



ABAG POWER Executive Committee Meeting No. 2018-02
April 18, 2018 (11a.m - 1:00 p.m.)
Association of Bay Area Governments
375 Beale Street, Conference Room 7102 – Tamalpais (7th Floor)
San Francisco, CA 94105

AGENDA*

1. **Welcome and Introductions**
2. **Public Comments**
3. **Approve Summary Minutes of Executive Committee Meeting**
Action:
ATTACHMENT 3A – SUMMARY MINUTES OF FEBRUARY 21, 2018
4. **ABAG – ABAG POWER MOU**
Information: Staff will report on the final Memorandum of Understanding between ABAG and ABAG POWER.
ATTACHMENT 4A – ABAG-ABAG POWER MOU FINAL
5. **Report on Natural Gas Program**
Information: Staff will review recent gas operations, including gas purchases; the program’s long-term hedge position; gas imbalances; regulatory updates; and other miscellaneous program items.
ATTACHMENT 5A – MONTHLY SUMMARY OF OPERATIONS FY 2017-18
ATTACHMENT 5B – GAS HEDGE CHART
ATTACHMENT 5C – MARKET PRICE CHART
6. **Natural Gas Price Analysis**
Information/**Action:** Staff will review analysis of long-term natural gas purchases, and potential future purchase strategies.
ATTACHMENT 6A – GAS PRICE ANALYSIS
7. **ABAG POWER Regulatory Assistance**
Action: Staff will present a proposal to increase ABAG POWER’s 2017-18 budget to provide increased legal assistance on regulatory issues.
ATTACHMENT 7A – REGULATORY PROCEEDINGS AND LEGAL INVOLVEMENT
8. **Preliminary FY 2018-19 Budget**
Information: Staff will present a preliminary budget for FY 2018-19
ATTACHMENT 8A – PRELIMINARY BUDGET
9. **Other Business**
10. **Adjournment**

*The Committee may take action on any item on this agenda



SUMMARY MINUTES

**ABAG POWER Executive Committee
Regular Meeting 2018-01**

February 21, 2018

Conference Room 7102 – Tamalpais
375 Beale Street, San Francisco, CA 94105

WELCOME AND INTRODUCTIONS

Chair Tonya Gilmore opened the meeting with introductions at 11:00 AM.

Present Committee Representatives

Chris Schroeder
Dave Brees (Vice Chair)
Melissa Morton
Misty Mersich
Tonya Gilmore (Chair)

Jurisdiction/Agency

City of Milpitas
City of Los Altos
Vallejo Flood & Wastewater District
City of Cupertino
City of Orinda

Absent Committee Representatives

Angela Walton

City of Richmond

Staff Present

Adrienne Weil
Brad Paul
Courtney Ruby
Heather Madison
Jenny Berg
Jerry Lahr
Ryan Jacoby

Metropolitan Transportation Commission
Metropolitan Transportation Commission
Metropolitan Transportation Commission
Metropolitan Transportation Commission
Metropolitan Transportation Commission
Metropolitan Transportation Commission
Metropolitan Transportation Commission

PUBLIC COMMENTS & ANNOUNCEMENTS

There were no public comments.



APPROVAL OF SUMMARY MINUTES OF DECEMBER 13, 2017 EXECUTIVE COMMITTEE MEETING

Motion was made by Schroeder/S/Brees/C/4:0:1 to approve as proposed the Summary Minutes of the December 13, 2017 Executive Committee meeting.

The aye votes were: Brees, Gilmore, Mersich, Schroeder.

The nay votes were: None.

Abstentions were: Morton.

Absentees were: Walton.

MTC LEGAL WAIVER & LETTER OF CONSENT

Lahr reminded the Committee of the October 2017 appointment of MTC's Office of General Counsel as POWER's Acting General Counsel, pursuant to Section 3.4 of the ABAG-MTC Contract for Services, and the ensuing Joint Representation Agreement and authorization to work as legal counsel. He presented a redlined version of the agreement which identified proposed changes recommended by external legal counsel.

Discussion resulted in the following changes:

1. Rejection of the below proposed change (Page 2):

We need also to disclose that if an actual conflict or dispute between POWER's interests and those of MTC should arise during the course of this representation that precluded continued joint representation in this matter, we would continue to represent MTC (as we are general counsel) notwithstanding any adversity between POWER and MTC's interests, provided POWER agrees at that time to waive the conflict. Accordingly, we are now asking that you consent to our continued and future representation of MTC, notwithstanding any possible future adversity. We are asking you to affirm that POWER agrees not to assert any conflict of interest in that event, notwithstanding any adversity that may develop with MTC.

2. Incorporation of the below proposed changes (Page 2-3):

By signing and returning to us the agreement and consent set forth at the end of this letter, POWER consents to representation by MTC legal counsel ~~such arrangement~~ and waives any potential conflicts regarding that arrangement.

Motion was made by Brees/S/Schroeder/C/5:0:0 to authorize Gilmore to execute the modified Joint Representation Agreement and authorization to work as legal counsel to ABAG Publicly Owned Energy Resources (POWER), contingent on the above changes.

The aye votes were: Brees, Gilmore, Mersich, Morton, Schroeder.

The nay votes were: None.

Abstentions were: None.



Absentees were: Walton.

