



**ABAG POWER
ANNUAL BOARD MEETING**

October 29, 2015 (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

1. Welcome

ATTACHMENT 1A - ABAG POWER JPA MEMBER LIST

2. Public Comments

3. Approval of Minutes from October 30, 2014 Annual Board Meeting

Action:

ATTACHMENT 3A - MINUTES OF OCTOBER 30, 2014

4. Election of ABAG POWER Officers (Chair and Vice Chair)

Action:

ATTACHMENT 4A - PROPOSED EXECUTIVE COMMITTEE FOR FY 15-16

5. Staff Report and Review of Natural Gas Program

Information: Staff will report the results of the Natural Gas Program for the 2014 – 2015 fiscal year.

ATTACHMENT 5A - STAFF REPORT ON NATURAL GAS PROGRAM

ATTACHMENT 5B - SUMMARY OF NATURAL GAS PROGRAM FY2014-15

6. Natural Gas Pipeline Capacity Issue

Information: Staff will discuss the effects to the program of the recent stranded pipeline capacity costs.

ATTACHMENT 6A – STRANDED PIPELINE CAPACITY COSTS MEMO

ATTACHMENT 6B – PIPELINE CAPACITY COSTS

7. Financial Review

Information: Staff will review preliminary financial statements for FY 2014-15

ATTACHMENT 7A – FINANCIAL REPORTS MEMO

ATTACHMENT 7B1 – PRELIMINARY INCOME STATEMENT

ATTACHMENT 7B2 – PRELIMINARY BALANCE SHEET

Break for Lunch

8. Guest Speaker – Solar Procurement and Regulatory Issues

Information: Caroline Judy (Director, Alameda County GSA) will discuss the Regional Renewable Energy Procurement Project (R-REP), and Kim Sanders (Senior Manager, Public Policy, Sunrun) will discuss recent regulatory issues affecting solar projects.

9. San Francisco Bay Area Regional Energy Network (BayREN)

Information: BayREN Program Manager (Jenny Berg) will summarize the programs and accomplishments to date.

10. Adjournment

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 Listed in the order of Cities/Towns, Counties, and Special Districts	Primary & Alternate	Membership Status
Alameda, City of	Robert Haun (P) Liam Garland (A)	Current Gas Member
Albany, City of	Ray Chan (P)	Current Gas Member
Benicia, City of	Karin Schnaider (P) Brad Kilger (A)	Current Gas Member
Cupertino, City of	Erin Cooke (P)	Current Gas Member
Fremont, City of	Mike Sung (P) Dan Schoenholz (A)	Current Gas Member
Gonzales, City of	Rene Mendez (P) Carlos Lopez (A)	Current Gas Member
Half Moon Bay, City of	Magda Gonzalez (P) Alex Khojikian (A)	Current Gas Member
Hercules, City of	David Biggs (P) Steve Duran (A)	Current Gas Member
Los Altos, City of	Dave Brees (P) Marcia Somers (A)	Current Gas Member
Mill Valley, City of	Eric Erickson (P)	Current Gas Member
Millbrae, City of	Chip Taylor (P)	Current Gas Member
Milpitas, City of	Chris Schroeder (P) Emma Karlen (A)	Current Gas Member
Monte Sereno, City of	Brian Loventhal (P)	Current Gas Member
Oakland, City of	Scott Wentworth (P)	Current Gas Member
Orinda, City of	Tonya Gilmore (P) Janet Keeter (A)	Current Gas Member
Pacifica, City of	Lorenzo Hines (P) Sandra McClellan (A)	Current Gas Member
Petaluma, City of	Bill Mushallo (P)	Current Gas Member
Pleasanton, City of	Kathleen Yurchak (P)	Current Gas Member
Richmond, City of	Angela Walton (P) Adam Lenz (A)	Current Gas Member
Salinas, City of	Michael Ricker (P) Miguel Gutierrez (A)	Current Gas Member

Jurisdiction Listed in the order of Cities/Towns, Counties, and Special Districts	Primary & Alternate	Membership Status
San Carlos, City of	Jay Walter (P) Rebecca Mendenhall (A)	Current Gas Member
San Rafael, City of	Richard Landis (P)	Current Gas Member
Santa Rosa, City of	Mark Armstrong (P) Ed Buonaccorsi (A)	Current Gas Member
Saratoga, City of	Thomas Scott (P) Mary Furey (A)	Current Gas Member
Union City, City of	Richard Sealana (P)	Current Gas Member
Vallejo, City of	Roland Rojas (P)	Current Gas Member
Watsonville, City of	Gabriel Gordo (P)	Current Gas Member
Winters, City of	John Donlevy (P) Shelly Gunby (A)	Current Gas Member
Atherton, Town of	George Rodericks (P)	Current Gas Member
Moraga, Town of	Bradley Ward (P)	Current Gas Member
Contra Costa, County of	Julie Bueren (P)	Current Gas Member
Napa, County of	Steve Lederer (P) Jason Campbell (A)	Current Gas Member
San Mateo, County of	Doug Koenig (P) Gary Behrens (A)	Current Gas Member
Santa Clara, County of	Lin Ortega (P) Brad Vance (A)	Current Gas Member
Golden Gate Bridge Highway & Transportation District	Jennifer Mennucci (P) Alice Ng (A)	Current Gas Member
Housing Authority, City of Alameda	Vanessa Cooper (P)	Current Gas Member
R.A.F.C.	Mamie Lai (P) Robert Hoffman (A)	Current Gas Member
Vallejo Sanitation & Flood Control District	Melissa Morton (P)	Current Gas Member
JPA Members (non-active, ex-electric and/or gas opt-out members)		
Antioch, City of	Dawn Merchant (P) Jim Jakel (A)	Non-Active
Arcata, City of	Randy Mendosa (P)	Non-Active

