, Town	6,760	1,118.70	1,409.08	290.38
Benicia, City	83,995	17,325.81	17,508.11	182.30
Contra Costa County	1,457,879	277,978.61	303,882.21	25,903.60
Cupertino, City	57,164	9,801.31	11,915.40	2,114.09
Eastside Union H.S. District	122,547	32,824.95	25,543.90	(7,281.05)
Fremont, City	202,295	34,215.74	42,166.54	7,950.80
Gonzales, City	15,193	2,437.62	3,166.88	729.26
Golden Gate Bridge	79,368	14,498.64	16,543.66	2,045.02
Half Moon Bay, City	3,854	542.67	803.31	260.64
Hercules, City	39,050	6,592.10	8,139.63	1,547.53
Los Altos, City	34,617	6,884.63	7,215.58	330.95
Mill Valley, City	87,336	14,249.05	18,204.36	3,955.31
<u>Millbrae, City</u>				
Millbrae, City	38,806	6,659.62	8,088.87	1,429.25
Millbrae WWTP	65,572	-	13,667.83	13,667.83
Millbrae Total	104,378	6,659.62	21,756.70	15,097.08
Milpitas, City	182,500	35,246.66	38,040.61	2,793.95
Monte-Sereno, City	1,159	184.89	241.59	56.70
Moraga, Town	8,186	1,674.69	1,706.29	31.60
<u>Napa County</u>				
Napa County001	1,958	403.78	408.03	4.25
Napa County002	20,488	3,317.93	4,270.52	952.59
Napa County003	1,433	1,281.63	298.64	(982.99)
Napa County004	9,439	1,410.20	1,967.47	557.27
Napa County005	112,384	19,940.51	23,425.49	3,484.98
Napa County Total	145,701	26,354.05	30,370.15	4,016.10
<u>Oakland, City</u>				
Oakland, City	799,470	132,480.55	166,642.61	34,162.06
Oakland Zoological	16,067	2,896.89	3,349.05	452.16
Oakland, City Total	815,537	135,377.44	169,991.66	34,614.22
Orinda, City	7,204	1,378.83	1,501.53	122.70
Pacifica, City	30,593	5,430.47	6,376.78	946.31
Petaluma, City	25,298	4,370.93	5,273.07	902.14
Pleasanton, City	214,849	43,303.81	44,783.44	1,479.63
Regional Admin. Facility	59,132	9,866.76	12,325.65	2,458.89
Richmond, City	282,119	47,325.51	58,805.25	11,479.74
Salinas, City	229,607	36,728.83	47,859.60	11,130.77
San Carlos, City	63,831	11,016.21	13,304.96	2,288.75
<u>San Mateo County</u>				
San Mateo County006	968,574	165,751.18	201,890.85	36,139.67
San Mateo County007	703,470	117,501.06	146,632.25	29,131.19
San Mateo County008	5,768	968.26	1,202.35	234.09
San Mateo County009	8,191	1,127.60	1,707.44	579.84
San Mateo County011	35,488	4,068.86	7,397.14	3,328.28
San Mateo County013	41,121	-	8,571.33	8,571.33
San Mateo County Total	1,762,613	289,416.96	367,401.36	77,984.40
San Rafael, City	75,263	10,647.53	15,687.91	5,040.38

