



SUMMARY MINUTES

ABAG Power Executive Committee

Meeting 2000-11

November 15, 2000

Metro Center 101 8th Street, Oakland CA 94607

WELCOME AND INTRODUCTIONS

Mark Lewis opened the meeting with introductions at 12:00 p.m.

Committee Representatives Present

Kathy Brown
Michael Garvey
Wayne Green
Mark Lewis (Chair)
John Lisenko
Natasha Merkuloff Nichols
Tom Struthers (alternate for Jeff Kolin)

Committee Representatives Absent

Robert Fugle (Vice Chair)
Jeff Kolin
Alan Nadrich

Guests Present

Christine Tien (alternate for Mark Lewis)

Staff Present

Eugene Leong
Jerry Lahr
Kenneth Moy
Dave Finigan
Joseph Chan
Vina Maharaj

Jurisdictions

County of Contra Costa
City of San Carlos
City of Salinas
City of Union City
City of Foster City
County of Napa
City of Santa Rosa

Golden Gate B.D.
City of Santa Rosa
City of Benicia

City of Union City

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PUBLIC COMMENT

There were no public comments.

APPROVAL OF MINUTES

Motion was made by Garvey/S/Struthers/roll call vote/one abstention by Nichols/C/ to approve the Summary Minutes of September 14, 2000 Executive Committee Meeting.



APPOINTMENT OF EXECUTIVE COMMITTEE MEMBERS

Committee Chairman Mark Lewis appointed the following members to serve on the Executive Committee for the 2000 – 2001 program year:

Kathy Brown	County of Contra Costa
Robert Fugle (Vice Chair)	Golden Gate B.D.
Michael Garvey	City of San Carlos
Wayne Green	City of Salinas
Mark Lewis (Chair)	City of Union City
John Lisenko	City of Foster City
Natasha Merkuloff Nichols	County of Napa
Alan Nadritch	City of Benicia
Jeff Kolin	City of Santa Rosa

Lewis welcomed and congratulated the newly appointed members of the Executive Committee. He announced that there were vacancies for a couple more additional people on the Executive Committee and any suggestions from members regarding new nominations were welcome.

On behalf of the Executive Committee and the Board Members, Lewis thanked the ABAG staff for an excellent job during the past year.

STATUS REPORT ON ELECTRIC AND RENEWABLE ENERGY PROGRAMS

Jerry Lahr updated the members with current news items, mentioning that requests for update of contact information as well as current CEC handbooks were mailed out to all members.

Lahr attended a PG&E Workshop called Navigating California’s Turbulent Market Place. The workshop discussed recent events in the Electrical market along with PG&E’s expectation of a rate increase early in 2001. The California ISO also made a presentation and discussed their proposed Demand Relief Program (DRP) designed to minimize the frequency and duration of rotating blackouts when system demand exceeds the available supply. Lisenko mentioned that in order to participate in this program, an air district approval was required. However, he suggested ABAG POWER carry out a survey of members and solicit information of who might be interested in participating in such a program.

Lahr said that there were several items which he noted at the PG&E Workshop, as follows:

- There was a significant increase of declared emergencies between January and September of this year.
- Peak electric prices may be coming down a little but overall electric prices are not necessarily coming down.
- Expect an increase by PG&E on all electric rates as early as January 1, 2001.



In other news, the Federal Energy Regulatory Commission (FERC) has put out a proposal which includes a major overhaul of the California Independent System Operator (ISO) and Power Exchange (PX) market rules in order to provide more flexibility for market participants to manage their risks and broaden their opportunities to buy and sell power. The proposal to eliminate the CalPX buy/sell mandate is being strongly argued by consumer groups and the state government including Governor Gray Davis.

FERC claims that causes affecting price increases this past summer were due to increases in gas costs, lower than expected hydro output, unplanned power outages, unusually high temperatures, tight reserve margins, growth in energy demand and reduced energy inputs into California. The Commission has proposed several measures to restructure the California electricity market.

Lahr presented the 2000-01 Fiscal Year Summary Report for the Electric Aggregation Program. The first two months under the new Calpine contract have been very successful. Energy savings compared to the CalPX Day-Ahead market were greater than 20% for both September and October. He reported that while overall prices remain relatively high at present, they have come down from the summer months. However, he noted that during the past couple of weeks, prices have started to go back up a little mainly due to plants being down for maintenance. The low power supplies have also caused a number of Stage 1 and Stage 2 emergencies to be called.

It was noted that the City of Cloverdale had opted out of the program. This was the only member to opt out of the program prior to the November 1st deadline.

Lahr mentioned receiving quite a few phone calls from prospective new members. These included a school district in San Jose and the City of American Canyon. Dave Finigan requested members' cooperation to help with prospective new member meetings.

Lewis suggested ABAG POWER send out a newsletter to all members announcing ABAG POWER's recent successes.

STATUS REPORT ON NATURAL GAS PROGRAM

Dave Finigan reported that ABAG POWER's Natural Gas Program for 1999-2000 had a very good year. The total program savings for Core Natural Gas accounts, including storage credits averaged 11%. This savings consisted of \$100,053 in commodity sales and \$88,031 in storage credits.

Finigan said that Gas Savings reports have been prepared and will be mailed out to members in early December. In addition to imparting saving credits, ABAG POWER will be allocating back about \$66,000 in interest payments to members. Finigan also mentioned that since ABAG POWER had overcollected levelized payments last year, they will be lowering members' levelized payments starting in December which will lower members' bills.

