



**ABAG POWER  
ANNUAL BOARD MEETING**

**October 28, 2010 (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: John Cerini**

- |   |                       |               |
|---|-----------------------|---------------|
| <b>1. Welcome</b><br>ATTACHMENT A - ABAG POWER JPA MEMBER LIST  | Cerini                |               |
| <b>2. Public Comments</b>   | Cerini                |               |
| <b>3. Approval of Minutes from October 29, 2009 Annual Board Meeting</b><br>ATTACHMENT 3A - MINUTES OF OCTOBER 29, 2009   | Cerini                | <b>Action</b> |
| <b>4. Election of ABAG POWER Officers (Chair and Vice Chair)</b><br>ATTACHMENT 4A - PROPOSED EXECUTIVE COMMITTEE FOR FY 10-11   | Cerini                | <b>Action</b> |
| <b>5. Staff Report and Review of Natural Gas Program</b><br>Staff will report the results of the Natural Gas Program for the 2009 – 2010 fiscal year; provide a multi-year review, and discuss other miscellaneous program issues.<br>ATTACHMENT 5A - STAFF REPORT ON NATURAL GAS PROGRAM<br>ATTACHMENT 5B - SUMMARY OF NATURAL GAS PROGRAM | Lahr                  | Info.         |
| <b>6. Energy Data Pilot</b><br>Staff will discuss the decision to shut down the Energy Data Pilot Project.<br>ATTACHMENT 6A – ENERGY DATA PROGRAM EXPANSION MEMO – 5/5/10   | Lahr/<br>Schroeder    | Info.         |
| <b>7. Financial Review</b><br>Staff will review preliminary financial statements for FY 2009-10<br>ATTACHMENT 7A - FINANCIAL REPORTS MEMO<br>ATTACHMENT 7B.1.2.3. – PRELIMINARY FINANCIAL REPORTS   | Pike                  | Info.         |
| <b>8. Electric Direct Access Update/Opportunities</b><br>Staff will review preliminary financial statements for FY 2009-10<br>ATTACHMENT 8A – ELECTRIC DIRECT ACCESS INFORMATION SHEET  | Lahr                  | Info.         |
| <b>9. Energy Efficiency Program Updates</b><br>Staff will provide a status update of the following energy efficiency programs being undertaken by ABAG: <ul style="list-style-type: none"><li>• Energy Upgrade California – Retrofit Bay Area</li><li>• DOE Better Buildings Program</li><li>• Green Communities</li></ul>                  | Lahr                  | Info.         |
| <b>10. Silicon Valley Solar Project</b><br>Rachel Massaro will update members on the multi-agency, collaborative solar procurement project lead by Santa Clara County and Joint Venture Silicon Valley.   | Massaro/<br>Schroeder | Info.         |



**Break for Lunch**

**11. Guest Speaker – Patrick Stoner – Statewide Local Government  
Energy Efficiency Best Practices Coordinator**

Info.

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

**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	Margaret Mc Lean (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	John Raley (P)		Yes
Belmont, City of	Jack Crist (P) Karl Mittelstadt (A)		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)	Gas	Yes
Daly City, City of	Don McVey (P)		Yes Gas (Opted-Out)
Davis, City of	Bob Weir (P) 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) Don Dorman (A)	Gas	
Gonzales, City of	Rene Mendez (P) Carlos Lopez (A)	Gas	Yes
Half Moon Bay, City of	Michael P. Dolder (P) Paula Krogh (A)	Gas	Yes
Hercules, City of	Raj Pankhania (P) Gloria Leon (A)	Gas	Yes
Los Altos, City of	Brian McCarthy (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
Millbrae, City of	Ron (Pope) Popp (P)	Gas	Yes

Jurisdiction	Primary & Alternate	Membership Status	
		Natural Gas Member (Current)	Current JPA Member? Was Electric (Suspended) and/or Gas Member (opted out)
	Khee Lim (A)		
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) Lenka Diaz (A)		Yes
Oakland, City of	Scott Wentworth (P)	Gas	
Orinda, City of	Janet Keeter (P) Monica Pacheco (A)	Gas	Yes
Pacifica, City of	Ann Ritzma (P) Sandra McClellan (A)	Gas	Yes
Patterson, City of	M. Cleve Morris (P)		
Petaluma, City of	Vincent Marengo (P) Michael Ban (A)	Gas	Yes
Pinole, City of	Belinda Espinosa (P)		Yes Gas (Opted-Out)
Pleasanton, City of	Daniel Smith (P)	Gas	Yes
Richmond, City of	Yader Bermudez (P) Angela Rush/Adam Lenz (A)	Gas	
Salinas, City of	Michael Ricker (P)	Gas	Yes
San Carlos, City of	Jeff Maltbie (P)	Gas	Yes
San Leandro, City of	Stephen Hollister (P) Mike Bakaldin (A)		Yes
San Mateo, City of	Hossein Golestan (P)		Yes Gas (Opted-Out)
San Pablo, City of	Bradley J. Ward (P) Brock Arner (A)		Yes
San Rafael, City of	Cindy Mosser (P)	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)
Union City, City of	Richard Sealana (P)	Gas	Yes
Vallejo, City of	John Cerini (P) Mike Schreiner (A)	Gas	Yes