**ABAG POWER -
Working Capital Deposits (Allocation by Usage)**

**Agenda Item # 5
Attachment B1**

Customer	Estimated Annual Usage @ PG&E Citygate (therms)	Working Capital Deposit 2007-08	Total Required Deposit	Additional Deposit
			\$ 2,020,735.53	
Santa Clara County	1,070,315	163,473.70	223,097.80	59,624.10
Santa Rosa, City	295,817	51,890.53	61,660.42	9,769.89
Saratoga, City	12,913	2,238.45	2,691.59	453.14
Union City	21,284	4,130.37	4,436.46	306.09
Vallejo, City	507,720	94,804.31	105,829.88	11,025.57
Vallejo Sani.& Flood Control Dist	21,227	3,615.58	4,424.60	809.02
Watsonville, City	80,300	14,189.98	16,737.86	2,547.88
Winters, City	3,482	643.81	725.80	81.99
TOTAL - Core	8,450,177	\$ 1,449,741.29	\$ 1,761,365.47	\$ 311,624.18
<u>Non-Core</u>				
Contra Costa, County	0		-	-
San Mateo County	225,960	62,480.01	47,099.39	(15,380.62)
Santa Rosa, City (Co-gen)	814,964	171,220.35	169,872.19	(1,348.16)
Watsonville, City (Co-gen)	203,407	37,293.88	42,398.48	5,104.60
TOTAL - Non-core	1,244,332	\$ 270,994.24	\$ 259,370.06	\$ (11,624.18)
GRAND TOTAL (Core + Non-core)	9,694,508	\$ 1,720,735.53	\$ 2,020,735.53	\$ 300,000.00
Total Monthly Levelized Charges		\$1,160,950	<u>Months of W.C.</u> 1.48	<u>Months of W.C.</u> 1.74

**ABAG POWER -
Working Capital Deposits (Allocation by Cost)**

**Agenda Item #5
Attachment B2**

Customer	Total Annual Cost	Working Capital Deposit 2007-08	Total Required Deposit	Additional Deposit
\$ 2,020,735.53				
Core				
Alameda, City	\$319,432	\$ 27,021.59	\$ 46,343.95	\$ 19,322.36
Albany, City	\$34,869	4,279.95	5,058.87	778.92
Atherton, Town	\$10,018	1,118.70	1,453.39	334.69
Benicia, City	\$124,472	17,325.81	18,058.61	732.80
Contra Costa County	\$2,160,410	277,978.61	313,437.10	35,458.49
Cupertino, City	\$84,711	9,801.31	12,290.05	2,488.74
Eastside Union H.S. District	\$181,601	32,824.95	26,347.07	(6,477.88)
Fremont, City	\$299,777	34,215.74	43,492.37	9,276.63
Gonzales, City	\$22,515	2,437.62	3,266.46	828.84
Golden Gate Bridge	\$117,615	14,498.64	17,063.84	2,565.20
Half Moon Bay, City	\$5,711	542.67	828.57	285.90
Hercules, City	\$57,868	6,592.10	8,395.56	1,803.46
Los Altos, City	\$51,298	6,884.63	7,442.46	557.83
Mill Valley, City	\$129,421	14,249.05	18,776.75	4,527.70
Millbrae, City				
Millbrae, City	\$57,507	6,659.62	8,343.21	1,683.59
Millbrae WWTP	\$97,170	-	14,097.58	14,097.58
Millbrae Total	\$154,676	6,659.62	22,440.79	15,781.17
Milpitas, City	\$270,445	35,246.66	39,236.71	3,990.05
Monte-Sereno, City	\$1,718	184.89	249.18	64.29
Moraga, Town	\$12,131	1,674.69	1,759.94	85.25
Napa County				
Napa County001	\$2,901	403.78	420.86	17.08
Napa County002	\$30,361	3,317.93	4,404.79	1,086.86
Napa County003	\$2,123	1,281.63	308.03	(973.60)
Napa County004	\$13,987	1,410.20	2,029.33	619.13
Napa County005	\$166,540	19,940.51	24,162.06	4,221.55
Napa County Total	\$215,913	26,354.05	31,325.08	4,971.03
Oakland, City				
Oakland, City	\$1,184,724	132,480.55	171,882.32	39,401.77
Oakland Zoological	\$23,810	2,896.89	3,454.35	557.46
Oakland, City Total	\$1,208,533	135,377.44	175,336.67	39,959.23
Orinda, City	\$10,675	1,378.83	1,548.74	169.91
Pacifica, City	\$45,335	5,430.47	6,577.28	1,146.81
Petaluma, City	\$37,488	4,370.93	5,438.87	1,067.94
Pleasanton, City	\$318,382	43,303.81	46,191.56	2,887.75
Regional Admin. Facility	\$87,628	9,866.76	12,713.20	2,846.44
Richmond, City	\$418,068	47,325.51	60,654.25	13,328.74
Salinas, City	\$340,251	36,728.83	49,364.44	12,635.61
San Carlos, City	\$94,590	11,016.21	13,723.31	2,707.10
San Mateo County				
San Mateo County006	\$1,435,316	165,751.18	208,238.85	42,487.67
San Mateo County007	\$1,042,463	117,501.06	151,242.77	33,741.71
San Mateo County008	\$8,548	968.26	1,240.15	271.89
San Mateo County009	\$12,139	1,127.60	1,761.13	633.53
San Mateo County011	\$52,589	4,068.86	7,629.72	3,560.86
San Mateo County013	\$60,937	-	8,840.84	8,840.84
San Mateo County Total	\$2,611,991	289,416.96	378,953.46	89,536.50
San Rafael, City	\$111,531	10,647.53	16,181.19	5,533.66
Santa Clara County	\$1,586,084	163,473.70	230,112.60	66,638.90