ABAG-ABAG POWER MEMORANDUM OF UNDERSTANDING

Paul highlighted two differences in the ABAG-ABAG POWER Memorandum of Understanding (MOU) since its approval by the Executive Committee at its May 30, 2017 meeting, namely:

The addition of:

ABAG and POWER acknowledge that POWER is not a party to the CS. (Page 2)

The removal of:

ABAG and POWER acknowledge that none of the terms of the CS are binding on POWER. (Page 2)

Motion was made by Schroeder/S/Morton/C/5:0:0 to authorize Gilmore to execute the modified Memorandum of Understanding between ABAG and ABAG POWER.

The aye votes were: Brees, Gilmore, Mersich, Morton, Schroeder.

The nay votes were: None.

Abstentions were: None.

Absentees were: Walton.

FY 2016-17 AUDITED FINANCIAL STATEMENTS

Ruby reported that a clean audit opinion was received for the FY 2016-17 financial statements. In addition, independent auditors did not identify any deficiencies in internal control that were considered to be material weaknesses.

Motion was made by Morton/S/Mersich/C/5:0:0 to approve as presented the audited Fiscal Year 2016-17 Basic Financial Statements and Memorandum on Internal Control.

The aye votes were: Brees, Gilmore, Mersich, Morton, Schroeder.

The nay votes were: None.

Abstentions were: None.

Absentees were: Walton.

REPORT ON NATURAL GAS PROGRAM

Monthly Summary of Operations FY 2017-18

Lahr provided members with the Monthly Summary of Operations reports for FY 2017-18; members were updated on the percentage savings comparisons with PG&E. Lahr noted that financial statements through December, 2017 indicated a cumulative savings figure of -10.3%.



Gas Hedge Chart

Lahr provided information on the various current long-term gas purchases (contracts which are greater than one month in length).

Market Price Chart

Lahr provided information on current and historical gas prices.

Regulatory & Legal Expenses-to-Date

Lahr provided a brief summary of expenses-to-date related to regulatory involvement and external legal counsel during the current fiscal year. He noted two proceedings which may affect ABAG POWER and which may merit future regulatory involvement.

RESOLUTION 18-01 – GAS PURCHASING POLICY AND FINANCIAL SECURITY

Staff reviewed ABAG POWER's general gas purchasing policy, which allows for entering into contracts for gas delivery up to three years into the future. Lahr reminded the Committee that pursuant to Section 3.3 of the ABAG-MTC Contract for Services (CS), MTC rules for purchasing and contracting currently apply to the services provided by ABAG POWER, to the extent to which they are compatible with ABAG policies. He noted that as part of the recent staff consolidation and in accordance with the CS, ABAG POWER's financial security, gas purchasing policies, and various policies and procedures have undergone review. He recommended the Executive Committee adopt Resolution 18-01 which states the current agreements are sufficient in providing the necessary financial security for ABAG POWER and its gas purchasing policies.

Motion was made by Schroeder/S/Brees/C/5:0:0 to adopt as presented Resolution 18-01 which acknowledges and identifies the requirements of program participants to pay for all costs and expenses incurred as a result of program operation.

The aye votes were: Brees, Gilmore, Mersich, Morton, Schroeder.

The nay votes were: None.

Abstentions were: None.

Absentees were: Walton.

NATURAL GAS PURCHASING STRATEGY AND POLICY RECOMMENDATIONS

Lahr reminded the Committee of the program recommendations provided at the October 2017 Board of Directors meeting. He elaborated on several recent efforts exploring opportunities related to renewable natural gas, including ongoing discussions with the Bay Area Air Quality Management District and attending a conference focused on renewable methane.

ADJOURNMENT

Chair Gilmore adjourned the meeting at 1:16 PM.

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

MEMORANDUM OF UNDERSTANDING
between
ASSOCIATION OF BAY AREA GOVERNMENTS
and
ABAG PUBLICLY OWned ENERGY RESOURCES

This Memorandum of Understanding is entered into by and between the Association of Bay Area Governments (ABAG), a joint powers authority and ABAG Publicly OWned Energy Resources (POWER), a joint powers authority.

RECITALS

- A. Background. By resolution 97-19, the Executive Board of ABAG caused the formation of POWER in 1997 to provide energy services to public entities in the service territory of the Pacific Gas & Electric Company. Section 7(a) of the joint powers agreement (JPA) creating POWER appoints ABAG to implement the programs authorized by POWER. Generally, ABAG has done so through the use of ABAG staff and ABAG'S operating procedures and protocols. The POWER Bylaws provides that the POWER Board of Directors or Executive Committee appoint President, Chief Financial Officer and Secretary and those positions are currently filled by designated ABAG staff.
- B. ABAG – MTC Staff Consolidation. ABAG and the Metropolitan Transportation Commission (MTC), a regional planning agency created by state statute and the designated metropolitan planning organization/regional transportation planning agency for the San Francisco Bay area, decided to consolidate their respective staffs (Consolidated Staff) under the terms of a Contract for Services dated May 30, 2017 (CS), between ABAG and MTC which is attached hereto as Appendix A. The CS recognizes that ABAG remains as an independent legal entity with its own assets, liabilities, revenues and expenses.
- C. Contract for Services and POWER. The CS identifies and describes Local Collaboration Programs (LCPs) carried out by ABAG, including ABAG POWER. ABAG employees who performed work to implement and support POWER programs are now members of the Consolidated Staff. Further, the CS includes provisions that, on their face, appear to commit the LCPs to specific courses of action or to affect how ABAG provides services to the LCPs. None of the LCPs, including POWER, is a signatory to, or a third party beneficiary of, the CS.

