



**ABAG POWER  
ANNUAL BOARD MEETING  
October 27, 2011 (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: Chris Schroeder**

- |   |           |               |
|---|-----------|---------------|
| <b>1. Welcome</b><br>ATTACHMENT A - ABAG POWER JPA MEMBER LIST  | Schroeder |               |
| <b>2. Public Comments</b>   | Schroeder |               |
| <b>3. Approval of Minutes from October 28, 2010 Annual Board Meeting</b><br>ATTACHMENT 3A - MINUTES OF OCTOBER 28, 2010   | Schroeder | <b>Action</b> |
| <b>4. Election of ABAG POWER Officers (Chair and Vice Chair)</b>  | Schroeder | <b>Action</b> |
| <b>5. Ratification of ABAG POWER Executive Committee</b><br>ATTACHMENT 5A - PROPOSED EXECUTIVE COMMITTEE FOR FY11-12  | Schroeder | Action        |
| <b>6. Staff Report and Review of Natural Gas Program</b><br>Staff will report the results of the Natural Gas Program for the 2010 – 2011 fiscal year, as well as provide multi-year review of the Program.<br>ATTACHMENT 6A - STAFF REPORT ON NATURAL GAS PROGRAM<br>ATTACHMENT 6B – SUMMARY OF NATURAL GAS PROGRAM | Lahr      | Info.         |
| <b>7. Financial Review</b><br>Staff will review preliminary financial statements for FY 2010-11<br>ATTACHMENT 7A - FINANCIAL REPORTS MEMO<br>ATTACHMENT 7B.1.2. – PRELIMINARY FINANCIAL REPORTS   | Pike      | Info.         |
| <b>8. Update on other ABAG Energy Programs</b> <ul style="list-style-type: none"><li>• Energy Upgrade California/Retrofit Bay Area</li><li>• Better Buildings Program (BBP)</li><li>• Green Communities</li></ul>   | Lahr      | Info.         |
| <b>Break for Lunch</b>  |           |               |
| <b>9. Guest Speaker – Karen Kho – Alameda County Waste Management Authority (StopWaste.org)</b><br>Discussion of StopWaste.org's regional energy and sustainability programs and how they interact with various statewide programs.   | Kho       | Info.         |
| <b>10. Electric Vehicle (EV) Programs.</b><br>Staff will discuss ABAG's initiatives related to electric vehicles. <ul style="list-style-type: none"><li>• EV Streamlining</li><li>• EV Corridor</li></ul>   | Lahr      | Info.         |

**Adjourn approximately 1:00 p.m.**

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

**ABAG POWER Board of Directors (JPA Membership)**

Total JPA Membership = 67  
Current Gas Members = 38

Jurisdiction	Primary & Alternate	Membership Status	
		Natural Gas Member (Current)	Current JPA Member? Was Electric (Suspended) and/or Gas Member (opted out)
Alameda, City of	Debra Johnson (P) Pam Sibley (A)	Gas	
Albany, City of	Charles Adams (P)	Gas	Yes
Antioch, City of	Dawn Merchant (P) Jim Jakel (A)		Yes
Arcata, City of	Randy Mendosa (P)		Yes
Belmont, City of	Greg Scoles (P)		Gas (Opted-Out)
Benicia, City of	Robert Sousa (P) Abby Urrutia (A)	Gas	Yes
Berkeley, City of	Neal De Snoo (P)		Yes
Cloverdale, City of	Nina D. Regor (P)		Yes
Cotati, City of	Dianne Thompson (P)		Yes
Cupertino, City of	Carol Atwood (P) Erin Cooke (A)	Gas	Yes
Daly City, City of	Don McVey (P)		Yes Gas (Opted-Out)
Davis, City of	Sue Gedestad (A)		Yes
El Cerrito, City of	Maria Sanders (P) Garth Schultz (A)		Yes
Foster City, City of	Ray Towne (P)		Yes Gas (Opted-Out)
Fremont, City of	Harriet Commons (P)	Gas	
Gonzales, City of	Rene Mendez (P) Carlos Lopez (A)	Gas	Yes
Half Moon Bay, City of	Laura Snideman (P) Jan Cooke (A)	Gas	Yes
Hercules, City of	John Stier (P)	Gas	Yes
Los Altos, City of	Dave Brees (P) Doug Schmitz (A)	Gas	Yes
Menlo Park, City of	Glen Rojas (P) Carol Augustine (A)		Yes Gas (Opted-Out)
Mill Valley, City of	Eric Erickson (P)	Gas	Yes

**Agenda Item #1A**

Jurisdiction	Primary & Alternate	Membership Status	
		Natural Gas Member (Current)	Current JPA Member? Was Electric (Suspended) and/or Gas Member (opted out)
Millbrae, City of	Ron (Pope) Popp (P) Khee Lim (A)	Gas	Yes
Milpitas, City of	Emma Karlen (P) Chris Schroeder (A)	Gas	Yes
Monte Sereno, City of	Brian Loventhal (P)	Gas	
Newark, City of	Peggy Claassen (P)		Yes
Oakland, City of	Scott Wentworth (P)	Gas	
Orinda, City of	Janet Keeter (P) Emily Hobdy (A) Monica Pacheco (A)	Gas	Yes
Pacifica, City of	Ann Ritzma (P) Sandra McClellan (A)	Gas	Yes
Patterson, City of	City Clerk		Yes
Petaluma, City of	Vincent Marengo (P)	Gas	Yes
Pinole, City of	Belinda Espinosa (P)		Yes Gas (Opted-Out)
Pleasanton, City of	Daniel Smith (P) Laura Ryan (A)	Gas	Yes
Richmond, City of	Yader Bermudez (P) Angela Rush/Adam Lenz (A)	Gas	
Salinas, City of	Michael Ricker (P) Miguel Gutierrez (A)	Gas	Yes
San Carlos, City of	Rebecca Mendenhall (P)	Gas	Yes
San Leandro, City of	Lianne Marshall (P)		Yes
San Mateo, City of	David Culver (P)		Yes Gas (Opted-Out)
San Pablo, City of	Bradley J. Ward (P) Brock Arner (A)		Yes
San Rafael, City of	Janet Pendoley (P) Van Bach (A)	Gas	
Santa Rosa, City of	Mark Armstrong (P) Ed Buonaccorsi (A)	Gas	Yes
Saratoga, City of	Thomas Scott (P) Mary Furey (A)	Gas	Yes
Sebastopol, City of	Ron Puccineli (P)		Gas (Opted-Out)