**ABAG POWER -
Working Capital Deposits (Allocation by Cost)**

**Agenda Item #5
Attachment B2**

Customer	Total Annual Cost	Working Capital Deposit 2007-08	Total Required Deposit	Additional Deposit
			\$ 2,020,735.53	
Santa Rosa, City	\$438,367	51,890.53	63,599.19	11,708.66
Saratoga, City	\$19,135	2,238.45	2,776.22	537.77
Union City	\$31,540	4,130.37	4,575.95	445.58
Vallejo, City	\$752,384	94,804.31	109,157.46	14,353.15
Vallejo Sani.& Flood Control Dist	\$31,456	3,615.58	4,563.72	948.14
Watsonville, City	\$118,996	14,189.98	17,264.14	3,074.16
Winters, City	\$5,160	643.81	748.62	104.81
TOTAL - Core	\$12,522,194	\$ 1,449,741.29	\$ 1,816,747.63	\$ 367,006.34
<u>Non-Core</u>				
Contra Costa, County	\$0		-	-
San Mateo County	\$255,320	62,480.01	37,042.46	(25,437.55)
Santa Rosa, City (Co-gen)	\$920,858	171,220.35	133,600.12	(37,620.23)
Watsonville, City (Co-gen)	\$229,837	37,293.88	33,345.32	(3,948.56)
TOTAL - Non-core	\$1,406,016	\$ 270,994.24	\$ 203,987.90	\$ (67,006.34)
GRAND TOTAL (Core + Non-core)	\$13,928,210	\$ 1,720,735.53	\$ 2,020,735.53	\$ 300,000.00
Total Monthly Levelized Charges		\$1,160,950	<u>Months of W.C.</u> 1.48	<u>Months of W.C.</u> 1.74

MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS Agenda Item #7

Representing City and County Governments of the San Francisco Bay Area

Attachment A



DT: August 20, 2008

TO: ABAG POWER Executive Committee

FM: Gerald L. Lahr, ABAG POWER Program Manager

RE: **Program Opportunities for Use of Proceeds from Natural Gas Litigation**

In 2004, ABAG POWER became a plaintiff in litigation dealing with the manipulation of the natural gas markets. This litigation is expected to resolve in the near future with the result that ABAG POWER will receive certain funds on behalf of its members. (See June 30, 2008 memo for additional details)

Staff recommends that the full ABAG POWER Board be presented with the following options regarding the ultimate disposition of these funds.

- Option 1. All gas litigation proceed funds are returned to members in accordance with the allocation plan previously approved. (attached)
- Option 2.* All funds are retained by ABAG POWER for future use, as approved by the Executive Committee, on programs directly benefiting member agencies. (see potential program list below)
- Option 3.* A specific portion of the funds are retained by ABAG POWER for future use on programs approved by the Executive Committee and directly benefiting the members (see potential program list below). The remainder of the funds are returned to members in accordance with the allocation plan.

*Note: If option 2 or 3 is chosen, the Board will need to decide whether to retain the funds from: (1) all agencies, (2) just ABAG POWER members, or (3) just current Gas Program participants. In any case, individual members may elect to receive their entire portion of the litigation proceeds.

MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS Agenda Item #7

Representing City and County Governments of the San Francisco Bay Area

Attachment A



Potential Use of Funds:

If approved, funds retained as a result of the natural gas litigation will be utilized on programs that directly benefit ABAG POWER members. The funds will be accounted for separately, and will be released for program activities upon approval by the Board or the Executive Committee. Potential uses of these funds include:

1. **Solar Feasibility Studies.** Conduct (or offset costs of) solar feasibility studies at member agencies. These studies provide an independent evaluation of the feasibility of installing a solar PV project on a specific facility, including optional configurations; estimate of project costs (including incentives), and financing options. The studies typically cost \$15,000 for a single site, and \$4,000 for each additional site within the same agency.
2. **Utility Billing System Upgrade.** Expand ABAG POWER's current Utility Manager/EDI system to include the receipt of PG&E EDI electric bills for members. This would allow potential benefits that include:
 - Accurate tracking and reporting of complete energy data (i.e. both gas and electric) for member accounts.
 - Benchmarking and comparing facility usage and trends that can help target efficiency efforts.
 - Improved forecasting and budgeting energy costs.
 - Access to both electric and gas bills and UM reports through the internet.

The implementation of this effort would likely be conducted in two phases:

Phase I Pilot. Implement electric EDI and UM Online for one of ABAG POWER's current members. Approximate cost: \$13,000.

Phase II Full Implementation. Pending a successful pilot, the program would be expanded to all members who choose to participate. Approximate first year costs of \$22,000 (UM software upgrade) and \$3,500/agency (database setup), and subsequent costs of \$3,600/yr (technical support) and \$1.50/acct/mo (online hosting charges).

3. **Billing Report Options.** Create unique billing reports that will allow for enhanced accounting analysis and energy management. For example, produce and implement an optional billing report that would allocate the monthly levelized payment by the usage reported on the Invoice Detail Report.
Estimated Cost: \$3,000-5,000/report for software development.

MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS Agenda Item #7

Representing City and County Governments of the San Francisco Bay Area

Attachment A



Other Aggregation Programs:

- Audit/Analysis of Agency Utility Bills by Independent Contractor
- GHG Inventory/Analysis and Development of Climate Plans
- Biodiesel
- Renewable Energy Credits
- Demand Response
- Zero Emission Vehicle

Recommendation. Staff recommends that the ABAG POWER Executive Committee forward to the full ABAG POWER Board the options listed above with the recommendation that some or all of the gas litigation proceeds be utilized to expand the program offerings of ABAG POWER.

/vm

Attachment: Allocation Schedule

cc: Henry Gardner, President, ABAG POWER
Herbert Pike, Finance Director, ABAG
Kenneth Moy, Legal Counsel, ABAG