STATEMENT OF UNDERSTANDING

1. ABAG and POWER acknowledge that POWER is not a party to the CS. POWER acknowledges that the inclusion of POWER in ABAG's budget and work plan (B&WP) for FY 2017-18, attached hereto as Appendix B, obligates MTC to provide services to POWER and obligates ABAG to pay for such services in FY 2017 -18 and a B&WP that includes POWER will be prepared for subsequent fiscal years. The parties will use the processes described in this MOU to ensure the satisfactory performance of services for POWER and timely payment for the same in FY 2017-18 and in subsequent fiscal years.
2. ABAG proposes to meet its obligations described in section A through services and functions provided to ABAG, and through ABAG to POWER, under the CS. POWER acknowledges this arrangement, accepts it as meeting the terms of the JPA and agrees to fund the portion of the POWER budget in the applicable approved B&WP.
3. Through the Consolidated Staff, ABAG will work with all the LCPs, including POWER to develop a schedule for the preparation of the B&WP for each fiscal year that coordinates with the schedules for each of the LCPs to develop their complete budget for that fiscal year.
4. ABAG and POWER acknowledge that ABAG serves as POWER's fiscal agent, including holding and managing POWER's assets of which the primary component is POWER's operating capital in the approximate amount of Two Million Seven Hundred Eighty Five Dollars (\$2,000,785) as of June 30, 2017.
 - (a) Under section 3.3 of the CS, ABAG assigned this function to the Consolidated Staff effective July 1, 2017.
 - (b) This did not change the fact that POWER's assets and liabilities remain POWER's.
 - (c) POWER has worked, and will continue to work with the Consolidated Staff to take steps necessary to implement section 3.3, including authority to open accounts on behalf of POWER, as needed and to invest funds in accordance with an adopted investment policy.
 - (d) Provisions in the CS that allow the LCPs, including POWER, to use LCP assets to provide financial support to ABAG and/or its programs, do not affect in any way POWER's authority over its assets and revenues. Any such support requires the consent of POWER and authorization by its Board of Directors or Executive Committee.
 - (e) Through the Consolidated Staff, ABAG will consult with POWER to determine the type, detail and timing of financial reports to POWER in carrying out the fiscal agent functions. These reports will be provided to POWER through ABAG's Finance and Personnel Committee.
5. Section 3.3 of the CS also provides that the Consolidated Staff will use MTC's rules for business operations in implementing the services to the extent they are compatible with

ABAG policies. ABAG anticipates that some of MTC's standard business practices may differ from ABAG's. Where such differences have the potential to impact POWER, they will be identified in due course and POWER will be consulted to determine the best solution to accommodating POWER's programmatic needs. A preliminary list of such business practices is set forth in Appendix C. Based on such consultation, ABAG will consult with MTC to identify a procedure that meets POWER's programmatic and policy needs and is compatible with MTC's business practices.

6. The CS provides for creation of the position of Deputy Executive Director for Local Government Services and that the person occupying that position will be the primary liaison between POWER and MTC and the consolidated staff. ABAG and MTC have agreed that Brad Paul has been appointed to that position.
7. The former ABAG staff members who currently implement and support POWER's programs (Jerry Lahr and Ryan Jacoby) are members of the Consolidated Staff.
 - (a) ABAG expects that they will continue to perform those functions and will take steps to ensure that this occurs.
 - (b) POWER will exercise its power of appointment of its officers to ensure efficiency and effectiveness in its use of the Consolidated Staff. ABAG's preference in this regard are:
 - (i) Brad Paul, Deputy Executive Director of MTC for Local Government Services as President;
 - (ii) Brian Mayhew, Chief Financial Officer of MTC, or his designee, as Chief Financial Officer and
 - (iii) Jerry Lahr, Assistant Director of MTC for Energy Programs as Secretary.
8. Upon receipt of notice from MTC that any of the persons described in sections 6 and 7, or any of their successors, is leaving the position ascribed to him/her, ABAG will consult with POWER regarding the process, timing and criteria for filling the position and will work with MTC to ensure that ABAG's and POWER's concerns and expectations are met.
9. Section 3.4 of the CS states that the MTC Legal Department will provide general legal support services to the Consolidated Staff in their implementation of the B&WP for ABAG and the LCPs, including POWER. The Consolidated Staff will work with POWER to retain specialized legal services for POWER to be provided at POWER's expense.
10. ABAG and POWER acknowledge that section 9 of the CS provides for MTC to conduct a governance study of all LCPs, including POWER. This study will be conducted at no cost to POWER. Further, neither POWER or ABAG will be bound by the recommendations or results of the study and will retain all authority regarding its governance structure.
11. ABAG and POWER acknowledge that section 9 of the CS provides for the ABAG, MTC and the LCPs, including POWER, to mutually indemnify and hold each other harmless and to release claims arising out of the CS. The Consolidated Staff will carry out the requirements

of section 11 of the CS regarding insurance and risk allocation and present the results of that process that includes a strategy for insurance and risk allocation that covers POWER. ABAG expects that this strategy will induce POWER to forego any of POWER's claims against ABAG or MTC described in section 9 of the CS.

