



SUMMARY MINUTES

ABAG Power Finance Committee

Teleconference Meeting 2001-03

August 29, 2001

Metro Center 101 8th Street, Oakland CA 94607

WELCOME AND INTRODUCTIONS

Joseph Chan opened the meeting with introductions at 1:30 p.m.

Committee Representatives Present

Richard Averett (Chair)
Don McVey
Terry Mann
Sheila Mohan
Michael Patrick

Jurisdictions

City of San Carlos
City of Daly City
County of Contra Costa
City of Union City
City of Pleasanton

Committee Representatives Absent

Pamela Kindig
Becky Perry

County of Napa
City of Pleasanton

Staff Present

Joseph Chan
Jerry Lahr
Vina Maharaj
Kenneth Moy

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PUBLIC COMMENTS

There were no public comments.

APPROVAL OF MINUTES

Motion was made by Patrick/S/McVey/C/ to approve the Summary Minutes of May 7, 2001 Finance Committee Meeting.

Sale of Power Contract

Jerry Lahr presented the members with a brief history of the process by which ABAG POWER sold the last six months of the power purchase contract.



Lahr said that due to the rapid decline in energy prices during May and June, ABAG POWER was not able to realize a significant gain on the sale of the final six months of the power purchase contract. Ultimately, ABAG POWER entered into a contract with Calpine to sell the power to the State. Power for the month of July was sold for \$70/MWh while power for the remaining months (August – December) was sold at \$84/MWh, resulting in a total net gain of approximately \$100,000. The final revenue from this sale (\$390,000) will not be available until the contract is completed in January 2002.

A. Cash Distribution Procedures

Joseph Chan presented a set of proposed procedures for the Electricity Pool cash distribution. Chan said that the objective of this set of procedures was to give the members an understanding of the liquidation of all assets, paying all liabilities and then finally distributing to the pool members whatever was remaining.

When questioned whether the CTC credit charges which PG&E owes ABAG POWER will generate interest, Moy said that the negative CTC is a tariff item that is subject to the California Public Utilities Commission. There is no provision in the tariff that contemplates the position of interest charges at present. However, in the course of pursuing the complaint, assuming the stay is lifted, a legal counsel who is more familiar with the CPUC procedures will be retained, who would then advise ABAG POWER whether there is an opportunity for receiving interest.

When questioned what steps ABAG POWER staff have taken to reduce administration costs, Lahr said that a budget for the 2001 - 2002 calendar year has been approved by the Executive Committee. This budget assumes funding of the Electric Program through December 2001. A number of ABAG POWER expenses have come down, for instance ABAG POWER no longer has a scheduling coordinator, billing services costs have been somewhat reduced and the program set-up costs were eliminated.

When questioned what the likelihood was of getting PX Escrow Deposits back, Moy said one of the major reasons PX filed bankruptcy was PG&E's failure to pay for energy it bought through the PX during the four month preceding the PX bankruptcy filing. So, any recovery from the PX bankruptcy is going to be highly dependent on the bankruptcy court involved with PG&E filing, whether they force PG&E to make good on the amounts that it owes the PX.

Kenneth Moy made a brief presentation on the True Up Procedures as required under the Direct Access Agreement, which governs the Electric Program. ABAG POWER is required, ninety days after the termination of the agreement, to true up two accounts, i.e. the Deposit and the Cash accounts. For purposes of the Direct Access Agreement, the program ceased on June 30/July 1, 2001, when all accounts were returned to PG&E, which brings a date of October 1, 2001 as a true up date. Moy said that as a practical matter, ABAG



POWER will not be able to meet that date therefore recommended that the true up date be extended to December 31, 2001.

In order to make the proposed true up procedures compatible with the legal requirements of the Direct Access Agreement, Moy suggested the following:

- Green Energy credits be treated as a pass-through amounts, not subject to true up;
- Unpaid CTC credits which is still owed to ABAG POWER by PG&E and CTC reversal basically being two contingent funds that balance each other out, also be put aside and not included in the true up;
- The net proceeds from the sale of Calpine contract for a period from July to December, 2001 should not be included in the true up. Chan explained that after June 30, 2001 when ABAG POWER was no longer providing services to the members, the Calpine contract became an asset/liability of ABAG POWER and the disposition of that asset/liability is an asset or liability to ABAG POWER itself. The loss of \$290,000 from the sale of the Calpine contract for July energy will be an expense or a loss to ABAG POWER while the money from the sale of Calpine contract for the period August to December, 2001 (approximately \$390,000 net to be received sometime in January, 2002) will be an asset of ABAG POWER. The distribution of this asset will be left to the discretion of the Executive Committee and/or Board of Directors of ABAG POWER.

The Finance Committee members reached a general consensus recognizing the practical limitations of receiving some of the revenues for final accounting by October 1st, 2001, therefore, concurred with staff's recommendation to get an extension to December 31, 2001 as the true up deadline date. They also agreed that the staff's recommendation of not including the above three items in the true up procedures, was appropriate and recommendable to the executive committee.

B. ABAG POWER Financial Reports

Joseph Chan presented the Financial Reports for April 2001. Chan said that the Electricity Pool had a deficit position for this period, which was mainly due to the bad debt expense of \$4.4 million representing the CTC charges that PG&E refused to pay and for which ABAG POWER did not assess CTC reversal charges to members.

Chan said there was also a modest deficit in the Natural Gas program which was due to fluctuating gas prices versus the levelized billing. Chan said that ABAG POWER hopes to closely break even by the end of the year.



C. Electric Program Estimated Cash Flow

Jerry Lahr presented a projected cash flow for the Electric Program for six-month period ending December 31, 2001.

Motion was made by Patrick/S/Mohan/C/ to approve Agenda Item No. 4, Approval of Electric Program Cash Distribution Procedures, ABAG POWER Financial Reports and Electric Program Estimated Cash Flow.

ADJOURN

The meeting adjourned at 3:00 p.m.

/vm