**Agenda Item #7
Attachment B**

Gas Litigation Proceeds Allocation

DRAFT

Total Litigation Proceeds **\$440,000**
Gas Litigation Costs* **\$70,913**

Current Members	Total Usage		% of Group	Allocation of Costs	Litigation Proceeds Allocation	Re-allocation of Costs	Total Distribution
	Jun '00 - Dec '02**	% of Total					
Alameda, City	357,225	1.77%	1.99%	\$ 1,254.81	\$ 7,785.77	\$ 153.14	\$ 7,938.91
Albany, City	58,488	0.29%	0.33%	205.45	1,274.76	25.07	1,299.83
Atherton, Town	14,975	0.07%	0.08%	52.60	326.38	6.42	332.80
Benicia, City	224,002	1.11%	1.24%	786.84	4,882.16	96.03	4,978.19
Contra Costa County	4,378,993	21.69%	24.34%	15,381.88	95,440.84	1,877.25	97,318.08
Cupertino, City	148,205	0.73%	0.82%	520.59	3,230.15	63.53	3,293.69
Eastside Union H.S. District	80,100	0.40%	0.45%	281.36	1,745.79	34.34	1,780.13
Fremont, City	585,431	2.90%	3.25%	2,056.42	12,759.56	250.97	13,010.53
Golden Gate Bridge	195,016	0.97%	1.08%	685.02	4,250.40	83.60	4,334.01
Gonzales, City	24,430	0.12%	0.14%	85.81	532.46	10.47	542.93
Half Moon Bay, City	8,870	0.04%	0.05%	31.16	193.32	3.80	197.13
Hercules, City	88,256	0.44%	0.49%	310.01	1,923.55	37.83	1,961.39
Los Altos, City	102,520	0.51%	0.57%	360.12	2,234.44	43.95	2,278.39
Mill Valley, City	158,941	0.79%	0.88%	558.30	3,464.14	68.14	3,532.28
Millbrae, City	67,576	0.33%	0.38%	237.37	1,472.83	28.97	1,501.80
Milpitas, City	240,252	1.19%	1.34%	843.92	5,236.33	102.99	5,339.32
Monte-Sereno, City	2,261	0.01%	0.01%	7.94	49.28	0.97	50.25
Moraga, Town	24,245	0.12%	0.13%	85.16	528.42	10.39	538.82
Napa County001	5,801	0.03%	0.03%	20.38	126.43	2.49	128.92
Napa County002	49,928	0.25%	0.28%	175.38	1,088.19	21.40	1,109.59
Napa County003	32,753	0.16%	0.18%	115.05	713.86	14.04	727.90
Napa County004	21,801	0.11%	0.12%	76.58	475.16	9.35	484.50
Napa County005	317,711	1.57%	1.77%	1,116.01	6,924.56	136.20	7,060.76
Oakland, City	2,419,375	11.98%	13.45%	8,498.42	52,730.66	1,037.17	53,767.83
Oakland Zoological	35,150	0.17%	0.20%	123.47	766.10	15.07	781.17
Orinda, City	17,853	0.09%	0.10%	62.71	389.11	7.65	396.76
Pacifica, City	85,942	0.43%	0.48%	301.88	1,873.12	36.84	1,909.96
Petaluma, City	66,012	0.33%	0.37%	231.88	1,438.74	28.30	1,467.04
Pleasanton, City	386,851	1.92%	2.15%	1,358.87	8,431.48	165.84	8,597.32
Regional Admin. Facility	91,590	0.45%	0.51%	321.72	1,996.22	39.26	2,035.48
Richmond, City	403,908	2.00%	2.24%	1,418.79	8,803.24	173.15	8,976.39
Salinas, City	573,725	2.84%	3.19%	2,015.30	12,504.43	245.95	12,750.38
San Carlos, City	162,568	0.81%	0.90%	571.04	3,543.19	69.69	3,612.89
San Mateo County SANACPC006	1,311,673	6.50%	7.29%	4,607.45	28,588.12	562.31	29,150.42
San Mateo County SANACPC007	522,263	2.59%	2.90%	1,834.53	11,382.80	223.89	11,606.69
San Mateo County SANACPC008	7,055	0.03%	0.04%	24.78	153.76	3.02	156.79
San Mateo County SANACPC009	5,858	0.03%	0.03%	20.58	127.68	2.51	130.19
San Mateo County SANACPC011	2,041	0.01%	0.01%	7.17	44.48	0.87	45.36
San Rafael, City	109,188	0.54%	0.61%	383.54	2,379.77	46.81	2,426.58
Santa Clara County	2,107,458	10.44%	11.71%	7,402.77	45,932.38	903.45	46,835.83
Santa Rosa, City	670,388	3.32%	3.73%	2,354.84	14,611.21	287.39	14,898.60
Saratoga, City	37,064	0.18%	0.21%	130.19	807.82	15.89	823.70
Union City	59,603	0.30%	0.33%	209.36	1,299.06	25.55	1,324.61
Vallejo, City	1,458,664	7.23%	8.11%	5,123.78	31,791.81	625.32	32,417.13
Vallejo Sani.& Flood Control Dist	48,871	0.24%	0.27%	171.67	1,065.15	20.95	1,086.10
Watsonville, City	210,859	1.04%	1.17%	740.67	4,595.70	90.39	4,686.10
Winters, City	10,422	0.05%	0.06%	36.61	227.15	4.47	231.62
Total Current Members	17,992,161	89.12%	100.00%	\$ 63,200.21	\$ 392,141.96	\$ 7,713.12	\$ 399,855.08
<u>Opt-out Members</u>							
Belmont, City	86,583	0.43%	3.94%	\$ 304.14	\$ 1,887.09	\$ (304.14)	\$ 1,582.95
Daly, City	296,001	1.47%	13.48%	1,039.75	6,451.39	(1,039.75)	5,411.64
El Cerrito, City	0	0.00%	0.00%	-	-	-	-