12. Pursuant to section 3.5 of the CS, ABAG will receive quarterly progress reports from MTC regarding the services provided by the Consolidated Staff under the CS, including services to POWER. ABAG will forward such reports to POWER.
13. Pursuant to section 2.4 of the CS, ABAG will provide written reports to the governing board of MTC regarding the quality and manner in which services, programs and work products are delivered, observations on the potential reasons for any deficiencies and suggestions for improvements. The governing board of MTC is required to respond within 60 days. ABAG will consult with each LCP, including POWER, regarding service delivery to each LCP and include their opinions of same in its report to the governing board of MTC. ABAG will share with each LCP, including POWER, the governing board of MTC's response.
14. Section 14 of the CS provides a process for the resolution of disputes arising out of the CS. ABAG and POWER acknowledge that the processes described in sections 12 and 13 of this MOU and the referenced section of the CS are designed to identify and remedy any shortcomings in services provided to ABAG or the LCPs. If POWER has noted such a shortcoming and ABAG has transmitted the concerns to the governing board of MTC and the governing board of MTC's response described in section 13 of this MOU is not satisfactory to POWER, ABAG will submit POWER's concerns through the dispute resolution process in section 14 of the CS.
15. Section 15 of the CS provides a process for termination of the CS. ABAG will consult with all the LCPs, including POWER, prior to terminating the CS or immediately upon receiving notice of an actual or potential termination of the CS. ABAG and POWER will use their best efforts to reach agreement on a mutually acceptable course of action. ABAG acknowledges that under the section 7(a) of the JPA POWER has the right to remove ABAG as the administering Member for POWER and that POWER may exercise that right due to termination of the CS or concerns regarding services provided under the CS, or for POWER's convenience.
16. All notices or other communications to the parties shall be made in writing which may include electronic communications such as email or digital documents attached to such email. The physical and email addresses for parties are set forth in Appendix D which may be revised from time to time without amending this MOU.
17. This MOU may be modified in writing executed by both parties.

18. This MOU may be terminated effective July 1 of any year upon written notice by either party submitted on or before January 1 of the year the termination is effective.

19. This MOU may be executed in counterparts, each of which is an original and all of which constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Memorandum of Understanding to be effective with the approval of their legally authorized representatives on the dates indicated below.

Association of Bay Area Governments

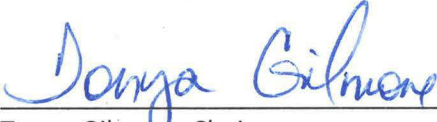
Date: 3/29/18



Steve Heminger, Metropolitan
Transportation Commission Executive
Director, Acting Pursuant to the Contract
for Services dated May 30, 2017

ABAG Publicly Owned Energy Resources

Date: 4/3/2018



Tonya Gilmore, Chair

APPENDIX C

POWER Business Practices For Discussion with Consolidated Staff/MTC

1. POWER program manager has authority to enter into natural gas purchase contracts in amounts that are not bounded and for durations up to three (3) years. Any limitations or controls on such authority must allow for decisions to occur in a timely manner that includes, but are not limited to, immediate purchases to meet load requirements, response to changing market conditions and time limited offers. To the extent that any limitations or controls are based on potential financial risks, they will be evaluated in light of (a) the risk being limited to POWER and its assets and (b) the risk being exercised by the Consolidated Staff on behalf of POWER.
2. POWER performs an annual 'true up' of amount paid by POWER members in a given fiscal year and the actual costs of the natural gas and services provided. Any changes to the process for performing this function will first be presented to POWER for its approval.

APPENDIX D

1. Notices or other communications to ABAG for any matter other than those covered by section 12 – 14 of the MOU shall be sent to:

Brad Paul, Deputy Executive Director for Local Government Services
Metropolitan Transportation Commission
375 Beale Street, Suite 800
San Francisco, CA94105
Email: BradP@abag.ca.gov

2. Notices or other communications to ABAG for matters covered by section 12 – 14 of the MOU shall be sent to:

Julie Pierce, President
Association of Bay Area Governments
375 Beale Street, Suite 700
San Francisco, CA94105
Email: JPierce@ci.clayton.ca.us

3. Notices or other communications to POWER shall be sent to:

Tonya Gilmore
City of Orinda
22 Orinda Way
Orinda, CA 94563
Email: tgilmore@cityoforinda.org