Jurisdiction	Primary & Alternate	Membership Status	
		Natural Gas Member (Current)	Current JPA Member? Was Electric (Suspended) and/or Gas Member (opted out)
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) Emily Boyd (A)	Gas	Yes
Windsor, Town of	James McAdler (P)		Yes
Butte, County of	Richards L. Hall (P) Grant Hunsicker (A)		Yes
Contra Costa, County of	Mike J. Lango (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
South County Fire Authority	Doug Fry (P)		Yes
Vallejo Sanitary & Flood Control	Barry Pomeroy (P) Ron Matheson (A)	Gas	
West County Wastewater District	Brian Hill (P)		Yes



# SUMMARY MINUTES

**ABAG POWER Annual Board of Directors' Meeting 2009**

October 29, 2009

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 Antioch  
City of Benicia  
City of El Cerrito  
City of Fremont  
City of Hercules  
City of Los Altos  
City of Millbrae  
City of Milpitas  
City of Newark  
City of Oakland  
City of Orinda  
City of Pacifica  
City of Richmond  
City of San Mateo  
City of San Pablo  
City of Santa Rosa  
City of Saratoga  
City of Union City  
City of Vallejo  
County of Butte  
County of Contra Costa  
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

### **Representatives**

Marge McLean  
Arlene Mornick  
Rob Sousa  
Garth Schultz  
Harriet Commons  
Raj Pankhania  
Brian McCarthy  
Ron Popp  
Chris Schroeder  
Peggy Claassen  
Scott Wentworth  
Janet Keeter  
Ann Ritzma  
Ralph Lloyd/Adam Lenz  
Hossein Golestan  
Bradley Ward  
Mark Armstrong  
Thomas Scott  
Richard Sealana  
John Cerini  
Richards Hall  
Terry Mann  
Doeg Koenig  
Lin Ortega  
Jennifer Mennucci  
  
Karl Zabel  
Tom Makin  
Teri Green



Town of Atherton  
Town of Moraga  
Vallejo Sanitation and Flood Control District

Eileen Wilkerson  
Jill Mercurio  
Barry Pomeroy/Ron Matheson

**Guests Present**

Bruce Riordan

Climate Consultant to JPC

**Staff:**

Halimah Anderson  
Henry L. Gardner  
Herb Pike  
Jerry Lahr  
Kenneth Moy  
Michelle Williams  
Vina Maharaj

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ABAG POWER

**PUBLIC COMMENTS**

There were no public comments.

**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 2008-09 Executive Committee and the ABAG POWER Staff.

**APPROVAL OF SUMMARY MINUTES OF OCTOBER 30, 2008 ANNUAL BOARD MEETING**

Motion was made by Schroeder/S/Mennucci/31:0:0/C/ to approve the Summary Minutes of October 30, 2008 ABAG POWER Annual Board of Directors' meeting.

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

Motion was made by Popp/S/Menucci/31:0:0/C/ to elect John Cerini of the City of Vallejo as Chairman and Chris Schroeder as Vice-Chairman of the ABAG POWER Executive Committee for program year 2009-10.

**CONFIRMATION OF EXECUTIVE COMMITTEE MEMBERS**

Motion was made by McLean/S/Keeter/31:0:0/C/ to approve the proposed ABAG POWER Executive Committee for program year 2009-2010 as follows:

Mark Armstrong, City of Santa Rosa  
John Cerini, City of Vallejo  
Terry Mann, 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

### **STATUS OF ELECTRIC PROGRAM FUNDS**

Lahr provided the members with a background of the ABAG POWER Electricity pool which was suspended in July, 2001. ABAG POWER and each Electric Program participant had executed the Windup Agreement which distributed all Program assets and liabilities, except approximately \$1.5 million in agency funds on deposit with the Northern California Power Agency (NCPA).

Lahr said that in June 2009, ABAG POWER had reached an agreement with the NCPA for the release of these funds. NCPA provided ABAG POWER with an accounting of the monies in the Deposits, confidential information on the demands made by litigants and the costs of defense attributable to the Electric Program. NCPA proposed to release the balance of the Deposits to ABAG POWER.

After a brief series of negotiations, NCPA and ABAG POWER entered into a “Mutual Release and Accounting” providing as follows:

- NCPA releases \$1,250,000 to ABAG POWER in full settlement of, and a complete accounting for, ABAG POWER’s claim to the Deposits
- Each party releases the other from any claim(s) it may have against the other arising out of the FERC regulatory proceedings or the litigation.

Lahr provided an Escrow Funds Settlement Allocation which was prepared in accordance with the Wind-up Agreement (Section 5 C). The allocation method is based on the total program electricity usage. Also, as approved by the Board at the 2008 meeting, ABAG had kept track of costs associated with the Electric Program resolution during the past year and will deduct these costs from the settlement proceeds prior to distribution. These costs are approximately \$13,000.

Lahr said that the funds will be distributed to the participants of the Electric Program within the next couple of weeks. This distribution will conclude the end of the Electric Program.

### **REVIEW OF NATURAL GAS PROGRAM**

Lahr provided an in-depth report on the operations of the Natural Gas Program for the 2008-09 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, 2009 was -8.0%, while the average savings for the period January 2003 to present was approximately -0.3%. During this entire period the Program has achieved greater price stability than PG&E.

Based on the program’s current buying strategy, ABAG POWER will continue to look to the forward gas commodity markets to increase its overall hedged position to as much as 75% as favorable buying opportunities become available.