**Agenda Item #7
Attachment B**

Gas Litigation Proceeds Allocation

DRAFT

Total Litigation Proceeds **\$440,000**
Gas Litigation Costs* **\$70,913**

Current Members	Total Usage Jun '00 - Dec		% of Group	Allocation of Costs	Litigation Proceeds Allocation	Re-allocation of Costs	Total Distribution
	'02**	% of Total					
Foster City	105,910	0.52%	4.82%	372.03	2,308.32	(372.03)	1,936.30
Hillsborough, Town	15,251	0.08%	0.69%	53.57	332.40	(53.57)	278.83
Menlo Park, City	347,975	1.72%	15.85%	1,222.32	7,584.17	(1,222.32)	6,361.85
Pinole, City	139,209	0.69%	6.34%	488.99	3,034.08	(488.99)	2,545.09
San Leandro, City	0	0.00%	0.00%	-	-	-	-
San Mateo, City	995,318	4.93%	45.33%	3,496.21	21,693.11	(3,496.21)	18,196.91
Sebastopol, City	96,519	0.48%	4.40%	339.04	2,103.65	(339.04)	1,764.61
Vacaville, City	113,045	0.56%	5.15%	397.09	2,463.83	(397.09)	2,066.75
Total Opt-out Members	2,195,811	10.88%	100.00%	\$ 7,713.12	\$ 47,858.04	\$ (7,713.12)	\$ 40,144.92
Grand Total	20,187,972	100.00%		\$ 70,913.33	\$ 440,000.00	\$ -	\$ 440,000.00

*During the four fiscal years beginning July 2004, ABAG POWER budgeted 5% of the Program Manager's time and 5% of the Program Assistant's time to the gas litigation tasks. These costs were included in the program fees charged to gas program participants.

** Usage for period Jun 2000 - Jun 2002 taken from the worksheet used to calculate the true-up in October 2002. Usage for period Jul 2002 - Dec 2002 taken from the 2002-03 true-up worksheet.

MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS Agenda Item #7

Representing City and County Governments of the San Francisco Bay Area

Attachment C



DT: June 30, 2008

TO: ABAG POWER Natural Gas Program Members

FM: Gerald L. Lahr, ABAG POWER Program Manager
Kenneth Moy, ABAG Legal Counsel

RE: **Allocation of Proceeds from Natural Gas Litigation**

Background. In 2004 ABAG POWER filed a lawsuit against several natural gas suppliers for price manipulation. The complaint stated that the natural gas companies conspired to artificially inflate and fix the retail price of natural gas in violation of California antitrust and unfair competition laws. The lawsuit also alleged that the natural gas firms conducted intentional false reporting of natural gas price and trading information, and sham sales. ABAG POWER has contended throughout the lawsuit that, as a result of the actions of the companies, ABAG POWER paid more for natural gas during the period 2000 – 2002 than they would have absent their unlawful actions.

ABAG POWER retained the law firm of Cothcett, Pitre, & McCarthy to represent it in this matter under an agreement in which the firm would be compensated from any monetary proceeds that resulted from the litigation.

Early in the process ABAG POWER's complaint was joined with several other similar lawsuits, and the litigation subsequently proceeded through the often tortuous process of filings, motions, discovery, depositions, etc. In recent months, the plaintiffs, on the recommendation of litigation counsel, settled with some of the named defendants, and expect to reach additional settlements with the remaining defendants.

Allocation of Proceeds. ABAG POWER recently received a check representing the program's share of the settlements reached to date (net of costs owed to the Cothcett firm). The funds have been deposited in an interest-bearing account for further disposition by the ABAG POWER Board. As a result of this, and the other anticipated settlements, ABAG POWER staff has begun the process of developing a method for allocating the proceeds to the members of the natural gas program.