**Agenda Item #1A**

Jurisdiction	Primary & Alternate	Membership Status	
		Natural Gas Member (Current)	Current JPA Member? Was Electric (Suspended) and/or Gas Member (opted out)
Union City, City of	Richard Sealana (P)	Gas	Yes
Vallejo, City of	John Cerini (P) Mike Schreiner (A)	Gas	Yes
Watsonville, City of	Gabriel Gordo (P) Bob Geyer (A)	Gas	
Winters, City of	John Donlevy (P) Shelly Gunby (A)	Gas	Yes
Atherton, Town of	Jerry Gruber (P) Louise Ho (A)	Gas	Yes
Hillsborough, Town of	Edna Masbad (P)		Yes Gas (Opted-Out)
Los Altos Hills, Town of	Carl Cahill (P)		Yes
Moraga, Town of	Jill Mercurio (P)	Gas	Yes
Windsor, Town of	James McAdler (P)		Yes
Butte, County of	Grant Hunsicker (A)		Yes
Contra Costa, County of	Beth Balita (P)	Gas	Yes
Monterey, County of	Mario Salazar (P)		Yes
Napa, County of	John Payne (P) Russell Schneider (A)	Gas	Yes
San Mateo, County of	Doug Koenig (P) Gary Behrens (A)	Gas	Yes
Santa Clara, County of	Lin Ortega (P) Jeff Draper (A)	Gas	
Sonoma, County of	John Haig (P)		Yes
Eastside Union High School Dist.	John Lawrence (P)	Gas	
Golden Gate Bridge District	Jennifer Mennucci (P) Alice Ng (A)	Gas	Yes
H.A.R.D.	Larry Lepore (P) Karl Zabel (A)		Yes
Housing Authority County of Alameda	Tom Makin (P) Christine Gouig (A)		Yes
Los Trancos County Water Dst.	Keri Tate (P)		Yes
R.A.F.C.	Teri Green (P) Robert Hoffman (A)	Gas	Yes

**Agenda Item #1A**

Jurisdiction	Primary & Alternate	Membership Status	
		Natural Gas Member (Current)	Current JPA Member? Was Electric (Suspended) and/or Gas Member (opted out)
South County Fire Authority	Doug Fry (P)		Yes
Vallejo Sanitation & Flood Ctrl.	Ron Matheson (P)	Gas	
West County Wastewater District	Brian Hill (P)		Yes



# SUMMARY MINUTES

**ABAG POWER Annual Board of Directors' Meeting 2010**

October 28, 2010

Joseph P Bort MetroCenter

101 Eighth Street, Oakland, CA 94607-4756

## **WELCOME**

Chairman John Cerini opened the meeting of the ABAG POWER Board of Directors' with introductions at 10:00 a.m.

The agencies having a representative at this meeting were as follows:

### **Jurisdictions Represented**

City of Alameda  
City of Benicia  
City of El Cerrito  
City of Gonzales  
City of Hercules  
City of Los Altos  
City of Millbrae  
City of Newark  
City of Orinda  
City of Pacifica  
City of Richmond  
City of Salinas  
City of Saratoga  
City of Union City  
City of Vallejo  
County of Butte  
County of San Mateo  
County of Santa Clara  
Golden Gate Bridge & Highway District  
Hayward Area Recreational District  
(H.A.R.D.)  
Housing Authority for the County of Alameda  
RAFC  
Town of Moraga  
Vallejo Sanitation and Flood Control District

### **Representatives**

Marge McLean  
Rob Sousa  
Maria Sanders  
Carlos Lopez  
Raj Pankhania  
Brian McCarthy  
Ron Popp  
Peggy Claassen, Lenka Diaz  
Monica Pacheco  
Ann Ritzma  
Adam Lenz  
Miguel Gutierrez  
Thomas Scott  
Richard Sealana  
John Cerini  
Grant Hunsicker  
Doeg Koenig  
Brad Vance, Jill Boone  
Jennifer Mennucci  
Karl Zabel  
Tom Makin  
Teri Green  
Emily Boyd  
Humberto Molina/Ron Matheson



**Guests Present**

Patrick Stoner

Statewide Local Government

**Staff:**

Ezra Rapport

ABAG

Herbert Pike

ABAG

Jerry Lahr

ABAG POWER

Kenneth Moy

ABAG

Deborah Lawyer

ABAG

**WELCOME & CHAIRMAN'S OPENING REMARKS**

Chairman Cerini welcomed the board members and provided a brief history and a general overview of the ABAG POWER Program. He introduced and extended a special acknowledgment to the 2009-10 Executive Committee and the ABAG POWER Staff.

**PUBLIC COMMENTS**

There were no public comments.