ABAG POWER Natural Gas Program

FY 2017-18 Monthly Summary of Operations

	days/mo.	Jul-17 31	Aug-17 31	Sep-17 30	Oct-17 31	Nov-17 30	Dec-17 31	Jan-18 31	Feb-18 28	Mar-18 31	Apr-18 30	May-18 31	Jun-18 30	Total
Gas Purchases⁽¹⁾														
Purchase 1	Qty	15,500	15,500	14,986	15,442	15,000	15,489	15,500	14,000	15,500	15,000	15,500	15,000	182,417
	Price	\$2.95	\$2.95	\$2.95	\$2.95	\$2.95	\$2.95	\$2.95	\$2.95	\$2.95	\$2.95	\$2.95	\$2.95	
Purchase 2	Qty	15,500	15,500	14,664	15,436	15,000	15,487	15,500	14,000	15,500				136,587
	Price	\$2.73	\$2.71	\$2.70	\$2.56	\$2.69	\$2.89	\$2.61	\$2.71	\$2.23				
Purchase 3	Qty	17,500	18,900	19,900	23,925	24,500	50,500	50,150	41,500	38,200				285,075
	Price	\$3.22	\$3.28	\$3.30	\$3.15	\$3.15	\$2.93	\$2.98	\$2.74	\$2.74				
Purchase 4	Qty													0
	Price													
Purchase 5	Qty													0
	Price													
Total Quantity Purchased		48,500	49,900	49,550	54,803	54,500	81,476	81,150	69,500	69,200	15,000	15,500	15,000	604,079
Total Purchase Cost		\$144,263	\$149,683	\$149,323	\$160,329	\$161,616	\$238,407	\$235,675	\$192,861	\$184,709	\$44,175	\$45,648	\$44,175	\$1,750,862
Backbone Shrinkage (Dths)		(372)	(372)	(369)	(412)	(360)	(373)	(372)	(336)	(372)				
WACOG ⁽²⁾		\$3.00	\$3.02	\$3.04	\$2.95	\$2.99	\$2.94	\$2.92	\$2.79	\$2.68	\$2.95	\$2.95	\$2.95	\$2.90
Storage/Inventory														
Total Injections/ (Withdrawals)		8,736	9,010	9,060	8,602	6,080	(15,800)	(8,466)	(7,057)					10,165
Total Inventory Quantity (Dths)		30,659	39,669	48,729	57,331	63,411	47,611	39,145	32,088					
Total Inventory (\$)		\$96,221	\$123,260	\$150,639	\$176,755	\$194,679	\$146,173	\$120,182	\$98,517					
Avg. Inventory Rate (\$/Dth)		\$3.14	\$3.11	\$3.09	\$3.08	\$3.07	\$3.07	\$3.07	\$3.07					
Gas Program Monthly Expenses (from Financial Reports)														
Cost of Energy Used ⁽³⁾		\$ 149,766	\$ 153,725	\$ 151,384	\$ 165,949	\$ 169,447	\$ 318,630	\$ 296,008	\$ 249,234					\$ 1,654,143
Program Operating Expenses ⁽⁴⁾		26,674	35,792	26,058	23,303	31,555	41,283	18,132	27,885					230,682
Subtotal		\$ 176,440	\$ 189,517	\$ 177,442	\$ 189,252	\$ 201,002	\$ 359,913	\$ 314,139	\$ 277,120	\$ -	\$ -	\$ -	\$ -	\$ 1,884,826
Rate (\$/Dth)		\$4.36	\$4.68	\$4.48	\$4.12	\$3.47	\$4.45	\$3.91	\$3.89					\$4.13
PG&E Pass-through costs ⁽⁵⁾		207,190	210,474	168,153	269,120	214,379	431,177	600,043	449,690					2,550,227
Total ABAG POWER Cost		\$ 383,631	\$ 399,991	\$ 345,595	\$ 458,372	\$ 415,381	\$ 791,091	\$ 914,182	\$ 726,810					\$ 4,435,053
Actual (metered) Gas Usage														
Core ⁽⁶⁾		32,888	31,176	31,714	39,963	53,551	73,756	73,280	65,192					401,522
Non Core		7,544	9,336	7,885	5,947	4,394	7,148	7,141	5,992					55,387
Total Program Usage		40,432	40,512	39,600	45,911	57,945	80,904	80,421	71,184	0	0	0	0	456,908
ABAG POWER Total Core Rate		\$ 10.66	\$ 11.43	\$ 9.78	\$ 10.86	\$ 7.47	\$ 10.29	\$ 12.09	\$ 10.79					
PG&E Rate⁽⁷⁾														
Procurement Charge ⁽⁸⁾		3.03	3.12	2.56	2.99	3.25	3.59	3.56	3.89	3.05	3.31			
Transportation/Other Charge ⁽⁹⁾		6.30	6.75	5.30	6.73	4.00	5.85	8.19	6.90					
Total PG&E Rate		\$ 9.33	\$ 9.87	\$ 7.87	\$ 9.72	\$ 7.25	\$ 9.44	\$ 11.75	\$ 10.79	\$ 3.05	\$ 3.31	\$ -	\$ -	

ABAG POWER Natural Gas Program

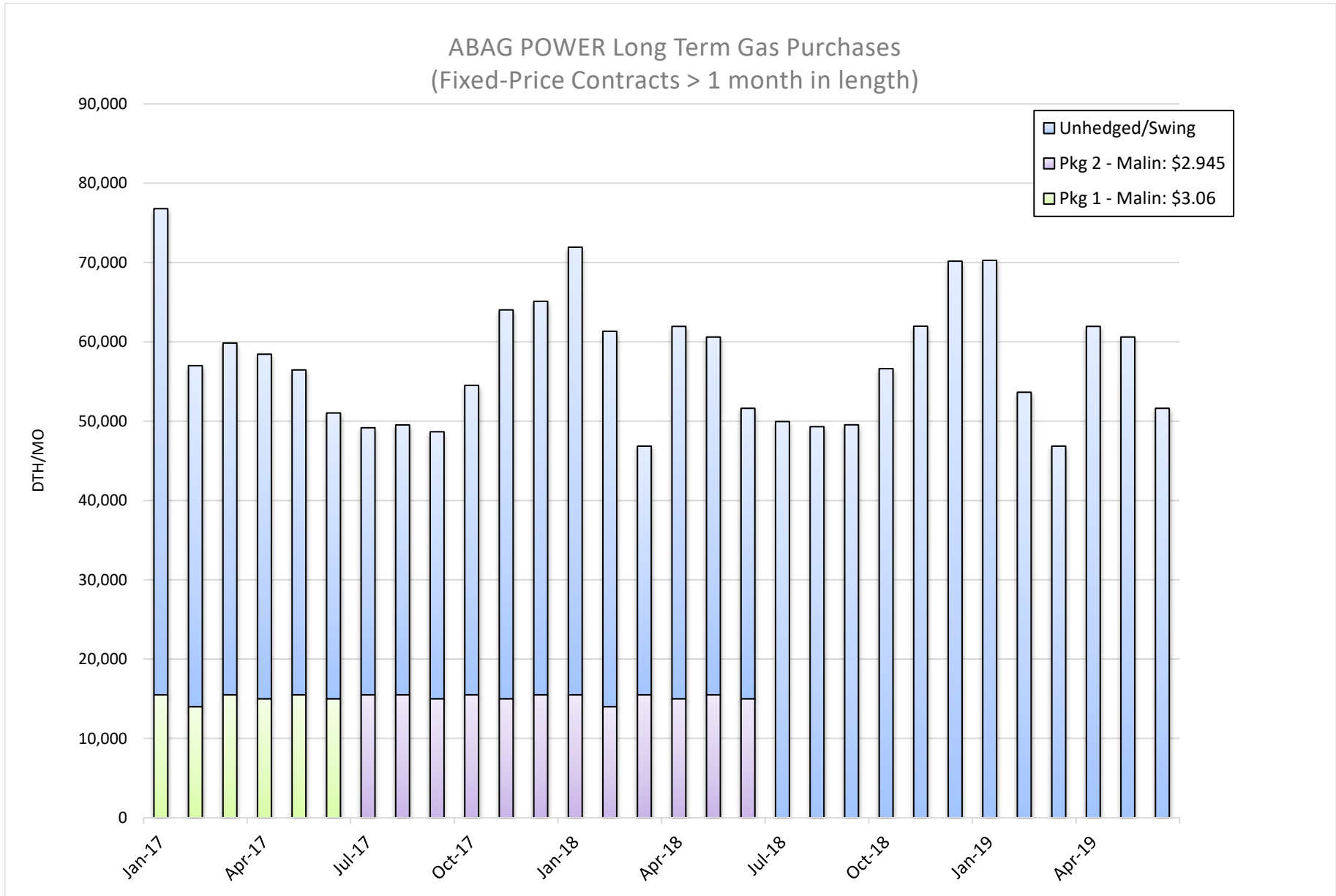
FY 2017-18 Monthly Summary of Operations