Jurisdiction Listed in the order of Cities/Towns, Counties, and Special Districts	Primary & Alternate	Membership Status
Belmont, City of	Greg Scoles (P)	Non-Active
Berkeley, City of	Neal De Snoo (P)	Non-Active
Cloverdale, City of	Nina D. Regor (P)	Non-Active
Cotati, City of	Dianne Thompson (P)	Non-Active
Daly City, City of	Vacant	Non-Active
Davis, City of	Vacant	Non-Active
El Cerrito, City of	Maria Sanders (P) Garth Schultz (A)	Non-Active
Foster City, City of	Ray Towne (P)	Non-Active
Menlo Park, City of	Vacant	Non-Active
Newark, City of	Peggy Claassen (P)	Non-Active
Patterson, City of	Ken Irwin (P)	Non-Active
Pinole, City of	Belinda Espinosa (P)	Non-Active
San Leandro, City of	Lianne Marshall (P)	Non-Active
San Mateo, City of	David Culver (P)	Non-Active
San Pablo, City of	Bradley J. Ward (P) Brock Arner (A)	Non-Active
Sebastopol, City of	Ron Puccineli (P)	Non-Active
Hillsborough, Town of	Maria Edna Masbad (P)	Non-Active
Los Altos Hills, Town of	Carl Cahill (P)	Non-Active
Butte, County of	Grant Hunsicker (A)	Non-Active
Monterey, County of	Mario Salazar (P)	Non-Active
Sonoma, County of	John Haig (P)	Non-Active
Windsor, Town of	James McAdler (P)	Non-Active

Jurisdiction Listed in the order of Cities/Towns, Counties, and Special Districts	Primary & Alternate	Membership Status
H.A.R.D.	Larry Lepore (P) Karl Zabel (A)	Non-Active
Housing Authority, County of Alameda	Tom Makin (P) Christine Gouig (A)	Non-Active
Los Trancos County Water District	Keri Tate (P)	Non-Active
South County Fire Authority	Vacant (P)	Non-Active
West County Wastewater District	Brian Hill (P)	Non-Active



SUMMARY MINUTES

ABAG POWER Annual Board of Directors' Meeting 2014

October 30, 2014

Joseph P. Bort MetroCenter

101 Eighth Street, Oakland, CA 94607-4756

WELCOME

Chairman Richard Sealana opened the meeting of the ABAG POWER Board of Directors' with introductions at 10:35 a.m.

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

Jurisdictions Represented

City of Alameda
City of Benicia
City of Cupertino
City of Fremont
City of Gonzales
City of Los Altos
City of Milpitas
City of Oakland
City of Orinda
City of Pacifica
City of Pleasanton
City of Richmond
City of Salinas
City of San Rafael
City of Union City
County of Napa
County of San Mateo
County of Santa Clara
Golden Gate Bridge & Highway District
H.A.R.D.
Housing Authority for the City of Alameda
RAFC
Town of Moraga

Representatives

Juelle-Ann Boyer
Greg Henry
Erin Cooke
Mike Sung
Carlos Lopez
Dave Brees
Chris Schroeder
Scott Wentworth
Tonya Gilmore
Jim Reese
Ed Heuer
Angela Walton
Michael Ricker
Richard Landis
Richard Sealana
Steve Lederer
Doeg Koenig
Brad Vance
Jennifer Mennucci
Karl Zabel
Alan Olds
Robert Hoffman
Stephanie Hom

Others Present

KyotoUSA
Carbonomics
County of San Mateo
City of Union City

Tom Kelly
Seth Baruch
Andy Jain
Mintze Cheng

**Staff Present**

Herbert Pike	ABAG
Jerry Lahr	ABAG POWER
Ryan Jacoby	ABAG POWER
Chanell Gumbs	ABAG
Jennifer Berg	ABAG
Brad Paul	ABAG

WELCOME & CHAIRMAN'S OPENING REMARKS

Chairman Richard Sealana 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 2013-2014 Executive Committee and the ABAG POWER principal staff.

PUBLIC COMMENTS

There were no public comments.

APPROVAL OF SUMMARY MINUTES OF OCTOBER 24, 2013 ANNUAL BOARD MEETING

Motion was made by Schroeder/S/Lederer/22:0:0/C/ to approve the Summary Minutes of October 24, 2013 ABAG POWER Annual Board of Directors' meeting.

The aye votes were: Brees, Boyer, Cooke, Gilmore, Henry, Heuer, Hoffman, Hom, Landis, Lederer, Lopez, Koenig, Mennucci, Olds, Reese, Ricker, Schroeder, Sealana, Sung, Vance, Walton, Wentworth.

The nay votes were: None.

Abstentions were: None.

ELECTION OF ABAG POWER OFFICERS FOR PROGRAM YEAR 2014-15

Motion was made by Boyer/S/Koenig/22:0:0/C/to approve the proposed ABAG POWER Executive Committee for program year 2014-2015, including the election of chair and vice chair as follows:

Julie Bueren, County of Contra Costa
Stephanie Hom, Town of Moraga
Alan Olds, Housing Authority of the City of Alameda
Chris Schroeder, City of Milpitas (Chair)
Richard Sealana, City of Union City (Vice Chair)
Daniel Smith, City of Pleasanton
Angela Walton, City of Richmond
Tonya Gilmore, City of Orinda



The aye votes were: Brees, Boyer, Cooke, Gilmore, Henry, Heuer, Hoffman, Hom, Landis, Lederer, Lopez, Koenig, Mennucci, Olds, Reese, Ricker, Schroeder, Sealana, Sung, Vance, Walton, Wentworth.

The nay votes were: None.

Abstentions were: None.

STAFF REPORT AND REVIEW OF NATURAL GAS PROGRAM

Lahr provided an in-depth report on the operations of the Natural Gas Program for FY2013-14. He provided a review of the program and discussed the program goals, long-term program achievements and gas purchasing strategies.