**APPROVAL OF SUMMARY MINUTES OF OCTOBER 29, 2009 ANNUAL BOARD MEETING**

Motion was made by Mennuci/S/Sousa/19:0:0/C/ to approve the Summary Minutes of October 29, 2009 ABAG POWER Annual Board of Directors' meeting.

**ELECTION OF ABAG POWER OFFICERS (CHAIR AND VICE CHAIR)**

Motion was made by Popp/S/Mennuci/19:0:0/C/ to elect Chris Schroeder of the City of Milpitas as Chairman and Jennifer Mennucci as Vice-Chairman of the ABAG POWER Executive Committee for program year 2010-11.

**CONFIRMATION OF EXECUTIVE COMMITTEE MEMBERS**

Motion was made by Ritzma/S/Mclean/19:0:0/C/ to approve the proposed ABAG POWER Executive Committee for program year 2010-2011 as follows:

Mark Armstrong, City of Santa Rosa

Michael Lango, County of Contra Costa

Jennifer Mennucci, Golden Gate Bridge, Highway & Transportation District

Raj Pankhania, City of Hercules

Ron Popp, City of Millbrae

Chris Schroeder, City of Milpitas

Richard Sealana, City of Union City



## **STAFF REPORT AND REVIEW OF NATURAL GAS PROGRAM**

Lahr provided an in-depth report on the operations of the Natural Gas Program for the 2009-10 fiscal year. He also provided a multi-year review of the program, and discussed the program goals, long-term program achievements and gas purchasing strategies.

The program's net savings for the year ending June 30, 2010 was -16.0%, while the average savings for the period January 2003 to present was approximately -3.0%. During this entire period the Program has achieved greater price stability than PG&E.

ABAG POWER's blend of long-term and short-term gas purchases resulted in a weighted average cost of gas for the year of \$6.24/Dth, representing a decrease of approximately 15% over the prior year. The program's monthly rate operated in range of approximately +/- \$1.25, as compared to the range for PG&E's similar (GNR-1) rate of approximately +/- \$1.80.

The program's natural gas buying strategy was modified by the Executive Committee to slightly reduce the program's dependence on long-term contracts. ABAG POWER will continue to look to the forward gas commodity markets to increase its overall hedged position as favorable buying opportunities become available.

## **ENERGY DATA PILOT**

Lahr provided a brief history, purpose and cost estimates of the Pilot Project which was initiated in 2009 using the City of Milpitas as the test agency. He referred members to his May 5, 2010 Notice of Intent memo which was sent to the ABAG POWER members. Lahr said that by the due date of June 1, 2010, no positive response was received to join the program. The cost factor seemed to be the main concern amongst the ones who had initially shown interest in the Pilot Project.

At its June, 2010 meeting, the Executive Committee recommended that the Energy Data Pilot Project not be expanded but instead be brought to a conclusion by July 31, 2010.

## **FINANCIAL REVIEW**

Herbert Pike presented the preliminary financial reports for fiscal year ending June 30, 2010. Auditors were in the process of auditing the financial statements, which will be available by December, 2010.

## **ELECTRIC DIRECT ACCESS UPDATE/OPPORTUNITIES**

Lahr provided the members with an Electric Direct Access 2010 Fact sheet which provided information on Direct Access eligibility, legislation, phase in periods and ESP requirements.



## ENERGY EFFICIENCY PROGRAM UPDATES

Lahr provided a status update on various energy efficiency and sustainability programs being undertaken by ABAG as follows:

- Local Government Partnerships with PG&E – Energy Watch
- ABAG Green Communities with PG&E
  - GHG Emissions Inventory Assistance
  - Energy Use Benchmarking
- Energy Upgrade California (Retrofit Bay Area)
- DOE Better Buildings Program

## SILICON VALLEY SOLAR PROJECT

Rachel Massaro updated members on the multi-agency, collaborative solar procurement project lead by Santa Clara County and Joint Venture Silicon Valley.

## GUEST SPEAKER – Patrick Stoner – Statewide Local Government, Energy Efficiency Best Practice Coordinator

Stoner shared the goals and responsibilities of his new position, including tracking local government progress in implementing California’s Long-term Energy Efficiency Strategic Plan.

## ADJOURNMENT

Chairman Cerini adjourned the meeting at 1:00 p.m.

/vm

\*Example of a motion – *[Member No. 1/S/Member No. 2/O/Member No. 3/roll call vote/C/8:0:0]* means Member No.1 motions, seconded by Member No.2, Opposed by Member No. 3, after roll call vote, motion carries, 8 = “yes” votes, 0 = “no” votes and 0 = abstentions.



<b>Proposed ABAG POWER Executive Committee for FY 2011-12</b>		
Mark Armstrong	Facilities Maintenance & Operations Coordinator	City of Santa Rosa
Beth Balita	Fiscal Officer	County of Contra Costa
Ron Popp	Public Works Director	City of Millbrae
Angela Rush	Public Works Operations Administrator	City of Richmond
Chris Schroeder	Purchasing Officer	City of Milpitas
Richard Sealana	Superintendent of Public Works	City of Union City
John Stier	Municipal Services Director	City of Hercules

<b><u>ABAG POWER Staff</u></b>	
Ezra Rapport	ABAG POWER President; ABAG Executive Director
Gerald L. Lahr	ABAG POWER Program Manager/Secretary
Vina Maharaj	ABAG POWER Administrative Assistant/Customer Services Technician
Kenneth Moy	ABAG Legal Counsel
Herbert Pike	ABAG Finance Director; ABAG POWER Chief Financial Officer/Treasurer

# MEMORANDUM

## ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area

Agenda Item #6A



DATE: October 19, 2011

TO: ABAG POWER Board of Directors

FROM: Gerald L. Lahr, Manager, ABAG POWER

RE: **Staff Report on 2010-2011 Natural Gas Program**

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### Summary

Near-term, market-rate natural gas prices began and ended the past fiscal year at approximately the same level: \$4.50/Dth. While prices fluctuated throughout the year, the market volatility remained less than it has been in the recent past.