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Total
<u>G-NR1 Rate Comparison</u>													
Monthly Rate Difference (\$/Dth)	1.33	1.56	1.92	1.13	0.22	0.86	0.34	0.00					
Monthly Savings (\$)	(43,797)	(48,485)	(60,771)	(45,230)	(11,702)	(63,169)	(25,279)	(15)					
Cumulative 'Savings' (\$)	(43,797)	(92,283)	(153,053)	(198,284)	(209,986)	(273,155)	(298,434)	(298,449)					
Cumulative 'Savings' (%)	-14.3%	-15.0%	-17.7%	-15.8%	-12.8%	-11.7%	-9.3%	-7.6%					
<u>Monthly Index Postings</u>													
NGI Bidweek for PG&E Citygate	\$3.25	\$3.28	\$3.34	\$3.17	\$3.19	\$3.12	\$2.86	\$2.97	\$2.76	\$2.59			
Gas Daily Avg. for PG&E Citygate	\$3.23	\$3.28	\$3.29	\$3.13	\$3.12	\$2.92	\$2.96	\$2.70	\$2.71				
NGI Bidweek for Malin	\$2.72	\$2.70	\$2.69	\$2.55	\$2.68	\$2.88	\$2.60	\$2.70	\$2.22	\$1.92			
G-NR2 Cumulative Savings	-17.8%	-18.5%	-21.5%	-19.4%	-16.6%	-15.4%	-12.8%	-11.0%					
G1 & GM Cumulative Savings	-12.4%	-7.0%	-6.3%	-3.0%	-0.2%	-2.1%	-0.4%	0.3%					
G-NGV1 & G-NGV2 Cumulative Savings	-18.1%	-9.7%	-8.4%	-4.7%	-1.8%	-3.8%	-1.6%	-0.6%					

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.

Gas Hedge Chart



MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



DATE: April 18, 2018

TO: ABAG POWER Executive Committee

FROM: Jerry Lahr, ABAG POWER Manager

RE: ABAG POWER Natural Gas Price Analysis

Staff Recommendation

Staff recommends modifying the current gas purchasing strategy to move predominantly into the short-term index-based market, beginning July 1, 2018. By default, gas purchases would be made based on monthly and daily indices – fixed-price purchases would be made only by exception.

Background

At its February 21, 2018 meeting, the ABAG POWER Executive Committee requested staff analyze the program's prior long-term, fixed-price gas purchase contracts to determine whether these purchases resulted in cost savings when compared against purchasing an equivalent quantity on a market index.

Staff provides the following analysis in an ongoing effort to determine opportunities to improve the ability of ABAG POWER to meet its dual goals of 'Cost Savings' and 'Price Stability'.

Fixed Price, Fixed Quantity Purchases¹

Package	Delivery Point	Term	Fixed Price	Average Monthly Index	Average Daily Index	Cost Differential
Purchase 1	Malin	12 Months	\$3.94	\$3.85	-	-2%
Purchase 2	PG&E Citygate	9 Months	\$4.99	\$4.14	\$3.93	-21%
Purchase 3	PG&E Citygate	6 Months	\$3.88	\$3.09	\$3.10	-20%
Purchase 4	Malin	6 Months	\$2.98	\$2.20	\$2.05	-31%
Purchase 5	Malin	6 Months	\$2.29	\$2.20	\$2.31	-4%
Purchase 6	Malin	3 Months	\$2.71	\$2.84	\$2.83	4%
Purchase 7	Malin	6 Months	\$3.06	\$2.95	\$2.80	-8%
Purchase 8	Malin	6 Months*	\$2.95	\$2.70	\$2.67	-9%

*Total contract length is 12 months, of which the first six months are being evaluated.

Data contained in the above table represent fixed-price contracts with varying delivery points, lengths, and suppliers. Relative savings for each purchase is calculated as the difference between the quantities purchased at the fixed price contract when compared against the lesser of the appropriate daily or monthly index for the same time period.²

Of the eight fixed-price purchases above, one resulted in modest savings when compared to purchasing on the monthly and daily indices.