ABAG POWER's blend of long-term and short-term gas purchases resulted in a weighted average cost of gas for the year of \$4.05/Dth, representing an increase of approximately 10% over the prior year. ABAG POWER's annual weighted average price was approximately 0.5% lower than PG&E's similar total rate (G-NR1). 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.

NATURAL GAS PIPELINE CAPACITY ISSUE

Chairman Sealana and Lahr provided members with the background and details of the Gas Pipeline Capacity issue facing the program. They explained the previous California Public Utilities Commission (Commission) rulings, the 2002 Gas Accord decisions, and the approval by the Commission of the phase-in of full cost sharing beginning in 2015. The members were reminded of ABAG POWER's continued involvement in the regulatory process in an attempt to mitigate the stranded costs.

Lahr mentioned that while the goals of ABAG POWER are not solely related to cost savings, the stranded pipeline capacity costs could provide a significant barrier to this objective. The costs to the program in 2013-14 were approximately \$192,000, and are estimated to reach \$310,000/year by 2015 if current regulations remain unchanged.

It was hoped that the current proceeding before the CPUC will result in modifications to the regulations so the program can begin to reduce the expenses associated with the stranded pipeline capacity costs.

FINANCIAL REVIEW

Herbert Pike presented the preliminary financial reports for fiscal year ending June 30, 2014. Auditors were in the process of auditing the financial statements, which will be available by December, 2014.



COMMUNITY CHOICE AGGREGATION (CCA)

Guest speakers Tom Kelly and Seth Baruch informed members of the current status of Marin Clean Energy, Sonoma Clean Power, and other regional CCA efforts.

SAN FRANCISCO BAY AREA REGIONAL ENERGY NETWORK (BAYREN)

Jennifer Berg, ABAG’s Program Manager of BayREN, gave an overview of the BayREN Program.

ADJOURNMENT

Chairman Sealana adjourned the meeting at 12:55 p.m.

/rj

*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.



Proposed Executive Committee for FY 2015 – 2016

 Dave Brees

Special Projects Manager, City of Los Altos

 Julie Bueren

Director of Public Works, County of Contra Costa

 Tonya Gilmore

Senior Management Analyst, City of Orinda

 Chris Schroeder

Purchasing Officer, City of Milpitas

 Richard Sealana

Superintendent of Public Works, City of Union City

 Angela Walton

Public Works Administrative Manager, City of Richmond



DATE: October 22, 2015

TO: ABAG POWER Board of Directors

FROM: Gerald L. Lahr, Manager, ABAG POWER

RE: **Staff Report on 2014-2015 Natural Gas Program**

Summary

Natural gas prices continued a general decline during the fall and winter of 2014-15 – bottoming out at below \$3.00/Dth during the early spring.¹ While prices rebounded modestly during the summer to approximately \$3.20, they remain low by historic standards.

During the year ABAG POWER purchased approximately half of its gas with forward, fixed-price gas supply contracts, while additional amounts were purchased on the short-term market. The Program's gas costs ranged from a high of \$5.04/Dth in early July 2014, to a low of \$2.80/Dth for gas purchased on the spot market in April 2015. ABAG POWER's blend of long-term and short-term gas purchases resulted in a weighted average cost of gas for the year of \$3.83/Dth, representing a decrease of approximately 5% over the prior year. Ultimately, ABAG POWER's total annual weighted average price was approximately 3.3% 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 implemented a gas purchasing strategy that emphasized multiple layers of long-term, fixed-price contracts for a majority of its gas load, while the remaining portion of gas was 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. Recently however, the additional costs associated with the pipeline

¹ Prices based on gas delivered to PG&E's distribution system ('PG&E Citygate').



capacity allocations have eroded the program's savings potential. (See discussion under 'Scheduling' as well as the memo provided separately.) As a result of this, the Executive Committee has continued to evaluate and modify the gas purchasing strategy in order to meet the program goals.

During the past year ABAG POWER continued to purchase a majority of its gas in the shorter term market in order to take advantage of spot prices that may result in savings, while also locking in a couple of moderate term, fixed-price contracts to gain stability. Late last year the Committee again modified the purchasing strategy to place a greater emphasis on the shorter term market, and at the same time limit the length of fixed-price contracts. The Committee will continue to evaluate this revised strategy during the upcoming year.

Fiscal Year 2014 – 15.

During the recently completed fiscal year, ABAG POWER purchased 47% of its gas with forward gas supply contracts.² The remaining gas requirements were purchased in monthly or daily blocks with the price tied to a market index.³ The Program's gas costs ranged from a high of \$5.04/Dth for daily gas on July 1-2, 2014, to a low of \$2.80/Dth for daily gas in April 2015. The Weighted Average Cost of Gas (WACOG) for the year was \$3.83/Dth. The Natural Gas Program's net savings for the year ending June 30, 2015 was -3.3%.

The program's monthly levelized rate remained static throughout the year, as compared to PG&E's core procurement rate (commodity only) which ranged from \$2.86 – 6.05/Dth.

Long Term Program Metrics.

ABAG POWER's average annual savings for the period July 2003 to June 2015 was 0.4%⁴ (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 have been above the monthly and daily indices that are primarily followed by PG&E.

² Contracts greater than one month in length. Purchases staged throughout the year.

³ National Gas Intelligence's (NGI's) monthly Bidweek index, or the Gas Daily's daily index for the appropriate delivery point.

⁴ Compared to PG&E's GNR-1 rate.



Operations and Billing.

Scheduling. ABAG POWER's gas scheduling agent remains DMJ Gas Marketing, which began providing scheduling services as of July 2013.