During the year, ABAG POWER purchased 45% of its gas with forward gas supply contracts, with additional amounts being purchased on the short-term market. During the year the Program's gas costs ranged from a high of \$7.50/Dth, to a low of \$3.37/Dth. ABAG POWER's blend of long-term and short-term gas purchases resulted in a weighted average cost of gas for the year of \$5.08/Dth, representing a decrease of approximately 18% over the prior year. Ultimately, ABAG POWER's annual weighted average price was approximately 1.1% higher than PG&E's similar total rate (GNR-1). Due to the Program's levelized billing structure and long-term purchasing strategy, ABAG POWER's monthly rates were more stable than PG&E's rates throughout the year.

### Program Goals

Since 2002 the ABAG POWER Natural Gas Program has operated with the dual, and often competing, goals of *Cost Savings* and *Price Stability*.

- **Price Stability.** It is desirable that the Program's purchasing strategy and costs allocation methods be such that will provide members a reasonable degree of certainty of the costs to be shared within any given program year.
- **Cost Savings.** Given the desire for price stability, the Program shall attempt to provide gas procurement services for less than the equivalent services provided by the default provider (i.e. PG&E).

To meet these goals the program has implemented a gas purchasing strategy that emphasizes multiple layers of long-term, fixed-price contracts for a majority of its gas load, while the remaining portion of gas is purchased with short-term, indexed-based contracts. This strategy has generally resulted in positive savings during times of rising markets, and negative savings during falling markets, while maintaining price stability.

# MEMORANDUM

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During this past year staff continued the gas purchasing strategy established by the Executive Committee during the previous year which slightly reduced the program's dependence on long-term contracts, as follows:

- Purchase up to three-year, fixed-price contract(s) for up to 40% of the current gas requirements.
- Purchase up to one-year, fixed-price contracts for up to 30% of the current gas requirements.
- Purchase the remaining gas requirements based on a monthly or daily index that will float with the market price of gas.

### **Fiscal Year 2010 – 11.**

During the recently completed fiscal year, ABAG POWER purchased 45% of its gas with forward gas supply contracts.<sup>1</sup> The remaining gas requirements were purchased in monthly or daily blocks with the price tied to a market index.<sup>2</sup> During the year the Program's gas costs ranged from a high of \$7.50/Dth for gas tied to a long term contract, to a low of \$3.37/Dth for daily gas in September 2010. The Natural Gas Program's net savings for the year ending June 30, 2010 was -1.1%.

The program's total monthly levelized rate (gas commodity and distribution) remained static throughout the year, as compared PG&E's similar (GNR-1) rate which ranged from \$6.53 – 10.28/Dth.

### **Long Term Program Metrics.**

During the period January 2003 – June 2011 ABAG POWER realized a total average gas savings<sup>3</sup> of -3.2% (does not include proceeds from 2009 gas litigation settlement: \$557,000). Throughout this period the Program's prices continued to be more stable than PG&E's. This is due to a strategy that relies more heavily on longer-term, fixed-price purchases, as well as the levelized billing system.

While ABAG POWER's fixed price contracts produce greater stability, and have avoided the significant price spikes seen over the past several years, at times these contract prices are above the monthly and daily indices that are primarily followed by PG&E.

### **Operations and Billing.**

**Scheduling.** For the past three years ABAG POWER has utilized Golden Valley Gas Services (GVGS) as its gas scheduling and balancing agent. The program continues to schedule deliveries to take full advantage of the preferential transportation capacity that PG&E is required to offer to the program. However it should be noted that due to decisions at the California Public Utilities

<sup>1</sup> Contracts greater than one month in length. Purchases staged throughout the year.

<sup>2</sup> National Gas Intelligence's (NGI's) monthly Bidweek index, or the Gas Daily's daily index for the appropriate delivery point.

<sup>3</sup> Compared to PG&E's GNR-1 rate.

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Commission, the rules regarding the allocation of PG&E's transportation capacity to Core Transportation Agents (CTAs), such as ABAG POWER, will change beginning in April 2012, and this will likely result in an additional cost to the program. Several CTAs have recently joined forces to explore their options as a result of these upcoming changes.

**Gas Purchase Agreements.** ABAG POWER continues to seek out gas suppliers that may provide benefits to its portfolio. The program currently maintains master gas purchase contracts with the following suppliers:

- Allied Energy Resources
- BP Energy
- Cook Inlet Energy Supply
- Shell Energy North America (formerly Coral Energy)
- Occidental Energy Marketing, Inc. (subsidiary of Occidental Petroleum)
- Pacific Summit Energy (subsidiary of Sumitomo Corp.)
- Sierra Southwest (Touchstone Energy Cooperative)
- United Energy Trading (UET)
- Utility Resource Solutions (Spark Energy)

**Noncore.** The ABAG POWER natural gas pool includes three large-usage (noncore) accounts. Natural gas for these accounts is scheduled separately, although it is allocated from the same pooled purchases.

**Storage.** Core aggregation programs such as ABAG POWER are required to maintain certain gas storage requirements throughout the year. For instance, ABAG POWER is required to have approximately 800,000 therms of gas in storage at the start of the winter period (Nov. 1<sup>st</sup>). During the past four annual storage cycles<sup>4</sup> ABAG POWER chose to utilize PG&E storage facilities to meet the entire storage requirement. However, during the most recent storage cycle, ABAG POWER has chosen to contract with a third-party storage facility (Wild Goose Storage) for a majority of its storage requirement (80%) in order to save costs. The Program continues to utilize PG&E's storage facilities for a minority of its storage requirement (20%) to retain operational flexibility.