Finigan referred members to the Summary of Natural Gas Program Rate Comparison to PG&E chart. He said that the major explosion in a gas pipeline in the El Paso area, impacted the September savings comparison with PG&E, and it was a major blow on the entire twenty-two ESP's in Northern



California. He said that PG&E was not affected by this explosion because their major gas lines do not run through this part of California. However, the savings comparison with PG&E in November is beginning to show a promise of overall gas savings by the end of this year or the end of next fiscal year.

RENEWABLE ENERGY REBATES

Jerry Lahr referred members to the Rebates Summary Report which was compiled by the Northern California Power Agency. Lahr reported that from the period November, 1999 to June, 2000, a total of \$725,548.93 member share of rebates and \$116,000 interest earned, was accumulated which will be paid out to members in early December.

FINANCIAL REVIEW

Joseph Chan presented a revised and adjusted June 30, 2000 year-end Financial Statements. He reported making three main adjustments to the June 30, 2000 Electricity Pool Financial Reports presented at the October Annual Board Meeting as follows:

- (1) A total of about \$1.3 million June 2000 revenue was initially reflected in the July billing due to timing of meter read dates. This amount should have been included as June revenue.
- (2) About \$1,034,000 of Electricity energy cost included in Prepaid Expense should have been expensed.
- (3) A new line was added to the Revenues section for total Renewable Energy Credits received during the fiscal year--\$1.6 million. Under Other Direct Charges, the statements now show Renewable Energy Credits allocated to Calpine--\$494,000, and to members--\$1.15million. The \$525,000 in Renewable Energy Credits Payable under Liabilities represents credits received but not yet distributed as of June 30, 2000.

Chan reported that the above changes resulted in an improvement in the bottom line. The Electricity Pool now has a net deficit of roughly \$740,000 for the fiscal year, resulting in a positive Fund Equity of about \$171,000 as of June 30, 2000.

Chan said that the Auditors were in the process of auditing the financial reports. The audited financial reports will be available in December.

Lewis suggested that due to the interest shown at the Annual Board meeting by some Finance Directors to try to understand the details behind the numbers of the financials and related accounting issues, a sub-committee of the board be formed and an invitation be sent out to Finance Directors to join the meetings on an ongoing basis. ABAG POWER staff were asked to set up a meeting to assemble Finance Directors who were interested.



Invoices Received from NCPA

Joe Chan further reported receiving several invoices from NCPA for ISO charges, pertaining to April, May and June of this year totaling approximately \$750,000. He said that these invoices were a complete surprise to ABAG POWER and they will unfortunately bring another round of adjustments to last year's Financial Statement impacting the bottom line by \$750,000 bringing the positive equity figure of \$171,000 to a negative number in the amount of \$500,000 plus.

Chan said that from an operational standpoint, it is a challenge to maintain pricing on a continuous basis because of such surprise expenses coming in so late after the end of the fiscal year. The pricing has to be right and all costs recovered in the charges.

Lahr mentioned that included in the fixed price contract is a component for ISO charges. He suggested further analyzing that component to see if in fact it is enough to cover all the costs.

DEPOSIT POLICY REVIEW

Jerry Lahr presented a summary of ABAG POWER's current deposit policy as well as an analysis of the necessary contingency reserves. He also presented a methodology for calculating deposit amounts for new members.

It was recommended that a minimum contingency reserve of \$5,700,000 be maintained in the program based on the current level of membership and electrical load. Because this amount is not significantly smaller than the current total deposit it was recommended that the full \$6.1 million be retained in the program as a contingency reserve during this time of market uncertainty. New members would then be assessed a deposit based upon the "per kWh" deposit amount calculated by dividing the program's total deposit amount by the average monthly kWh for all current members (i.e. \$.2233 kWh).

For example, if an agency has an average historical usage of 250,000 kWh/month, then its required deposit would be calculated as follows:

$$250,000 \text{ kWh} \times \$0.2233 \text{ kWh} = \$55,825$$

A motion was made by Garvey/S/Struthers/C to retain the current deposits "as is," and approve the methodology as presented by ABAG staff for calculating deposit amounts for new members and giving ABAG staff the flexibility to come back to the Committee to make other recommendations, if necessary, for new members.

For large accounts, deposits may be collected over a period of time with a number of payments.

Staff reported that the City of Daly City still had not paid the deposit that was assessed to all members on the July invoice. A general discussion occurred regarding the potential options that could be taken in a case when a member refuses to pay their required obligations. It was decided that Mike Garvey would call the Daly City City Manager to discuss the situation.



LONG-TERM PURCHASING

Jerry Lahr invited discussion on Long-Term Power Purchasing, mentioning that while a longer-term agreement would likely result in much lower prices, the main constraint that the Power Pool faces is that the program maintains only one-year agreements with member agencies.

A long discussion followed which included the following topics: several propositions for a better deal with Calpine, the length of the deal, the possible risks for small cities in a longer-term deal, splitting and having two class systems, a shorter term of sixteen months rather than three years and a possible cafeteria plan. Staff were asked to meet with Calpine and provide the Committee with proposals at the next meeting.

EXECUTIVE COMMITTEE MEETINGS SCHEDULE FOR THE YEAR 2001

The proposed dates for Executive Committee Meetings for the year 2001 were accepted by members.

ADJOURN

The meeting adjourned at 1:50 p.m.

Next Executive Committee Meeting is scheduled for December 13, 2000 (12:00 p.m. – 2 p.m.), Metro Center, 101 8th Street, First Floor, Oakland CA 94607.