The program continues to schedule deliveries to take advantage of the transportation capacity that PG&E allocates to the program, when possible. However, as discussed in prior years, due to regulatory changes implemented in April 2012, the rules regarding the allocation of PG&E's pipeline capacity holdings have changed, and this has resulted in additional costs to the program. Several Core Transportation Agents (CTAs) have joined forces to petition the California Public Utilities Commission (CPUC) to revise these regulations so that programs such as ABAG POWER's are not burdened with stranded costs as a result of PG&E's pipeline capacity contracts. (See separate memo for additional information.)

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:

- BP Energy
- Devlar Energy Marketing
- Occidental Energy Marketing, Inc. (subsidiary of Occidental Petroleum)
- Pacific Summit Energy (subsidiary of Sumitomo Corp.)
- Shell Energy North America
- 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 costs are not assigned to noncore accounts, so these accounts receive a slightly lower rate.

Storage. Core aggregation programs such as ABAG POWER are required to maintain certain gas storage requirements throughout the year. For example, ABAG POWER is currently required to have approximately 600,000 therms of gas in storage at the start of the winter period (Nov. 1st). At various times in the past ABAG POWER has chosen to contract with third-party storage facilities for all or a portion of its storage requirement. However, due to the recent regulatory changes that require ABAG POWER to pay for a portion of PG&E's storage capacity regardless of whether or not it is actually used, the program has decided to use PG&E storage for 100% of its requirement in order to reduce stranded costs. ABAG POWER is seeking to have these regulations changed, and, if successful, would then revisit the opportunity to use alternate gas storage facilities.

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 1/12th 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.

Financial

The total cost of the natural gas program for 2014-2015 decreased from the previous fiscal year by 6.8%: from \$6.7 million to \$6.2 million. This was the result of both a decrease in the Program’s total gas usage and total gas commodity costs. The total gas consumption decreased from 7,896,950 therms to 6,841,820 (13%). A review of each major program cost element is summarized below:

Natural Gas Commodity Cost. The natural gas commodity cost decreased from \$3.6 million in 2013-14 to \$3.0 million for the 2014-2015 program year, and was a contributing factor in the decrease in total program gas cost. The total was significantly below the originally budgeted amount of \$4.7 million.

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 49% of the total program costs for the year

PG&E Pass-through Costs.⁵ A major cost of the natural gas program is the amount charged by PG&E for the distribution of natural gas to customers as well as other public benefit charges. These costs are charged by PG&E to all customers and are subject to regulation by the CPUC. During the past fiscal year these costs totaled approximately \$2.8 million representing a modest (5.8%) increase from the prior year, however the unit rate of PG&E pass-through costs increased substantially (approximately 25%) to \$0.45/therm. The relative impact of the PG&E pass-through costs was 45% 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 \$376,396 or 6% 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, and are refunded to members if they

⁵ PG&E costs for noncore accounts are paid by the agency directly to PG&E, and are therefore not included in ABAG POWER’s financial reports.



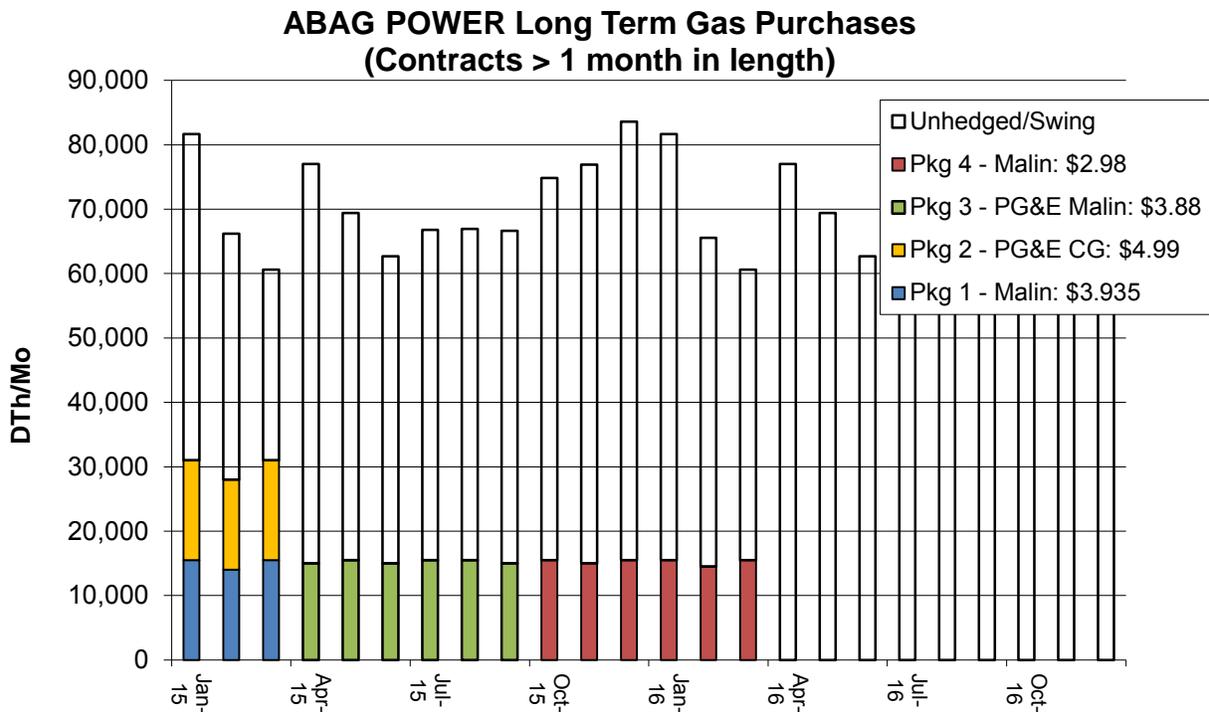
leave the program. The total deposit amount is generally reviewed on an annual basis to ensure the program has adequate cash reserves to meet all its payment obligations.