**Billing.** ABAG POWER continues to provide "ESP Consolidated Billing" services for all core accounts utilizing Electronic Data Interchange (EDI) processing. Under this option members receive only one bill with both ABAG POWER and PG&E charges. EDI processing is not available for noncore accounts, so these are billed using the "Dual Billing" option. Under Dual Billing PG&E sends a separate bill with just transportation and miscellaneous charges (i.e. no commodity charge).

ABAG POWER maintains its own internal accounting system that provides for "levelized" billing. Every member is invoiced each month for an amount that represents 1/12 of the annual cost estimate for that member. Along with the monthly levelized invoice, the program sends each member a detailed report showing the actual usage for each account. After the end of the fiscal year the actual

<sup>4</sup> Annual Storage Cycle: April - March

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costs for each member are compared to the levelized billings, and a credit or charge is then applied to true-up any difference.

### **Financial**

The total cost of the natural gas program for 2010-2011 decreased from the previous fiscal year by 13%: from \$8.7 million to \$7.6 million. This was primarily the result of a decrease in the Program's total gas commodity expense, and occurred even though gas consumption *increased* by 2.2%. A review of each major program cost element is summarized below:

**Natural Gas Commodity Cost.** The natural gas commodity cost decreased from \$5.7 million in 2009-10 to \$4.7 million for the 2010-2011 program year. This total was significantly below the originally budgeted amount of \$6.1 million. The relative decrease in total program gas cost (17%) is even more surprising given that total gas consumption *increased* by 2% (from 8,953,650 to 9,156,150 therms).

The commodity portion of program costs is composed of: (1) natural gas purchases from gas suppliers for monthly consumption, (2) shrinkage, (3) required storage, and (4) additional costs to transport the gas to PG&E's distribution system. The natural gas commodity costs represented 62.8% of the total program costs for the year

**Transportation and Distribution Costs.**<sup>5</sup> A major cost of the natural gas program is the amount charged for the transportation and distribution of natural gas to customers. During the past fiscal year these costs totaled approximately \$2.5 million representing a small decrease from the prior year. The great majority of the transportation and distribution costs are charged by PG&E to all customers and are subject to regulation by the CPUC ("PG&E Passthrough" costs). A small portion (approximately 3%) of the Program's transportation costs vary depending on the path used to deliver the gas onto PG&E's distribution system, and are included as a "Cost of Energy Used" for financial reporting. During the past year the relative impact of the T&D costs was 32.8% of total program costs.

**Program Expenses.** The remaining costs of the program are the expenses for program management, billing services, gas scheduling and administrative support, including financial and legal services. The cost of these services was approximately \$306,000 (20% decrease from prior year) or about 4.0% of the total program cost.

**Working Capital Deposits.** 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.

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<sup>5</sup> Distribution costs for noncore accounts are paid by the agency directly to PG&E, and are therefore not included in ABAG POWER's financial reports.

# MEMORANDUM

## ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area

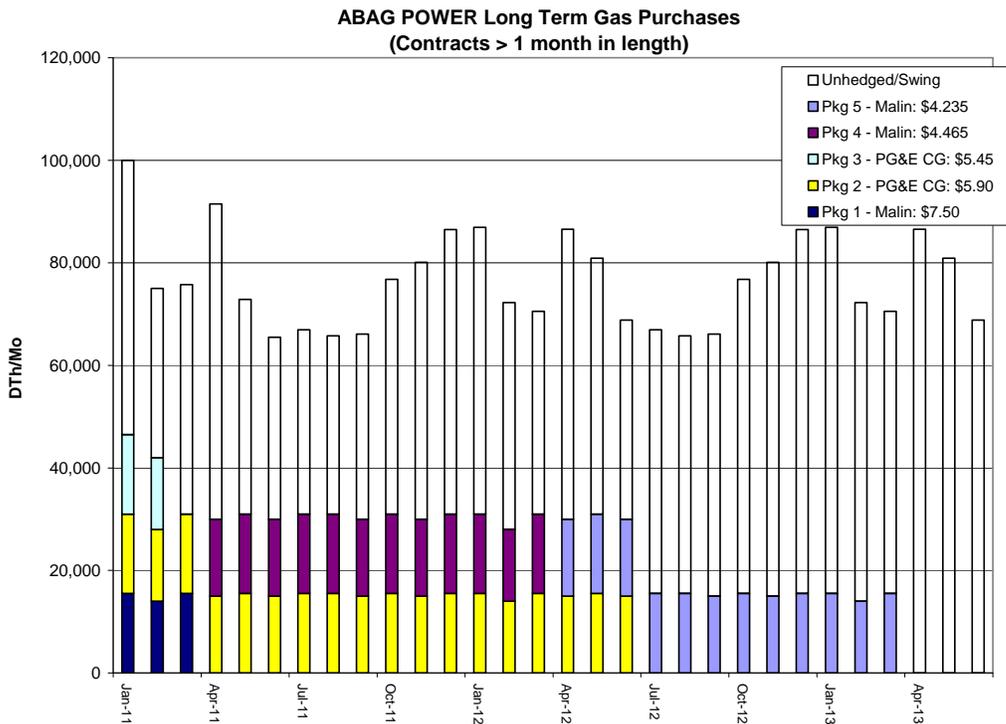
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As of June 30, 2011 the gas program had total Working Capital Deposits of: \$2,020,437, which represents 2.8 months worth of currently budgeted expenditures. This is deemed sufficient, and as a result, additional working capital deposits are not anticipated during the current year.