### **ENERGY DATA MANAGEMENT PROJECT**

Lahr provided a brief history, purpose and current status of the Pilot Project which was initiated in 2009. He said that while the project implementation has proceeded steadily, it has taken longer than expected, and has not yet reached a point at which the program can be sufficiently evaluated for a go/no-go recommendation for expansion to other agencies.

If an expansion of the project is warranted after an evaluation of the pilot project, staff will consult with the Executive Committee for additional funding authorizations and sources. It is likely that an expansion of the project would require individual members to opt in, and pay a proportionate share of the costs.

### **NATURAL GAS LITIGATION**

Over the past year ABAG POWER reached settlements with several defendants resulting in net proceeds of \$557,301. The final settlement payment was received in August, 2009, bringing the litigation to a conclusion, and ABAG POWER has since made allocation payments to all opt-out members.

Agenda Item 8B illustrated the Gas Litigation Proceeds Allocation methodology for which the formula of allocation had been approved by the Board at its 2008 annual meeting. Lahr said that the program intends to return all proceeds to members by early November.

### **FINANCIAL REVIEW**

Herb Pike presented the preliminary financial reports for fiscal year ending June 30, 2009. All revenues and expense categories were within expectations and reasonable with respect to the budget for FY 08-09. Auditors were in the process of auditing the financial statements, which will be available by December, 2009.

### **ABAG ENERGY WATCH/GREEN COMMUNITIES/SOLAR & ENERGY EFFICIENCY DISTRICT**

Lahr provided an overview, goals achieved, findings/lessons learned and an Energy Assessment Report for the ABAG Energy Watch program 2006 - 2009. An update was also provided regarding the goals and benefits of the Green Communities Program.

Lahr provided a status update on the Solar & Energy Efficiency District (SEED) financing program, as well as the results of a marketing analysis/survey.

### **GUEST SPEAKER – Bruce Riordan, Climate Consultant to JPC**

There was a discussion regarding the regional agencies' (ABAG, BAAQMD, BCDC, MTC) actions related to climate change and greenhouse gas reduction and the six joint actions selected for 2009-2010.



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**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 2010-11</b>		
Mark Armstrong	Facilities Maintenance & Operations Coordinator	City of Santa Rosa
Michael Lango	Director of General Services	County of Contra Costa
Jennifer Mennucci	Budget & Program Analysis Manager	Golden Gate Bridge, Highway and Transportation District
Raj Pankhania	Special Projects Director	City of Hercules
Ron Popp	Public Works Director	City of Millbrae
Chris Schroeder	Purchasing Officer	City of Milpitas
Richard Sealana	Superintendent of Public Works	City of Union City

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

# MEMORANDUM

## ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area

Agenda Item 5A



DATE: October 18, 2010

TO: ABAG POWER Board of Directors

FROM: Gerald L. Lahr, Manager, ABAG POWER

RE: **Staff Report on 2009-2010 Natural Gas Program**

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### Summary

The past fiscal year began with market-rate natural gas prices at lows not seen since before the energy crisis of 2000-01. Prices rose moderately during the winter months but retreated again during the spring and summer periods. For the year as a whole, Northern California natural gas prices ranged from a low of approximately \$3.00/Dth in July to greater than \$6.00/Dth in January. Short-term market prices have since remained relatively low, averaging approximately \$4.50/Dth during the final four months of the year.

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 Natural Gas Program's net savings for the year ending June 30, 2010 was -16%, 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.

### 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 a smaller portion of gas is purchased with short-term, indexed-based contracts. This strategy has generally resulted in positive

# MEMORANDUM

## ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area

Agenda Item 5A



savings during times of rising markets, and negative savings during falling markets, while maintaining price stability.

During the past year the Executive Committee modified the general gas purchasing strategy to slightly reduce 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 2009 – 10.**

During the recently completed fiscal year, ABAG POWER purchased 67% 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 \$7.90/Dth for gas tied to a long term contract, to a low of \$2.54/Dth for daily gas in September 2009. Ultimately, ABAG POWER's annual weighted average price was approximately 16.3% higher than PG&E's similar total rate (GNR-1). Due to the Program's leveled billing structure and long-term purchasing strategy, ABAG POWER's monthly rates were more stable than PG&E's rates throughout the year.

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

During the period January 2003 – June 2009 ABAG POWER realized a total average gas savings<sup>3</sup> of -3%. 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 leveled 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 two years ABAG POWER has utilized Golden Valley Gas Services (GVGS) as its gas scheduling and balancing agent. The program continues to schedule deliveries to

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<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.

# MEMORANDUM

## ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area

Agenda Item 5A



take full advantage of the preferential transportation capacity that PG&E is required to offer to the program.

**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)
- Utility Resource Solutions (Spark Energy)

**Noncore.** The ABAG POWER natural gas pool includes three large-usage (noncore) accounts. In the past, these accounts have been aggregated into a Noncore Balancing Aggregation Agreement (NBAA) for ease of scheduling. However, during the past year the NBAA was cancelled, and these accounts are now scheduled separately. This was done to create greater flexibility in scheduling and reduce the risk of imbalance non-compliance charges.

**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>). For the past four annual storage cycles<sup>4</sup> ABAG POWER has chosen to utilize PG&E storage facilities to meet the coming year's storage requirements.