In discussion with the ABAG POWER Executive Committee, staff has developed a schedule showing the percentage of proceeds to be allocated to each agency, along with a proration of the internal costs associated with the litigation. As can be seen in the attached schedule, the allocation of proceeds and costs is based on the natural gas usage of each agency during the relevant period (Jun 2000 – Dec 2002).

MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS Agenda Item #7

Representing City and County Governments of the San Francisco Bay Area

Attachment C



When calculating the final allocation amount, staff proposes to deduct a proportional share of the internal litigation costs from any agency that opted out of the program prior to the start of the litigation. The costs recouped from opt-out members will be redistributed to current members. Note that the current gas program participants have paid these expenses through the normal program operational fees. Internal litigation costs are based on budgeted amounts for fiscal years 2005-09.

Member Action. We ask that each agency review the attached schedule and provide us with any feedback regarding the calculation of the allocation percentage. Please respond no later than July 31, 2008 with your comments or questions.

Staff intends to submit the final allocation method to the ABAG POWER Board for approval at its annual meeting this Fall. Funds will then be distributed when the litigation has been completed and all proceeds received.

/vm

Attachment: Allocation Schedule

cc: Henry Gardner, President, ABAG POWER
Joseph Chan, Finance Director, ABAG



ABAG POWER ANNUAL BOARD MEETING

October [30?], 2008 (10:30 a.m. to 1:00 p.m.?)

**Association of Bay Area Governments
Joseph P. Bort MetroCenter Auditorium
101 Eighth Street, Oakland, CA 94607**

Chairman: Ed Buonaccorsi

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|-----|--|-------------|---------------|
| 1. | Welcome
ATTACHMENT A - ABAG POWER JPA MEMBER LIST | Buonaccorsi | |
| 2. | Public Comments | Buonaccorsi | |
| 3. | Approval of Minutes from October 17, 2007 Annual Board Meeting
ATTACHMENT A - MINUTES OF OCTOBER 17, 2007 | Buonaccorsi | Action |
| 4. | Election of ABAG POWER Officers (Chair and Vice Chair)
ATTACHMENT A - PROPOSED EXECUTIVE COMMITTEE FOR FY 08-09 | Buonaccorsi | Action |
| 5. | Status of Electric Program Funds
Staff will discuss the status of the remaining Electric Program funds held in escrow, and the need for continued monitoring of activities.
ATTACHMENT A - | Lahr/Moy | Action |
| 7. | Staff Report and Review of Natural Gas Program
Staff will report the results of the Natural Gas Program for the 2007 – 2008 fiscal year, as well as provide multi-year review of the Program.
ATTACHMENT A - STAFF REPORT ON NATURAL GAS PROGRAM
ATTACHMENT B - REVIEW OF NATURAL GAS PROGRAM
ATTACHMENT C - GAS PRICE COMPARISON SPREADSHEET | Lahr | Info. |
| 8. | Financial Review
Staff will review preliminary financial statements for FY 2007-08
ATTACHMENT A - FINANCIAL REPORTS MEMO
ATTACHMENT B.1.2.3. – PRELIMINARY FINANCIAL REPORTS | Pike | Info. |
| 9. | ABAG Energy Watch/ Green Communities
Staff will provide a status update and a review of the ABAG Energy Watch program. | Lahr | Info. |
| 10. | New Program Opportunities
Staff will discuss the potential for new programs within ABAG POWER. | Lahr | Info. |
| 11. | Natural Gas Litigation
Staff will discuss the status/outcome of the natural gas litigation and present a recommendation for the allocation of proceeds.
ATTACHMENT A - MEMO ON GAS LITIGATION AND ALLOCATION OPTIONS
ATTACHMENT B - PROPOSED ALLOCATION | Lahr/Moy | Action |

Break for Lunch



12. **Guest Speaker – ?** Info.

13. **Closed Session** Moy Info.

The following item will be discussed in closed session, pursuant to the requirements of the Ralph M. Brown Act. All actions will be announced in open session prior to the adjournment of the meeting.

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

Adjourn approximately 1:00 p.m.

THE BOARD MAY TAKE ANY ACTION, INCLUDING NO ACTION, ON ANY ITEM ON THIS AGENDA.