### Conclusion

The goals of ABAG POWER's Natural Gas Program are to provide natural gas at a rate competitive with, or less than, the default provider (i.e. PG&E), while at the same time providing a rate that is stable and predictable. These goals require a balance between the need to have a large percentage of gas in long-range, fixed-price contracts or other hedge instrument, and the desire not to lock the program into higher than market rates. ABAG POWER currently maintains a hedged position of approximately 40% for FY 2011-12 (see chart below).



During the coming year we will continue to evaluate the Program's gas purchasing strategy to best maximize the goals of the Program: *Cost Savings* and *Price Stability*. ABAG POWER will also be looking for opportunities to aid members in all areas of energy management such as the ARRA-funded *Retrofit Bay Area* (Energy Upgrade California) and *Better Buildings Program*, and the Green Communities partnership program with PG&E.

We look forward to working with you during the coming year to make this program responsive to the needs of its member agencies.

**Agenda Item # 6B**

**ABAG POWER Natural Gas Program**

FY 2010-11 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
<b>Gas Purchases<sup>(1)</sup></b>														
Purchase 1	Qty	15,500	15,500	15,000	15,500	15,000	15,500	15,498	13,749	15,500	15,000	15,500	15,000	182,247
	Price	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50	\$4.47	\$4.47	\$4.47	
Purchase 2	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	\$5.90	\$5.90	\$5.90	\$5.90	\$5.90	\$5.90	\$5.90	\$5.90	\$5.90	\$5.90	\$5.90	\$5.90	
Purchase 3	Qty	20,057	20,026	24,030	24,800	23,970	15,500	15,500	14,000	24,676	23,910	22,447	24,870	253,786
	Price	\$4.28	\$4.11	\$3.37	\$3.74	\$3.57	\$5.45	\$5.45	\$5.45	\$3.83	\$4.22	\$4.17	\$4.23	
Purchase 4	Qty	5,450	7,800	7,650	17,350	36,200	24,769	26,013	22,344	25,000	30,575	28,775	12,775	244,701
	Price	\$4.32	\$3.99	\$4.05	\$3.89	\$4.44	\$4.35	\$4.08	\$4.19	\$4.23	\$4.40	\$4.46	\$4.84	
Purchase 5	Qty						19,125	21,250	15,800					56,175
	Price						\$4.34	\$4.53	\$4.15					
Total Quantity Purchased		56,507	58,826	61,680	73,150	90,170	90,394	93,761	79,893	80,676	84,485	82,222	67,645	919,409
Total Purchase Cost		\$317,077	\$321,139	\$312,967	\$367,871	\$447,089	\$482,953	\$494,451	\$421,274	\$407,967	\$390,709	\$382,489	\$322,535	\$4,668,521
Backbone Shrinkage (Dths)		(527)	(527)	(570)	(589)	(570)	(589)	(467)	(417)	(465)	(450)	(307)	(330)	
Weighted Avg. Cost of Gas (WACOG) <sup>(2)</sup>		\$5.66	\$5.51	\$5.12	\$5.07	\$4.99	\$5.38	\$5.30	\$5.30	\$5.09	\$4.65	\$4.67	\$4.79	\$5.08
<b>Storage/Inventory</b>														
Total Injections/ (Withdrawals)		7,151	8,635	8,534	14,720	13,811	(19,479)	(15,000)	(15,440)	(15,000)	9,000	9,247	9,000	15,179
Total Inventory Quantity (Dths)		34,219	42,854	51,388	66,108	79,919	60,440	45,440	30,000	15,000	24,000	33,247	42,247	
Total Inventory (\$)		\$210,432	\$259,565	\$306,499	\$377,262	\$447,355	\$338,336	\$254,374	\$167,943	\$83,971	\$125,816	\$168,993	\$212,116	
<b>Gas Program Monthly Expenses (from Financial Reports)</b>														
Cost of Energy Used <sup>(3)</sup>		\$ 270,210	\$ 272,003	\$ 266,628	\$ 297,108	\$ 397,993	\$ 590,473	\$ 578,346	\$ 507,630	\$ 491,861	\$ 355,888	\$ 342,349	\$ 378,271	\$ 4,748,760
Program Operating Expenses <sup>(4)</sup>		25,117	30,816	29,535	32,367	30,770	25,785	18,498	27,813	31,711	21,619	20,125	26,740	320,897
Subtotal		\$ 295,327	\$ 302,819	\$ 296,163	\$ 329,475	\$ 428,763	\$ 616,258	\$ 596,844	\$ 535,443	\$ 523,572	\$ 377,507	\$ 362,473	\$ 405,011	\$ 5,069,656
Rate (\$/Dth)		\$5.30	\$5.37	\$5.21	\$5.10	\$5.19	\$5.99	\$5.62	\$5.83	\$5.68	\$5.12	\$5.00	\$6.75	\$5.54
PG&E Pass-through costs <sup>(5)</sup>		68,342	126,842	223,275	150,229	164,512	335,626	282,561	285,690	382,824	210,238	173,340	72,977	2,476,458
Total ABAG POWER Cost		\$ 363,669	\$ 429,661	\$ 519,439	\$ 479,705	\$ 593,275	\$ 951,884	\$ 879,405	\$ 821,132	\$ 906,397	\$ 587,746	\$ 535,813	\$ 477,989	\$ 7,546,114
<b>Actual (metered) Gas Usage</b>														
Core <sup>(6)</sup>		46,569	47,835	44,346	52,594	71,590	91,495	94,685	82,541	82,325	66,178	61,364	48,474	789,996
Non Core		9,138	8,571	12,552	12,017	11,079	11,404	11,602	9,245	9,834	7,564	11,090	11,525	125,619
Total Program Usage		55,707	56,407	56,898	64,611	82,668	102,898	106,287	91,786	92,159	73,742	72,454	59,998	915,615
ABAG POWER Total Core Rate		\$ 6.77	\$ 8.02	\$ 10.24	\$ 7.96	\$ 7.48	\$ 9.66	\$ 8.60	\$ 9.29	\$ 10.33	\$ 8.30	\$ 7.83	\$ 8.26	
<b>PG&amp;E Rate<sup>(7)</sup></b>														
Procurement Charge <sup>(8)</sup>		5.06	5.34	5.24	5.26	4.82	5.43	5.56	6.36	5.34	5.26	5.19	6.19	
Transportation/Other Charge <sup>(9)</sup>		1.47	2.65	5.03	2.86	2.30	3.67	2.98	3.46	4.65	3.18	2.82	1.51	
Total PG&E Rate		\$ 6.53	\$ 7.99	\$ 10.28	\$ 8.12	\$ 7.12	\$ 9.10	\$ 8.54	\$ 9.82	\$ 9.99	\$ 8.44	\$ 8.01	\$ 7.70	
<b>Rate Comparison</b>														
Monthly Rate Difference (\$/Dth)		0.24	0.03	(0.04)	(0.16)	0.37	0.56	0.06	(0.52)	0.34	(0.14)	(0.18)	0.56	
Monthly Savings (\$)		(11,362)	(1,592)	1,753	8,516	(26,134)	(50,853)	(5,273)	43,260	(27,974)	9,543	11,289	(26,985)	
Cumulative 'Savings' (\$)		(11,362)	(12,954)	(11,201)	(2,684)	(28,818)	(79,671)	(84,943)	(41,683)	(69,657)	(60,114)	(48,824)	(75,809)	
Cumulative 'Savings' (%)		-3.7%	-1.9%	-1.0%	-0.2%	-1.4%	-2.7%	-2.3%	-0.9%	-1.3%	-1.0%	-0.8%	-1.1%	