**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 system that provides for "levelized" billing. Every member is invoiced for a set amount each month 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 costs for each member are compared to the levelized billings, and a credit or charge is then applied to true-up any difference.

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

# MEMORANDUM

## ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area

Agenda Item 5A



### **Financial**

The total cost of the natural gas program for 2009-2010 decreased from the previous fiscal year by 8.5%: from \$9.5 million to \$8.7 million. This was primarily the result of a decrease in the Program's total gas commodity expense, and follows a 1.8% decrease in gas consumption. A review of each major program cost element is summarized below:

**Natural Gas Commodity Cost.** The natural gas commodity cost decreased from \$6.8 million in 2008-09 to \$5.7 million for the 2009-2010 program year. This total was significantly below the originally budgeted amount of \$6.6 million. The relative decrease in gas cost (16%) is significantly greater than the relative decrease in gas consumption (1.8%).

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 66% of the total program costs for the year. The Program's total gas consumption decreased from 9,118,520 to 8,953,650 therms.

**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 \$2.6 million representing a 11% increase 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 29.5% 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 \$395,000 or about 4.5% 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.

As of June 30, 2010 the gas program had total Working Capital Deposits of: \$2,020,437, which represents 2.6 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.

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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

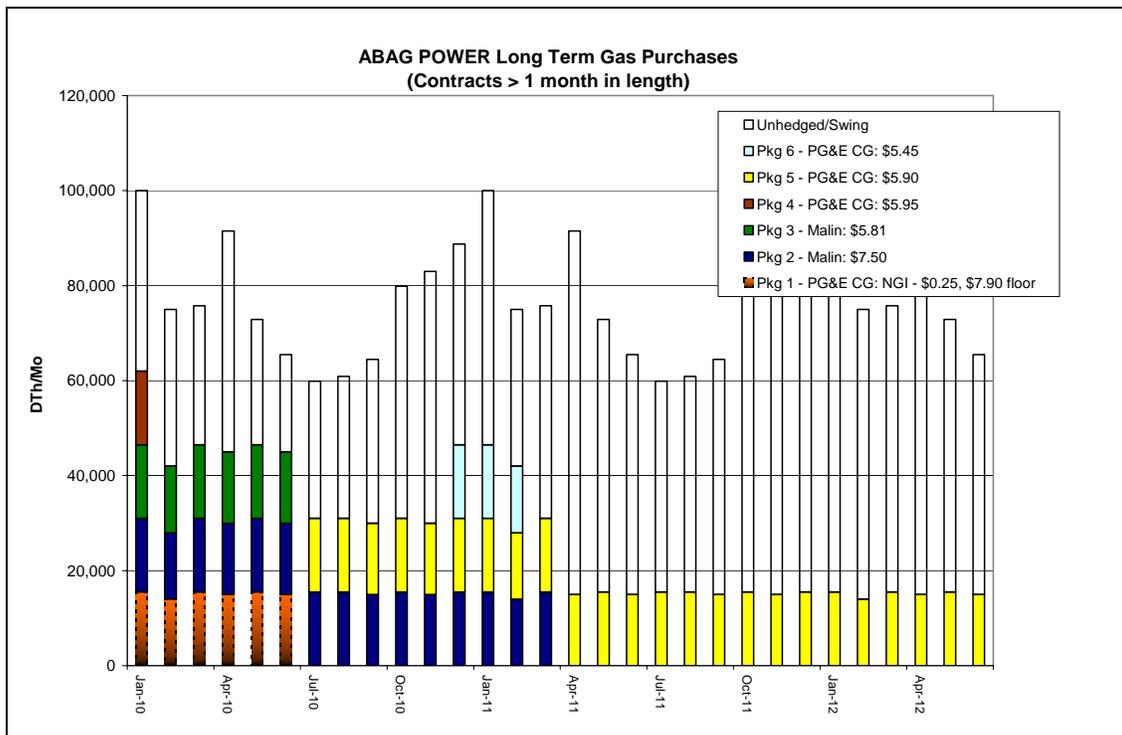
Representing City and County Governments of the San Francisco Bay Area

Agenda Item 5A



### 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 2010-11 (see chart below). Based on the program's current strategy, ABAG POWER will continue to look to the forward gas commodity markets to increase its overall hedged position to as much as 70% as favorable buying opportunities become available.



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 Program (Energy Upgrade California), 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 5B