As of June 30, 2015 the gas program had total Working Capital Deposits of: \$2,000,785 which represents 3.3 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

Recent gas prices have declined to the \$3.00 - \$3.50, and futures markets indicate that this range may continue through next year. However, increased market volatility remains a real possibility, and difficult to predict, as was witnessed during the 2013-14 winter, as well as the more lasting price increases seen during the hurricane year of 2005 and the oil market climb in 2008.

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 significant 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 20% for FY 2015-16 (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 and their constituents in all areas of energy management, as

MEMORANDUM

Agenda Item 5A

ASSOCIATION OF BAY AREA GOVERNMENTS

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Representing City and County Governments of the San Francisco Bay Area



can be seen in the energy efficiency efforts of the *San Francisco Bay Area Regional Energy Network* (BayREN).

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

ABAG POWER Natural Gas Program
FY 2014-15 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
Gas Purchases⁽¹⁾														
Purchase 1	Qty	15,493	15,446	14,883	15,500	15,000	15,500	15,500	14,000	15,500	14,897	15,489	15,000	182,208
	Price	\$3.94	\$3.94	\$3.94	\$3.94	\$3.94	\$3.94	\$3.94	\$3.94	\$3.94	\$3.88	\$3.88	\$3.88	
Purchase 2	Qty	15,500	15,500	15,000	15,500	15,000	15,500	15,500	14,000	15,500				137,000
	Price	\$4.99	\$4.99	\$4.99	\$4.99	\$4.99	\$4.99	\$4.99	\$4.99	\$4.99				
Purchase 3	Qty	22,091	22,031	21,204	22,103	21,480	22,196	22,164	20,048	22,196	21,324	22,182	21,480	260,499
	Price	\$4.50	\$3.84	\$3.94	\$3.88	\$4.10	\$3.43	\$2.89	\$2.55	\$2.49	\$2.36	\$2.67	\$2.65	
Purchase 4	Qty	6,516	6,975	4,800	4,200	6,900	10,400	12,400	9,600	6,200	19,900	13,000	4,800	105,691
	Price	\$4.86	\$4.50	\$4.43	\$4.42	\$4.43	\$3.90	\$3.26	\$2.96	\$2.94	\$2.86	\$3.22	\$3.02	
Purchase 5	Qty					-4,000								-4,000
	Price					\$4.50								
Total Quantity Purchased		59,600	59,952	55,887	57,303	54,380	63,596	65,564	57,648	59,396	56,121	50,671	41,280	681,398
Total Purchase Cost		\$269,364	\$254,127	\$238,200	\$242,672	\$234,426	\$254,912	\$242,747	\$204,488	\$211,750	\$165,059	\$161,031	\$129,582	\$2,608,356
Backbone Shrinkage (Dths)		(405)	(408)	(401)	(403)	(420)	(434)	(434)	(392)	(434)	(428)	(440)	(420)	
WACOG ⁽²⁾		\$4.55	\$4.27	\$4.29	\$4.26	\$4.34	\$4.04	\$3.73	\$3.57	\$3.59	\$2.96	\$3.21	\$3.17	\$3.83
Storage/Inventory														
Total Injections/ (Withdrawals)		10,463	4,500	15,400	8,040	1,270	(12,093)	(22,744)	6,173	10,225	1,305	0	30	22,569
Total Inventory Quantity (Dths)		51,614	56,114	71,514	79,554	80,824	68,731	45,987	52,160	62,385	63,690	63,690	63,720	
Total Inventory (\$)		\$229,030	\$249,550	\$315,278	\$349,592	\$355,009	\$301,895	\$202,004	\$229,115	\$246,912	\$252,643	\$252,643	\$252,740	
Avg. Inventory Rate (\$/Dth)		\$4.44	\$4.45	\$4.41	\$4.39	\$4.39	\$4.39	\$4.39	\$4.39	\$3.96	\$3.97	\$3.97	\$3.97	
Gas Program Monthly Expenses (from Financial Reports)														
Cost of Energy Used ⁽³⁾		\$ 248,521	\$ 263,343	\$ 202,120	\$ 238,935	\$ 259,317	\$ 342,063	\$ 379,923	\$ 214,069	\$ 227,218	\$ 193,006	\$ 194,338	\$ 267,590	\$ 3,030,443
Program Operating Expenses ⁽⁴⁾		34,247	29,771	32,651	37,027	29,217	26,990	32,860	31,214	32,766	31,953	28,792	32,898	380,387
Subtotal		\$ 282,767	\$ 293,114	\$ 234,772	\$ 275,962	\$ 288,534	\$ 369,053	\$ 412,783	\$ 245,283	\$ 259,984	\$ 224,959	\$ 223,130	\$ 300,488	\$ 3,410,830
Rate (\$/Dth)		\$6.08	\$6.50	\$5.40	\$5.52	\$4.93	\$4.74	\$4.86	\$3.94	\$4.40	\$4.10	\$3.97	\$6.61	\$4.99
PG&E Pass-through costs ⁽⁵⁾		152,189	142,623	130,734	181,023	177,184	212,756	449,627	391,372	307,210	207,113	245,488	193,249	2,790,567
Total ABAG POWER Cost		\$ 434,957	\$ 435,737	\$ 365,505	\$ 456,985	\$ 465,718	\$ 581,809	\$ 862,410	\$ 636,655	\$ 567,194	\$ 432,072	\$ 468,619	\$ 493,737	\$ 6,201,397
Actual (metered) Gas Usage														
Core ⁽⁶⁾		40,996	40,075	38,561	44,003	55,036	72,137	78,215	56,883	53,170	48,567	49,219	38,776	615,638
Non Core		5,507	5,050	4,940	6,029	3,540	5,726	6,676	5,304	5,862	6,269	6,973	6,670	68,544
Total Program Usage		46,503	45,125	43,501	50,032	58,576	77,863	84,891	62,186	59,031	54,837	56,191	45,446	684,182
ABAG POWER Total Core Rate		\$ 9.79	\$ 10.05	\$ 8.79	\$ 9.63	\$ 8.15	\$ 7.69	\$ 10.61	\$ 10.82	\$ 10.18	\$ 8.37	\$ 8.96	\$ 11.60	
PG&E Rate⁽⁷⁾														
Procurement Charge ⁽⁸⁾		6.00	5.63	6.05	5.21	4.65	5.36	4.89	4.64	3.80	3.34	2.86	3.85	
Transportation/Other Charge ⁽⁹⁾		3.71	3.56	3.39	4.11	3.22	2.95	5.75	6.88	5.78	4.26	4.99	4.98	
Total PG&E Rate		\$ 9.72	\$ 9.19	\$ 9.44	\$ 9.32	\$ 7.87	\$ 8.31	\$ 10.64	\$ 11.52	\$ 9.58	\$ 7.61	\$ 7.85	\$ 8.83	

