

**ASSOCIATION OF BAY AREA GOVERNMENTS
PUBLICLY OWNED ENERGY RESOURCES**

BOARD OF DIRECTORS

RESOLUTION NO. 23-06

RESOLUTION INCREASING THE WORKING CAPITAL DEPOSIT FOR THE NATURAL GAS PROGRAM FROM TWO MONTHS TO THREE MONTHS OF ESTIMATED EXPENSES, AND ESTABLISHING A TWO-YEAR COLLECTION PERIOD FOR THE ADDITIONAL MONTH OF ESTIMATED EXPENSES

WHEREAS, in 1998, the Association of Bay Area Governments (ABAG) and local governments created ABAG POWER for the purpose of acquiring for use by its members, energy, including, but not limited to, natural gas and electricity, and of telecommunications services and such other services and goods as may be necessary or convenient to optimize costs savings and to manage the use or supply of energy or telecommunications services; and,

WHEREAS, the Bylaws of ABAG POWER provide that the Board has the power, upon majority vote, to establish Programs within the purpose and power of ABAG POWER and to adopt general policy guidelines for their implementation; and

WHEREAS, in 1998, the Board established both a Natural Gas Aggregation Program and an Electric Aggregation Program, and in 2023 established a Renewable Natural Gas Program; and

WHEREAS, the Natural Gas Aggregation Program includes subprograms for “core” (small usage accounts) and “noncore” (large usage accounts) participants, each governed by membership agreements titled the Core Natural Gas Sales and Aggregation Agreement and Noncore Natural Gas Sales and Aggregation Agreement, respectively (collectively, Program Agreements); and

WHEREAS, upon approval of the Program Agreements, public agencies are required to provide a working capital deposit prior to transferring any accounts to the ABAG POWER program. This deposit is refundable when the public agency leaves the program and all liabilities to ABAG POWER have been satisfied; and

WHEREAS, the currently approved working capital deposit is calculated as two months of estimated expenses, calculated as two times the average load (expressed in therms) multiplied by the current applicable rate (expressed in dollars per therm); and

WHEREAS, natural gas commodity markets have experienced extraordinarily levels of market volatility in recent years, resulting in consistently higher overall commodity prices, heightened and sustained risk exposure to high prices, and cash management challenges caused by a timing mismatch in ABAG POWER’s levelized billing process and working capital deposits that have been unchanged for nearly fifteen (15) years; and

WHEREAS, ABAG POWER has taken steps to reduce risk exposure through hedging against volatility, including leveraging natural gas storage assets, procuring fixed-price supply contracts, and assessing working capital deposits; and

WHEREAS, price stability is a goal of ABAG POWER, and the ability to effectively implement the levelized billing process is in part dependent upon sufficient working capital deposits to weather price volatility; and

WHEREAS, although ABAG POWER reserves the right to modify levelized charges mid-year, staff recognizes that doing so can cause confusion amongst members, disrupt otherwise predictable expense budgeting, and can be difficult to implement in an expedited manner; and

WHEREAS, increasing the amount of working capital deposit reduces the risk and potential severity of cash management challenges, and reduces the likelihood of requiring a mid-year adjustment of levelized charges, in turn benefitting members through creating a stronger financial reserve and a greater probability of achieving price stability.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of ABAG POWER hereby finds the foregoing recitals true and correct and modifies the working capital deposit for the natural gas program's core and noncore participants from two months to three months of estimated expenses, effective December 11, 2023.

; and

BE IT FURTHER RESOLVED, that the Board of Directors of ABAG POWER hereby establishes a two-year collection period, beginning July 1, 2024, or upon the effective date of new member agreements, whichever is later, over which time each member – with the exception of those members pending withdrawal as of the date of this Resolution – will receive a monthly credit or charge equal to 1/24th of the member's total adjustment.

This foregoing was adopted by the Board of Directors at its meeting on this 11th day of December, 2023.

By: _____
Doug Williams, Chair

Certification of Board of Directors Approval

I, the undersigned, the appointed and qualified Secretary of the ABAG Publicly OWned Energy Resources (ABAG POWER), do hereby certify that the foregoing resolution was adopted by the Board of Directors of ABAG POWER at a duly called meeting held on the 11th day of December, 2023.

Jane Elias, Secretary
ABAG POWER