**ABAG POWER Natural Gas Program**

FY 2009-10 Monthly Summary of Operations

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
<b>Gas Purchases<sup>(1)</sup></b>													
Total Quantity Purchased	59,595	59,355	58,820	66,315	73,950	95,754	89,529	65,102	78,979	81,890	76,674	56,810	862,773
Total Purchase Cost	\$370,935	\$370,069	\$358,713	\$417,687	\$448,824	\$611,941	\$585,645	\$426,751	\$486,727	\$480,885	\$458,857	\$368,983	\$5,386,016
Backbone Shrinkage (Dths)	(527)	(527)	(510)	(527)	(540)	(558)	(558)	(504)	(558)	(540)	(527)	(510)	
Weighted Avg. Cost of Gas (WACOG) <sup>(2)</sup>	\$6.28	\$6.29	\$6.15	\$6.35	\$6.11	\$6.43	\$6.58	\$6.61	\$6.21	\$5.91	\$6.03	\$6.55	\$6.24
<b>Storage/Inventory</b>													
Total Injections/ (Withdrawals)	7,450	8,550	8,200	7,800	(5,529)	(12,897)	(18,220)	(17,630)	(15,500)	0	7,098	7,470	(23,208)
Total Inventory Quantity (Dths)	57,726	66,276	74,476	82,276	76,747	63,850	45,630	28,000	12,500	12,500	19,598	27,068	
Total Inventory (\$)	\$375,630	\$418,449	\$456,254	\$504,338	\$470,446	\$391,390	\$279,704	\$171,635	\$76,623	\$76,623	\$118,590	\$163,605	
<b>Gas Program Monthly Expenses (from Financial Reports)</b>													
Cost of Energy Used <sup>(3)</sup>	\$ 386,034	\$ 355,073	\$ 359,103	\$ 384,659	\$ 498,715	\$ 612,151	\$ 775,590	\$ 534,806	\$ 581,728	\$ 480,885	\$ 416,888	\$ 321,400	\$ 5,707,031
Program Operating Expenses <sup>(4)</sup>	26,373	27,179	29,956	29,929	31,437	32,952	20,365	24,036	36,278	29,004	35,389	39,850	362,748
Subtotal	\$ 412,407	\$ 382,252	\$ 389,059	\$ 414,589	\$ 530,152	\$ 645,102	\$ 795,955	\$ 558,842	\$ 618,006	\$ 509,889	\$ 452,277	\$ 361,250	\$ 6,069,779
Rate (\$/Dth)	\$7.40	\$7.42	\$7.29	\$6.53	\$6.58	\$6.04	\$7.61	\$6.58	\$6.99	\$6.57	\$6.32	\$6.38	\$6.78
PG&E Pass-through costs <sup>(5)</sup>	125,983	118,275	103,515	200,519	148,869	291,233	311,044	319,350	322,426	223,028	211,603	188,343	2,564,187
Total ABAG POWER Cost	\$ 538,390	\$ 500,527	\$ 492,574	\$ 615,108	\$ 679,022	\$ 936,335	\$ 1,106,999	\$ 878,192	\$ 940,431	\$ 732,916	\$ 663,880	\$ 549,592	\$ 8,633,966
<b>Actual (metered) Gas Usage</b>													
Core <sup>(6)</sup>	43,194	41,093	40,714	53,692	72,593	96,145	94,492	75,768	78,716	67,963	59,666	46,891	770,928
Non Core	12,570	10,442	12,669	9,842	7,945	10,708	10,136	9,135	9,701	9,696	11,858	9,736	124,438
Total Program Usage	55,764	51,535	53,383	63,534	80,538	106,853	104,629	84,903	88,417	77,659	71,524	56,627	895,365
ABAG POWER Total Core Rate	\$ 10.31	\$ 10.30	\$ 9.83	\$ 10.26	\$ 8.63	\$ 9.07	\$ 10.90	\$ 10.80	\$ 11.09	\$ 9.85	\$ 9.87	\$ 10.40	
<b>PG&amp;E Rate<sup>(7)</sup></b>													
Procurement Charge <sup>(8)</sup>	4.95	4.99	4.32	5.13	5.99	5.29	5.80	6.24	5.27	5.41	4.73	4.90	
Transportation/Other Charge <sup>(9)</sup>	2.92	2.88	2.54	3.73	2.05	3.03	3.29	4.21	4.10	3.28	3.55	4.02	
Total PG&E Rate	\$ 7.87	\$ 7.87	\$ 6.87	\$ 8.86	\$ 8.04	\$ 8.32	\$ 9.09	\$ 10.45	\$ 9.37	\$ 8.69	\$ 8.27	\$ 8.91	
Monthly Rate Difference (\$/Dth)	2.44	2.43	2.96	1.40	0.59	0.75	1.81	0.34	1.72	1.16	1.60	1.48	
Monthly Savings (\$)	(105,478)	(99,752)	(120,695)	(75,064)	(43,007)	(71,905)	(171,044)	(25,962)	(135,177)	(78,574)	(95,240)	(69,472)	
Cumulative Savings (\$)	(105,478)	(205,231)	(325,926)	(400,990)	(443,997)	(515,903)	(686,946)	(712,908)	(848,085)	(926,659)	(1,021,898)	(1,091,370)	
Cumulative Savings (%)	-31.0%	-30.9%	-34.6%	-28.3%	-22.2%	-18.4%	-18.8%	-16.0%	-16.3%	-16.0%	-16.3%	-16.3%	