ABAG POWER Natural Gas Program

FY 2010-11 Monthly Summary of Operations

		<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	Total
<u>Storage Gas Accounting</u>														
Beginning Quantity		27,068												
Average Price		\$6.04												
Beginning of Month	Qty	27,068	34,219	42,854	51,388	66,108	79,919	60,440	45,440	30,000	15,000	24,000	33,247	
Injections	Qty	0	0	188	260	2,699	0	0	0	0	9,000	9,247	9,000	
Storage Shrinkage	Qty			-4	-5	-53								
	Price	\$0.00	\$0.00	\$5.12	\$5.07	\$4.99	\$0.00	\$0.00	\$0.00	\$0.00	\$4.65	\$4.67	\$4.79	
Imbalance Trades	Qty	7,151	8,635	8,350	14,465	11,165	-3,514	-1,400	-425					
	Price	\$6.55	\$5.69	\$5.51	\$4.80	\$5.10	\$5.59	\$5.59	\$5.59					
Withdrawals	Qty						15,965	13,600	15,015	15,000				
	Price	\$6.04	\$6.15	\$6.06	\$5.96	\$5.71	\$5.60	\$5.60	\$5.60	\$5.60	\$5.60	\$5.24	\$5.08	
End of Month	Qty	34,219	42,854	51,388	66,108	79,919	60,440	45,440	30,000	15,000	24,000	33,247	42,247	
	Avg. Pric	\$6.15	\$6.06	\$5.96	\$5.71	\$5.60	\$5.60	\$5.60	\$5.60	\$5.60	\$5.24	\$5.08	\$5.02	
End of Month Inventory		\$210,432	\$259,565	\$306,499	\$377,262	\$447,355	\$338,336	\$254,374	\$167,943	\$83,971	\$125,816	\$168,993	\$212,116	
Monthly Index Postings														
NGI Bidweek for PG&E Citygate		\$4.66	\$4.44	\$3.63	\$4.09	\$3.96	\$4.65	\$4.26	\$4.34	\$4.08	\$4.53	\$4.47	\$4.56	
Gas Daily Avg. for PG&E Citygate		\$4.30	\$3.95	\$4.04	\$3.86	\$4.30	\$4.34	\$4.47	\$4.16	\$4.19	\$4.40	\$4.47	\$4.78	
NGI Bidweek for Malin		\$4.26	\$4.09	\$3.35	\$3.72	\$3.55	\$4.33	\$4.06	\$4.17	\$3.81	\$4.21	\$4.15	\$4.21	

Notes:

- (1) All gas quantities in Dth and rates in \$/Dth. (Does not include imbalance purchases traded to storage.)
- (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; less interest income.
- (5) PG&E charges billed to ABAG POWER via EDI process and passed through to customers. 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.



TO: Board of Directors  
ABAG POWER

DT: October 13, 2011

FM: Herbert L. Pike  
Chief Financial Officer

RE: Preliminary Financial Reports  
--June 2011

We are happy to present the preliminary financial reports for the fiscal year ending June 30, 2011. Highlights of these reports can be summarized as follows:

### **Natural Gas Pool**

As of June 30, 2011, the Natural Gas Pool has about \$4.16 million in total assets, including the \$2.37 million investment in LAIF. In FY 2010-11, natural gas billings amounted to \$9.31 million, while total expenses were \$7.55 million (including offsetting interest income of under \$12 thousand). The excess of revenues over expenses in the amount of **roughly \$1.76 million was recorded as “Unearned Energy Revenues” and will be returned to members as true-up adjustments in billings during FY 11-12.**

The balance of working capital, a refundable deposit from members, amounted to \$2.02 million as of June 30, 2011. This \$2.02 million is the same as the working capital as of the end of the previous two fiscal years, as authorized by the Executive Committee. The interest income earned in a year resulting from holding working capital is included as part of the true-up adjustment in the following year.