ABAG POWER Natural Gas Program

FY 2014-15 Monthly Summary of Operations

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
<u>Rate Comparison</u>													
Monthly Rate Difference (\$/Dth)	0.08	0.87	(0.65)	0.31	0.28	(0.62)	(0.03)	(0.69)	0.60	0.76	1.11	2.76	
Monthly Savings (\$)	(3,191)	(34,668)	24,999	(13,581)	(15,293)	44,972	1,963	39,402	(31,885)	(36,928)	(54,441)	(107,160)	
Cumulative 'Savings' (\$)	(3,191)	(37,859)	(12,860)	(26,441)	(41,734)	3,238	5,201	44,603	12,718	(24,210)	(78,651)	(185,810)	
Cumulative 'Savings' (%)	-0.8%	-4.9%	-1.1%	-1.7%	-2.1%	0.1%	0.2%	1.1%	0.3%	-0.5%	-1.5%	-3.3%	
<u>Rate Comparison excluding Stranded Pipeline Capacity Costs</u>													
Standed Pipeline Capacity Costs	\$ 11,827	\$ 11,575	\$ 11,522	\$ 12,298	\$ 12,094	\$ 15,740	\$ 17,788	\$ 17,758	\$ 14,049	\$ 15,707	\$ 15,184	\$ 14,753	
Monthly Savings	7,235	(24,388)	35,212	(2,765)	(3,930)	59,555	18,352	55,646	(19,231)	(23,016)	(41,141)	(94,572)	
Cumulative Savings (\$)	7,235	(17,154)	18,059	15,294	11,363	70,918	89,270	144,915	125,684	102,668	61,527	(33,045)	
Cumulative Savings (%)	1.8%	-2.2%	1.6%	1.0%	0.6%	2.8%	2.6%	3.6%	2.8%	2.1%	1.2%	-0.6%	
<u>Monthly Index Postings</u>													
NGI Bidweek for PG&E Citygate	\$5.12	\$4.48	\$4.55	\$4.42	\$4.17	\$4.69	\$3.48	\$3.17	\$3.17	\$2.92	\$2.88	\$3.20	
Gas Daily Avg. for PG&E Citygate	\$4.70	\$4.49	\$4.43	\$4.29	\$4.50	\$4.34	\$3.25	\$2.95	\$2.93	\$2.86	\$3.20	\$3.09	
NGI Bidweek for Malin	\$4.49	\$3.83	\$3.93	\$3.87	\$3.58	\$4.45	\$3.16	\$2.67	\$2.71	\$2.38	\$2.32	\$2.64	

Notes:

- (1) All gas quantities in Dth and rates in \$/Dth. (Does not include imbalance purchases traded to storage.)
- (2) Weighted Average Cost of Gas (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.

MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area

Agenda Item 6A

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DATE: October 21, 2015

TO: ABAG POWER Board of Directors

FROM: Gerald L. Lahr, Manager, ABAG POWER

RE: **Natural Gas Pipeline Capacity Costs Update**

This memo provides an update on the stranded pipeline capacity cost issue that has been discussed with the Board over the past few years.

Summary. During the past year ABAG POWER continued its involvement with the CTA Consortium (CTAC) in an effort to modify regulations that require Core Transportation Agents (CTAs), such as ABAG POWER, to take or pay for a share of all long-term interstate pipeline capacity held for core customers by PG&E. CTAC and ABAG POWER are seeking regulatory modifications that will reduce the significant cost burden this policy places on the program.

The primary vehicle for seeking this regulatory change has been through the California Public Utilities Commission's (CPUC or Commission) proceeding in which PG&E has applied "to set a new core interstate pipeline capacity planning range" (A13-06-011). A proposed decision (PD) was issued in late September that while acknowledging the arguments made by ABAG POWER and CTAC, refuses to make changes to the current process in which PG&E's purchases pipeline capacity on behalf of all core customers. This decision is now awaiting final disposition by the Commission.

A second proceeding that affects pipeline capacity and storage costs is PG&E's Gas Transmission and Storage Rate Case (A13-12-012). This proceeding is on-going and likely will not resolve until early 2016.

Background. California's "core aggregation" program provides retail choice in the core natural gas market by allowing core customers to purchase gas directly from competitive suppliers (Core Transportation Agents or CTAs) rather than from investor owned utilities (IOUs) such as PG&E. ABAG POWER's natural gas aggregation program operates under the policies and regulations applied to all CTAs, and the program seeks to achieve the dual goals of providing cost savings and price stability to local government agencies.

Until early 2012, CTAs were able to request and receive an assignment of PG&E's core interstate pipeline capacity in monthly or annual increments, but were never obligated to pay for pipeline capacity contracted by PG&E for its core customers that the CTAs did not actually use. However, due to prior decisions by the Commission these rules were changed such that CTAs are now required to pay for a portion of PG&E's pipeline and storage capacity in an amount equal to their market share, whether or not CTAs actually use the capacity.