**ABAG POWER Natural Gas Program**

FY 2009-10 Monthly Summary of Operations

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
<b>Storage Gas Accounting</b>														
Beginning Quantity		50,276												
Average Price		\$6.90												
Beginning of Month	Qty	50,276	57,726	66,276	74,476	82,276	76,747	63,850	45,630	28,000	12,500	12,500	19,598	
Injections	Qty	0	0	204	450	0	0	0	0	0	0	100	0	
Storage Shrinkage	Qty			-4	-6							-2		
	Price	\$0.00	\$0.00	\$6.15	\$6.35	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6.03	\$0.00	
Imbalance Trades	Qty	7,450	8,550	8,000	7,800	-1,500			-1,290	-6,000		7,000	7,470	
	Price	\$3.85	\$5.01	\$4.57	\$6.15	\$6.13			\$6.13	\$6.13		\$5.91	\$6.03	
Withdrawals	Qty				444	4,029	12,897	18,220	16,340	9,500	0	0	0	
	Price	\$6.90	\$6.51	\$6.31	\$6.13	\$6.13	\$6.13	\$6.13	\$6.13	\$6.13	\$6.13	\$6.13	\$6.05	
End of Month	Qty	57,726	66,276	74,476	82,276	76,747	63,850	45,630	28,000	12,500	12,500	19,598	27,068	
	Avg. Price	\$6.51	\$6.31	\$6.13	\$6.13	\$6.13	\$6.13	\$6.13	\$6.13	\$6.13	\$6.13	\$6.05	\$6.04	
End of Month Inventory		\$375,630	\$418,449	\$456,254	\$504,338	\$470,446	\$391,390	\$279,704	\$171,635	\$76,623	\$76,623	\$118,590	\$163,605	

Notes:

- (1) All gas quantities in Dth and rates in \$/Dth. (Does not include imbalance purchases traded to stroage.)
- (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. Excludes costs of Energy Data Pilot Project.
- (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.



DT: May 5, 2010

TO: ABAG POWER Members

FM: Gerald L. Lahr, ABAG POWER Program Manager

RE: **Energy Data Program Expansion – Request for Notice of Intent**

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ABAG POWER is now in the final stages of its Energy Data Pilot project that began in early 2009. Staff, in consultation with the Executive Committee, have concluded that the project could be expanded to members of ABAG POWER, although there would be costs associated with this expansion, both to the membership as a whole, and to individual agencies that choose to participate. We ask that you provide us with a Notice of Intent if your agency wishes to participate in this program. The ABAG POWER Executive Committee will then decide whether or not to implement an expansion of the program depending on the level of interest.

**Background.** Utility Manager Pro (UM Pro) is a software package for the collection, management and accounting of utility billing data (costs and usage). In 2006 ABAG POWER chose to utilize this software in conjunction with its natural gas billing system. At that time, ABAG POWER hired Utility Management Services (UMS), an independent consulting firm, to provide services related to the setup of the database and installation of the software package. A number of local governments in the Bay Area have also purchased the same UM Pro software for their own internal utility data management needs.

The energy data system upgrade was conceived as an additional service option utilizing an online version of the UM Pro software (UM Online). Although available to any member, this would primarily benefit those members that had not already purchased a full version of the software, by providing a centralized utility management system via the web. It was contemplated that ABAG POWER would manage the data collection process to provide cost efficiencies, and also be available to offer additional services related to the validation of utility billing data.

**Pilot Project.** At its October 2008 meeting, the ABAG POWER Board authorized the expenditure of up to \$50,000 on the energy data system upgrade and pilot project. Subsequent to the Board meeting, the pilot project was initiated in early 2009 using the City of Milpitas as the test agency.

ABAG POWER contracted with UMS to implement the Energy Data Pilot Project with the following potential benefits in mind:

Energy Data System Upgrade. Expand ABAG POWER's current energy data management and Electronic Data Interchange (EDI) systems to include the receipt of PG&E electric billing data for members. This would allow for 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 analysis reports through the internet.
- Validation of energy billing data.

Project implementation proceeded slowly but steadily, and has reached a point at which staff can provide a more thorough analysis of the costs and benefits of implementing an expanded service to its members. (See separate memo with program observations from Chris Schroeder, City of Milpitas.) The pilot phase is expected to conclude in July 2010. By the end of the full pilot period ABAG POWER will have expended approximately \$32,000 implementing the project, including approximately \$14,500 of ABAG POWER staff time.

**Program Expansion.** In order to expand the program to other agencies ABAG POWER would first need to implement certain software upgrades. Once these upgrades are completed, ongoing operational expenses associated with the program would be recovered by charging a one-time setup fee and an ongoing maintenance fee to participating agencies. The setup fee is estimated at \$6,150-\$7,150, and the ongoing maintenance fee has been preliminarily established as \$5.00/account/month. (See attached cost estimates.)

**Notice of Intent.** If your agency has a significant interest in participating in this program, please respond to this email by stating your interest and giving us the number of electric accounts in your agency, no later than June 1, 2010.

*If you wish to see a demonstration of UM-Online, please contact Vina who will provide you with the web address, and Username and Password for access to the site.*

Please feel free to contact me ([JerryL@abag.ca.gov](mailto:JerryL@abag.ca.gov) / 510-464-7908) or Vina Maharaj ([VinaM@abag.ca.gov](mailto:VinaM@abag.ca.gov) / 510-464-7956) if you have any questions. You may also contact Chris Schroeder, City of Milpitas ([cschroeder@ci.milpitas.ca.gov](mailto:cschroeder@ci.milpitas.ca.gov) / 408-586-3161) regarding his observations in using UM Online.