¹ Additional detail is provided in the accompanying handout.

² It should be noted that, in practice, it is not possible to know in advance which index will prove most advantageous.



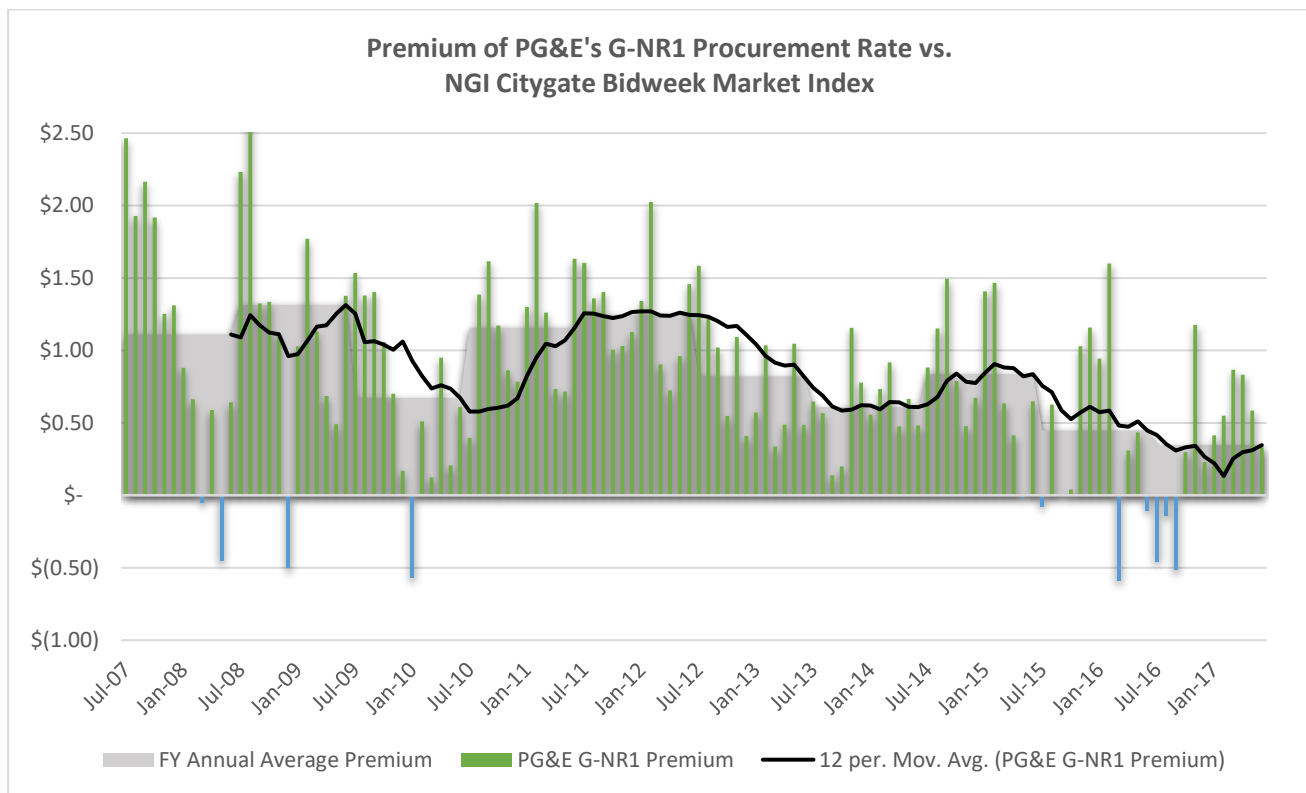
ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area

PG&E Price Comparison to Market

PG&E competes with CTAs and other gas marketers to purchase gas at the lowest reasonable cost. Traditionally, PG&E purchases gas at the various western basins (e.g., Western Canada/Alberta, Rocky Mountain/Wyoming, San Juan/Colorado, Permian/Texas), and then ships the gas onto its system (PG&E Citygate) utilizing long-term pipeline capacity contracts. PG&E may also purchase gas for delivery to the California border, or directly onto their system. PG&E’s Core Procurement Incentive Mechanism (CPIM) places PG&E at risk for gas purchases outside the parameters of certain monthly baseline indices, so as a result, PG&E’s prices will tend to follow the monthly spot market and thus be subject to significant volatility. The final rate charged to customers also includes operational costs associated with supplying the gas.

The chart and table below indicate the ‘premium’ (difference) of PG&E’s small commercial rate class – the rate which most POWER members would pay if they were a customer of PG&E (GNR-1) – when compared to market indices for the same period.



Market Index	Market Premium of PG&E’s G-NR1		
	10-Year Average	5-Year Average	3-Year Average
Gas Daily ‘Daily’	\$0.78	\$0.52	\$0.39
NGI Citygate	\$0.75	\$0.50	\$0.33
NGI Malin	\$0.83	\$0.49	\$0.21

MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



DATE: April 18, 2018
TO: ABAG POWER Executive Committee
FROM: Jerry Lahr, ABAG POWER Manager
RE: Regulatory Proceedings and Legal Involvement

Staff Recommendation

Staff recommends an increase in the approved Fiscal Year 2017-18 External Legal budget of \$5,000 (for a total of \$15,000) to permit increased involvement in PG&E's 2019 Gas Transmission & Storage (GT&S) Rate Case via the Core Transport Agent Consortium (CTAC).