In July 2011 ABAG POWER joined with other CTAs ('CTA Consortium') in an effort to reduce its exposure to the stranded capacity costs created by PG&E. The Consortium hired legal counsel (Winston & Strawn) along with technical consultants to study the issues, offer advice, and represent CTAC members before the Commission. Ultimately these advocacy efforts led to the requirement that PG&E file an



application with the Commission to determine the appropriate level of interstate capacity for PG&E to hold in the future, and whether they should hold capacity on behalf of CTAs.

In June of 2013 PG&E filed its application as required, and the proceeding moved through the testimony, hearings and briefing processes, all of which were completed by March 2014. For unknown reasons the Commission took no further action for almost a year, at which time it extended the statutory deadline for resolving the proceeding. After two additional extensions to the deadline, the Commission finally issued the PD in September of this year, and a comment period was initiated.

To date, ABAG POWER has obligated itself to spending approximately \$39,000 for its share of the legal costs associated with this effort.

Discussion. In April 2012 ABAG POWER began receiving invoices from PG&E for a portion of the unrecovered pipeline capacity costs in accordance with current regulations, and the phase-in period to full cost responsibility is now complete. Invoices in recent months have ranged from \$10-16,000/month which is somewhat less than previously anticipated.

In the past, ABAG POWER has chosen not to utilize the interstate capacity offered to it for a variety of reasons, including: (1) the cost of the capacity is relatively high; (2) the amount of capacity offered varies from pipeline to pipeline creating mismatches that lead to stranded capacity; (3) significant administrative burden in implementing and maintaining contracts with the various pipeline companies; (4) accepting the capacity forces the program to purchase gas based on PG&E's selection of pipelines, thus limiting the program's flexibility to purchase gas at the least cost; (5) the relatively small amounts of capacity offered to ABAG POWER are not in quantities that are preferred by gas suppliers.

Due to the reasons stated above, ABAG POWER and its operations team have, so far, concluded that it is more favorable to decline the interstate capacity offerings; allow the rejected capacity to be entered into PG&E's market auction, and accept the revenue that is gained from the auction as an offset to the cost.

Conclusion. While the goals of ABAG POWER are not solely related to cost savings, this remains a significant driver of the program, and the unrecovered capacity costs could be a barrier to this objective.

In addition, CTAs as a group desire to maintain their ability to choose for themselves the most economical way to supply the natural gas needs of their customers, rather than being bound by the capacity decisions made by PG&E. ABAG POWER concurs with this desire, and therefore intends to continue to support efforts that would allow increased independence from PG&E with regard to gas purchasing and delivery. Should current efforts at the CPUC fail to provide the desired independence and flexibility, ABAG POWER in collaboration with CTAC may seek alternate remedies to achieve a similar result.

ABAG POWER staff, in consultation with the Executive Committee, will continue to monitor the regulatory proceedings as well as the costs associated with this issue to see if any change in strategy or program operation is warranted.

ABAG POWER

CTA Unrecovered Capacity - Invoices

<u>Bill Period</u>	<u>Amount</u>	Projected 8/13 <u>Estimate</u>	Projected 6/15 <u>Estimate</u>
Apr-12	\$ 616		
May-12	614		
Jun-12	663		
<u>Total FY 2011-12:</u>	\$ 1,892		
Jul-12	\$ 3,358		
Aug-12	3,366		
Sep-12	3,387		
Oct-12	3,692		
Nov-12	2,704		
Dec-12	3,408		
Jan-13	3,771		
Feb-13	4,022		
Mar-13	4,687		
Apr-13	11,446		
May-13	11,683		
Jun-13	12,065		
Total FY 2012-13:	\$ 67,587		
Jul-13	\$ 15,043	\$ 15,042	
Aug-13	15,539	15,042	
Sep-13	15,163	15,042	
Oct-13	15,439	15,042	
Nov-13	14,152	14,857	
Dec-13	18,186	14,993	
Jan-14	18,991	14,993	
Feb-14	18,759	14,993	
Mar-14	14,275	13,732	
Apr-14	15,999	18,657	
May-14	15,319	18,657	
Jun-14	15,372	18,657	
Total FY 2013-14:	\$ 192,238	\$ 189,707	

<u>Bill Period</u>	<u>Amount</u>	Projected 8/13 <u>Estimate</u>	Projected 6/15 <u>Estimate</u>
Jul-14	\$ 11,827	\$ 18,657	
Aug-14	11,575	18,657	
Sep-14	11,522	18,657	
Oct-14	12,298	18,657	
Nov-14	12,094	18,657	
Dec-14	15,740	20,451	
Jan-15	17,788	20,451	
Feb-15	17,758	20,451	
Mar-15	14,049	18,657	
Apr-15	15,707	25,223	
May-15	15,184	25,223	
Jun-15	14,753	25,223	
Total FY 2014-15:	\$ 170,294	\$ 248,961	
Jul-15	\$ 10,861	\$ 25,223	\$ 14,600
Aug-15	10,781	25,223	14,600
Sep-15	11,016	25,223	14,600
Oct-15		25,223	14,600
Nov-15		25,223	14,600
Dec-15		27,728	16,400
Jan-16		27,728	16,400
Feb-16		27,728	16,400
Mar-16		25,223	14,600
Apr-16		25,223	14,600
May-16		25,223	14,600
Jun-16		25,223	14,600
Total FY 2015-16:	\$ 32,657	\$ 310,189	\$ 180,600
Total to date:	\$ <u>464,668</u>		

MEMORANDUM

Agenda Item 7A

ASSOCIATION OF BAY AREA GOVERNMENTS

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Representing City and County Governments of the San Francisco Bay Area



DATE: October 22, 2015

TO: ABAG POWER Board of Directors

FROM: Charles A. Adams, Interim ABAG Chief Financial Officer

RE: **Preliminary Financial Reports – June 2015**

We are happy to present the preliminary financial reports of the ABAG Power Pool – Gas Pool, for the fiscal year ending June 30, 2015. Highlights of these reports are summarized as follows:

As of June 30, 2015, the Natural Gas Pool had \$4.440 million in total assets, including the \$2.90 million investment in LAIF. Total assets increased nearly \$1 million compared to the June 30, 2014 balance of \$3.500 million. This increase in assets is the result of an increase in Unearned Energy Revenues. Working Capital in the form of Client Deposits remains unchanged from the prior year at \$2 million.