/vm

Attachment: Energy Data Program - Cost Estimates

cc: Henry Gardner, President, ABAG POWER  
Herbert Pike, Finance Director, ABAG



**Energy Data Program – Cost Estimates**

Project Expansion

One-time System Upgrades

Utility Manager (UM) software upgrade:	\$27,483
Database conversion:	\$1,000
Follow-up Tech Support:	\$1,100
Server License (est):	\$1,000
<b>Total Upgrades:</b>	<b>\$30,583</b>

One-time Costs Per Agency

Database Setup:	\$3,900 - \$4,900 (varies depending on agency size)
EDI Setup & Testing:	\$1,600
Training:	\$650
<b>Total:</b>	<b>\$6,150 - \$7,150</b>

On-going Annual Costs (assumes 1,000 accounts)

UM Online Hosting Charge:	\$11,400
Tech Support	\$4,500
Consultant	\$1,500
EDI Transmission	\$7,200
<b>Additional ABAG Labor (¼ FTE):</b>	<b>\$36,000</b>
<b>Total:</b>	<b>\$60,600</b>
Rate:	\$5.05/acct/month

TO: Board of Directors  
ABAG POWER

DT: October 13, 2010

FM: Herbert L. Pike  
Chief Financial Officer

RE: Preliminary Financial Reports  
--June 2010

We are happy to present the preliminary financial reports for the fiscal year ending June 30, 2010. Highlights of these reports can be summarized as follows:

### **Electricity Pool**

The Electrical Pool was netted to a zero balance as of June 30, 2009 with all assets assigned as payable to the members. The settlement of \$1.25 million was disbursed against the "Payable to Members" liability and all transactions were concluded and the Electrical Pool formally closed.

### **Natural Gas Pool**

As of June 30, 2010, the Natural Gas Pool has about \$3.67 million in total assets, including the \$2.56 million investment in LAIF. In FY 09-10, natural gas billings amounted to \$9.78 million, while total expenses were \$8.67 million (including offsetting interest income). The excess of revenues over expenses in the amount of **roughly \$1.12 million was recorded as "Unearned Energy Revenues" and will be returned to members as true-up adjustments in billings during FY 10-11.**

The balance of working capital, a refundable deposit from members, amounted to \$2.02 million as of June 30, 2010. This \$2.02 million is the same as the working capital as of the end of the previous fiscal year, 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 some extra \$61 thousand in sales and unearned revenue received offsetting some \$39 thousand in non-realized interest earnings resulting in total revenues of \$9.803 million being about 0.23% above budget. Energy costs were less than originally expected resulting in \$1.047 million (11.24%) less than budget being spent. All other operating expenses came in about \$47 thousand less than budgeted.

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-10

	<u>Total</u>	<u>Natural Gas</u>	<u>Electricity</u>
<b>ASSETS</b>			
CASH IN BANK	884,653.32	884,653.32	0.00
LOCAL AGENCY INVEST. FUND	2,557,285.78	2,557,285.78	0.00
ACCT. REC. POWER POOL SALES	43,509.90	43,509.90	0.00
ACCR. INT. REC. LAIF	4,261.25	4,261.25	0.00
CAPITALIZED SOFTWARE	14,221.12	14,221.12	0.00
NATURAL GAS INVENTORY	163,563.98	163,563.98	0.00
<b>TOTAL ASSETS</b>	<b>3,667,495.35</b>	<b>3,667,495.35</b>	<b>0.00</b>
<b>LIABILITIES</b>			
ACCOUNTS PAYABLE	530,574.50	530,574.50	0.00
UNEARNED ENERGY REVENUES	1,116,483.83	1,116,483.83	0.00
WORKING CAPITAL CLIENT DEPOSITS	2,020,437.02	2,020,437.02	0.00
<b>TOTAL LIABILITIES</b>	<b>3,667,495.35</b>	<b>3,667,495.35</b>	<b>0.00</b>
<b>FUND EQUITY</b>			
GENERAL EQUITY			
CURRENT YEAR SURPLUS/(DEFICIT)	0.00	0.00	0.00
<b>TOTAL GENERAL EQUITY</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL FUND EQUITY</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>3,667,495.35</b>	<b>3,667,495.35</b>	<b>0.00</b>

# INCOME STATEMENT

ABAG Power Pool - Gas Pool  
Period: JUN-10 Currency: USD

	<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	9,721,109.00	(303,486.68)	8,665,816.17	89.14%	1,055,292.83
INTEREST INCOME	60,000.00	1,088.25	21,039.51	35.07%	38,960.49
<b>TOTAL REVENUES</b>	<u>9,781,109.00</u>	<u>(302,398.43)</u>	<u>8,686,855.68</u>	<u>88.81%</u>	<u>1,094,253.32</u>
<b>EXPENSES</b>					
<b>COST OF ENERGY</b>					
COST OF ENERGY USED	6,584,696.00	321,399.83	5,707,031.26	86.67 %	877,664.74
PG&E PASSTHROUGH	2,733,750.00	188,342.56	2,564,186.82	93.80 %	169,563.18
<b>TOTAL COST OF ENERGY</b>	<u>9,318,446.00</u>	<u>509,742.39</u>	<u>8,271,218.08</u>	<u>88.76 %</u>	<u>1,047,227.92</u>
<b>CONSULTANT SERVICES</b>					
TECHNICAL CONSULTANT FEES	40,000.00	0.00	15,050.00	37.63 %	24,950.00
LEGAL CONSULTANTS	5,000.00	0.00	0.00	0.00 %	5,000.00
BILLING AGENT FEES	9,500.00	737.42	(769.03)	8.10%	10,269.03
SCHEDULING AGENT FEES	36,750.00	3,070.00	36,840.00	100.24 %	(90.00)
ABAG FEES	347,192.00	35,011.21	332,522.17	95.77 %	14,669.83
<b>TOTAL CONSULTANT SERVICES</b>	<u>438,442.00</u>	<u>38,818.63</u>	<u>383,643.14</u>	<u>87.50 %</u>	<u>54,798.86</u>
<b>OTHER DIRECT CHARGES</b>					
INTEREST EXPENSE/BANK CHARGES	10,000.00	1,184.26	17,773.26	177.73 %	(7,773.26)
AMORTIZED SOFTWARE COSTS	14,221.00	1,185.10	14,221.20	100.00 %	(0.20)
<b>TOTAL OTHER DIRECT CHARGES</b>	<u>24,221.00</u>	<u>2,369.36</u>	<u>31,994.46</u>	<u>132.09 %</u>	<u>(7,773.46)</u>
<b>TOTAL EXPENSES</b>	<u>9,781,109.00</u>	<u>550,930.38</u>	<u>8,686,855.68</u>	<u>88.81 %</u>	<u>1,094,253.32</u>
<b>SURPLUS/(DEFICIT)</b>	<u>0.00</u>	<u>(853,328.81)</u>	<u>0.00</u>	<u>n/m</u>	<u>0.00</u>