Overall revenues are very close to budget, with an extra \$3,282 in sales and unearned revenue received partially offsetting \$18,372 in non-realized interest earnings resulting in total revenues of \$9.311 million being about 0.16% less than budgeted. Energy costs were less than originally expected resulting in \$1.672 million (18.80%) less than budget being spent. All other operating expenses came in about \$107 thousand less than budgeted. Most of this reduction is attributable to reduced personnel costs; part is due to an unanticipated disability leave and the other is that Mr. Lahr has been spreading his hours out to both the POWER program and numerous new grant-funded projects involving energy retrofits, installation of solar panels, establishing electric vehicle charging stations, energy inventories, and other miscellaneous energy-related projects.

Our auditors are in the process of auditing these financial statements. We expect the audited financial statement will be available in December.

**BALANCE SHEET**

**ABAG POWER POOL**

Period: JUN-11

	<i>Total</i> -----	<i>Natural Gas</i> -----	<i>Electricity</i> -----
<b>ASSETS</b>			
CASH IN BANK	1,331,570.02	1,331,570.02	0.00
LOCAL AGENCY INVEST. FUND	2,370,313.79	2,370,313.79	0.00
ACCOUNTS RECEIVABLE	19,043.56	19,043.56	0.00
ACCT. REC. POWER POOL SALES	228,809.66	228,809.66	0.00
ACCR. INT. REC. LAIF	2,861.43	2,861.43	0.00
NATURAL GAS INVENTORY	212,028.78	212,028.78	0.00
<b>TOTAL ASSETS</b>	<u>4,164,627.24</u>	<u>4,164,627.24</u>	<u>0.00</u>
<b>LIABILITIES</b>			
ACCOUNTS PAYABLE	379,744.20	379,744.20	0.00
UNEARNED ENERGY REVENUES	1,764,446.02	1,764,446.02	0.00
WORKING CAPITAL CLIENT DEPOSITS	2,020,437.02	2,020,437.02	0.00
<b>TOTAL LIABILITIES</b>	<u>4,164,627.24</u>	<u>4,164,627.24</u>	<u>0.00</u>
<b>FUND EQUITY</b>			
<b>GENERAL EQUITY</b>			
CURRENT YEAR SURPLUS/(DEFICIT)	0.00	0.00	0.00
<b>TOTAL GENERAL EQUITY</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>TOTAL FUND EQUITY</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>4,164,627.24</u>	<u>4,164,627.24</u>	<u>0.00</u>

# INCOME STATEMENT

ABAG Power Pool - Gas Pool  
Period: JUN-11 Currency: USD

Agenda Item #7B.2

	<i>FY Budget</i>	<i>Actual Current Month</i>	<i>Actual Year-to-date</i>	<i>% of Budget</i>	<i>Budget Balance</i>
<b>REVENUES</b>					
SALE OF ENERGY	9,307,278.00	(988,566.02)	7,546,114.01	81.08%	1,761,163.99
INTEREST INCOME	30,000.00	884.92	11,628.19	38.76%	18,371.81
<b>TOTAL REVENUES</b>	<u>9,337,278.00</u>	<u>(987,681.10)</u>	<u>7,557,742.20</u>	<u>80.94%</u>	<u>1,779,535.80</u>
<b>EXPENSES</b>					
<b>COST OF ENERGY</b>					
COST OF ENERGY USED	6,136,453.00	378,271.15	4,748,759.63	77.39 %	1,387,693.37
PG&E PASSTHROUGH	2,761,186.00	72,977.46	2,476,457.88	89.69 %	284,728.12
<b>TOTAL COST OF ENERGY</b>	<u>8,897,639.00</u>	<u>451,248.61</u>	<u>7,225,217.51</u>	<u>81.20 %</u>	<u>1,672,421.49</u>
<b>CONSULTANT SERVICES</b>					
LEGAL CONSULTANTS	5,000.00	0.00	0.00	0.00 %	5,000.00
BILLING AGENT FEES	10,200.00	601.07	(2,973.54)	29.15%	13,173.54
SCHEDULING AGENT FEES	37,762.00	3,103.00	37,236.00	98.61 %	526.00
ABAG FEES	354,456.00	21,490.08	271,748.58	76.67 %	82,707.42
<b>TOTAL CONSULTANT SERVICES</b>	<u>407,418.00</u>	<u>25,194.15</u>	<u>306,011.04</u>	<u>75.11 %</u>	<u>101,406.96</u>
<b>OTHER DIRECT CHARGES</b>					
INTEREST EXPENSE/BANK CHARGES	18,000.00	1,245.86	12,292.53	68.29 %	5,707.47
AMORTIZED SOFTWARE COSTS	14,221.00	1,185.02	14,221.12	100.00 %	(0.12)
<b>TOTAL OTHER DIRECT CHARGES</b>	<u>32,221.00</u>	<u>2,430.88</u>	<u>26,513.65</u>	<u>82.29 %</u>	<u>5,707.35</u>
<b>TOTAL EXPENSES</b>	<u>9,337,278.00</u>	<u>478,873.64</u>	<u>7,557,742.20</u>	<u>80.94 %</u>	<u>1,779,535.80</u>
<b>SURPLUS/(DEFICIT)</b>	<u>0.00</u>	<u>(1,466,554.74)</u>	<u>0.00</u>	<u>n/m</u>	<u>0.00</u>