In FY 2014-15, natural gas billings amounted to \$8.39 million, with \$2.19 million being classified as unearned energy revenues to be refunded to the members in FY 2015-16 (in the True-Up). Thus, the Income Statement reflects the net revenue from sale of energy of \$6.20 million. Interest income of \$5,477 will be included as part of the true-up adjustment to be applied in fiscal year 2015-16.

Revenues from sale of energy were 26 percent below budget, as a result of a combination of lower than expected energy usage, and declining unit cost of natural gas. Energy costs were 27% less budgeted, for a favorable budget variance of \$2.13 million. Of the \$5.82 million spent on energy, 47 percent (\$2.79 million) was attributed to PG&E pass-through, up from 42% in fiscal year 2014-15.

Operating expenses were 13% below budget and \$27,000 below expenses for fiscal year 2013-14. Billing agent fees of negative \$3,162 are the net of fees of \$6,385 paid to Xebec Data Corp. and billing credits of \$9,547 received from PG&E.

The report of our independent auditors is expected in December. We do not anticipate any material adjustments to the preliminary financial statements presented in this report.

Attachments: Balance Sheet as of June 30, 2015
Income Statement for fiscal year ended June 30, 2015

INCOME STATEMENT

**ABAG Power Pool - Gas Pool
JUN-15 USD FINAL**

	FY Budget	Actual Year-to-date	% of Budget	Budget Balance
REVENUES				
SALE OF ENERGY	8,383,243.00	6,201,396.79	(73.97)%	2,181,846.21
INTEREST INCOME	9,000.00	5,477.19	(60.86)%	3,522.81
	-----	-----	-----	-----
TOTAL REVENUES	8,392,243.00	6,206,873.98	(73.96)%	2,185,369.02
	-----	-----	-----	-----
EXPENSES				
COST OF ENERGY				
COST OF ENERGY USED	4,671,091.00	3,030,442.59	64.88%	1,640,648.41
PG&E PASSTHROUGH	3,281,164.00	2,790,567.03	85.05%	490,596.97
	-----	-----	-----	-----
TOTAL COST OF ENERGY	7,952,255.00	5,821,009.62	73.20%	2,131,245.38
	-----	-----	-----	-----
CONSULTANT SERVICES				
LEGAL CONSULTANTS	15,000.00	10,000.00	66.67%	5,000.00
BILLING AGENT FEES	10,500.00	(3,162.63)	(30.12)%	13,662.63
SCHEDULING AGENT FEES	16,289.00	13,785.71	84.63%	2,503.29
ABAG FEES	389,199.00	355,772.86	91.41%	33,426.14
	-----	-----	-----	-----
TOTAL CONSULTANT SERVICES	430,988.00	376,395.94	87.33%	54,592.06
	-----	-----	-----	-----
OTHER DIRECT CHARGES				
INTEREST EXPENSE/BANK CHARGES	9,000.00	9,468.42	105.20%	(468.42)
	-----	-----	-----	-----
TOTAL OTHER DIRECT CHARGES	9,000.00	9,468.42	105.20%	(468.42)
	-----	-----	-----	-----
TOTAL EXPENSES	8,392,243.00	6,206,873.98	73.96%	2,185,369.02
	-----	-----	-----	-----
SURPLUS/(DEFICIT)	0.00	0.00	n/m	0.00
	-----	-----	-----	-----

BALANCE SHEET

ABAG POWER POOL - GAS POOL JUN-15 USD FINAL

	Total -----	Natural Gas -----	Electricity -----
ASSETS			
CASH IN BANK	1,009,770.94	1,009,770.94	0.00
LOCAL AGENCY INVEST. FUND	2,898,141.75	2,898,141.75	0.00
ACCOUNTS RECEIVABLE	61,706.37	61,706.37	0.00
ACCT. REC. POWER POOL SALES	216,424.38	216,424.38	0.00
ACCR. INT. REC. LAIF	1,561.04	1,561.04	0.00
NATURAL GAS INVENTORY	252,739.50	252,739.50	0.00
	-----	-----	-----
TOTAL ASSETS	4,440,343.98	4,440,343.98	0.00
	=====	=====	=====
LIABILITIES			
ACCOUNTS PAYABLE	249,045.31	249,045.31	0.00
UNEARNED ENERGY REVENUES	2,190,513.56	2,190,513.56	0.00
WORKING CAPITAL CLIENT DEPOSITS	2,000,785.11	2,000,785.11	0.00
	-----	-----	-----
TOTAL LIABILITIES	4,440,343.98	4,440,343.98	0.00
	-----	-----	-----
FUND EQUITY			
GENERAL EQUITY			
CURRENT YEAR SURPLUS/(DEFICIT)	0.00	0.00	0.00
	-----	-----	-----
TOTAL GENERAL EQUITY	0.00	0.00	0.00
	-----	-----	-----
TOTAL FUND EQUITY	0.00	0.00	0.00
	-----	-----	-----
TOTAL LIABILITIES AND FUND EQUITY	4,440,343.98	4,440,343.98	0.00
	=====	=====	=====