**Electric Direct Access 2010 – Information Sheet**

Through Direct Access (DA), eligible retail customers have the choice to purchase electric power directly from an independent electric service provider (ESP) rather than through an investor-owned utility (IOU) (e.g., PG&E). DA was first instituted as an option for retail electric service in 1998, as part of an industry restructuring program to bring retail competition to California electric power markets.

The electric industry restructuring program was cut short by the events of 2000-2001 which led to the extraordinary wholesale power costs increases. On February 1, 2001 AB1X was signed into law, implementing measures to address the energy crisis. As a result of this law, the California Public Utilities Commission (CPUC or Commission) suspended the right to enter into new contracts for DA after September 20, 2001, permitting no new DA contracts, but allowing preexisting contracts to continue in effect.

ABAG POWER implemented a DA program beginning in 1998. The program was suspended in July 2001 as a result of the energy crisis, and all accounts were returned to PG&E service.

In October 2009, SB 695 was signed into law as an urgency statute. This bill adds the following language to the Public Utilities Code:

The commission shall allow individual retail nonresidential end-use customers to acquire electric service from other providers in each electric corporation’s distribution service territory, up to a maximum allowable total kilowatt hours annual limit.

The load cap and new DA allowance for PG&E’s service territory are as follows (GWhs):

Load Cap	9,520
Existing DA	<u>5,574</u>
New DA Load Allowance <sup>1</sup>	3,946

In addition, the legislation required that within 6 months of the effective date of the legislation (i.e. April 16, 2010) the Commission must adopt and implement a schedule to begin the phase-in of authorized increases in the maximum amount of DA transactions.

Except for this express authorization for increased DA transactions in SB695, the previous enacted suspension of DA transactions remains in effect.

On March 11 and May 20, 2010, the CPUC approved decisions for the phase-in of new DA transactions, as follows<sup>2</sup>:

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<sup>1</sup> The new load eligible for DA service in all IOU territories represents less than 6% of the entire load.

<sup>2</sup> CPUC Decisions: 10-03-022 and 10-05-039. Additional information for PG&E customers may be found at: <http://www.pge.com/mybusiness/customerservice/energychoice/directaccesselectricity/index.shtml>.

- Y1 (2010): 35% of the current room available under the cap.
- Y2 (2011): An additional 35% of the current room available under the cap (or 70% of the available room under the cap).
- Y3 (2012): An additional 20% of the current room available under the cap (or 90% of the available room under the cap).
- Y4 (2013): An additional 10% of the current room available under the cap (or 100% of the available room under the cap).

To facilitate implementation of the CPUC decision, an Open Enrollment Window (OEW) was established beginning April 16, during which time, eligible customers were allowed to submit Notices of Intent (NOIs) to transfer to DA service. PG&E was required to accept the NOIs on a first-come first-served basis until the 2010 annual cap was reached. (The annual cap was reached in less than one minute.) Customers then had 60 days during which time their ESP was required to submit a Direct Access Service Request (DASR) confirming their switch to a new electricity provider.

Beginning July 16, 2010 customers were allowed to provide six months advance NOIs to transfer to DA in the subsequent year. IOUs once again accepted the NOIs on a first come - first served basis, up to the Y2 limit (2011). (This limit was also reached very quickly.) A customer with an accepted NOI will be switched to DA starting in January 2011, provided the advanced notice period has been satisfied and a DASR has been timely received. In January 2011 the IOUs will begin accepting NOIs for the following year (2012).

During the past several months the CPUC has been conducting stakeholder workshops on how to improve the DA enrollment process, as well as whether and how to increase the DA cap.

### **ESP Requirements**

Following is a list of the general requirements for an entity (e.g. ABAG POWER) to become an electric ESP:

#### Administrative Requirements:

- Register with the CPUC
- Execute a standard ESP Service Agreement with PG&E
- Satisfy credit worthiness requirements
- Satisfy applicable CPUC Electronic Data Exchange requirements

#### Operational Requirements:

- Engage a Scheduling Coordinator (SC)
- Purchase electricity for delivery to PG&E's system (power purchase agreements)
- Arrange for billing (internal or subcontract?)