Expenses-to-date and Remaining Budget

Approved FY 2017-18 Budget for External Legal Expenses	\$10,000.00
Less: Regulatory Involvement	(1,827.68)
Less: External Legal Counsel	(2,455.75)
Committed: CTAC – GT&S Rate Case	(5,000.00)
Remaining Budget:	\$ 716.57

Regulatory/Legal Involvement

- Pacific Gas and Electric Company's Advice Letter 3862-G to the California Public Utilities Commission.*
 - Among other things, this filing attempts to document a customer's acknowledgement of the release of their customer billing and payment information by PG&E to their Core Transport Agent (CTA)
- Pacific Gas and Electric Company's Advice Letter 3884-G to the California Public Utilities Commission.*
 - This filing requests approval of PG&E's Implementation of CTA Self-Managed Storage
- CPUC Rulemaking to Implement Registration of Third Party Natural Gas Service Providers.*
 - Decision of Phase Two Issues Regarding Core Transportation Agents (CTAs)
- Joint Representation Agreement/Authorization & Waiver/Consent Letter*
 - Review of Joint Representation Agreement transmitted to Tonya Gilmore in November 2017



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Potential Future Regulatory Involvement.

1. *Pacific Gas and Electric Company's 2019 Gas Transmission and Storage Rate Case (CPUC Proceeding No. A17-11-009)*
 - Application covering revenue requirement and rate information for years 2019-2021
2. *Pacific Gas and Electric Company's 2018 Gas Cost Allocation and Rate Design Application (CPUC Proceeding No. A17-09-006)*
 - Addresses PG&E's revenue requirement allocation and rate design for gas customers' issues that are not decided in GT&S proceedings.

ABAG POWER
Preliminary Operating Budget
Fiscal Year Ending June 30, 2019

Natural Gas						
	FY 2017-18	FY 2017-18	FY 2018-19		FY 2018-19	
	Approved (1)	Projected (2)	Proposed Scenario 1	% Change	Proposed Scenario 2	% Change
Revenues						
Sale of Energy	\$ 7,438,552	\$ 7,441,920	\$ 7,083,846	-4.8%	\$ 7,085,759	-4.7%
Interest Income - Banks/LAIF	12,000	26,443	20,000	66.7%	20,000	66.7%
PG&E Billing Credit	-	9,313	9,000	-	9,000	-
Total revenues	<u>7,450,552</u>	<u>7,468,363</u>	<u>7,112,846</u>	-4.5%	<u>7,114,759</u>	-4.5%
Cost of energy						
Cost of Energy Used	2,739,186	2,587,697	2,467,373	-9.9%	2,408,222	-12.1%
PG&E Pass-Through Costs	<u>4,355,605</u>	<u>4,121,755</u>	<u>4,192,308</u>	-3.7%	<u>4,192,308</u>	-3.7%
Total cost of energy	7,094,791	6,709,453	6,659,681	-6.1%	6,600,530	-7.0%
Other Energy Costs						
Meter fees	-	-	-		-	
Total Other Energy Costs	-	-	-		-	
Program Expenses						
Billing Costs, external	900	9,750	10,500	1066.7%	10,500	1066.7%
Scheduling agent fees	16,800	16,800	16,800	0.0%	16,800	0.0%
ABAG/MTC fees	318,561	346,558	406,365	27.6%	467,430	46.7%
Interest Expense/Bank Charges	9,500	7,730	9,500	0.0%	9,500	0.0%
Legal Expenses (outside)	10,000	9,283	10,000	0.0%	10,000	0.0%
Other Expenses	-	-	-		-	
Total Program Expenses	<u>355,761</u>	<u>390,122</u>	<u>453,165</u>	27.4%	<u>514,230</u>	44.5%
Total expenses	<u>7,450,552</u>	<u>7,099,575</u>	<u>7,112,846</u>	-4.5%	<u>7,114,759</u>	-4.5%
True-up Adjustment	-	368,788	-		-	
Core Annual Usage (Dths):	616,539	646,153	595,522	-3.4%	595,522	-3.4%
Noncore Annual Usage (Dths):	80,993	88,976	81,252	0.3%	81,252	0.3%
Core Gas Commodity (3) (\$/Dth):	\$3.96	\$3.55	\$3.68	-7.0%	\$3.60	-9.2%
Noncore Gas Commodity (3) (\$/Dth):	\$3.65	\$3.32	\$3.37	-7.8%	\$3.28	-10.1%
PG&E Pass-through (\$/Dth):	\$7.06	\$6.38	\$7.04	-0.3%	\$7.04	-0.3%
Program Expenses (4) (\$/Dth):	\$0.49	\$0.49	\$0.63	27.9%	\$0.72	46.3%
Core Total Rate (\$/Dth):	\$11.52	\$10.42	\$11.35	-1.5%	\$11.35	-1.4%
Noncore Total Rate (\$/Dth):	\$4.15	\$3.82	\$3.99	-3.8%	\$4.00	-3.7%

	Scenario 1	Scenario 2
MTC Personnel Salary Rates:		
Scenario 1 uses current rates plus estimated merit increases and cost of living adjustments, where applicable.	Current Rates + Expected Adjustments	Top of Class
Scenario 2 uses the maximum salary rates available for each classification plus cost of living adjustments, where applicable.		
Gas Commodity Adder:		
Percentage multiplier applied to the estimated cost of gas	10%	7%

Notes:

- (1) Approved budget June 2017
- (2) Actual February 2018 financials projected through June
- (3) Storage costs allocated to core accounts only
- (4) Program expenses minus interest income and PG&E Billing Credit