



Bay Area Metro Center  
375 Beale Street  
Suite 700  
San Francisco, CA 94105

## Meeting Agenda - Final

### ABAG POWER Board of Directors

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Wednesday, October 30, 2019

10:30 AM

Yerba Buena – 1st Floor

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**ABAG Publicly Owned Energy Resources  
Annual Board Meeting  
Chair: Dave Brees**

The Board of Directors may act on any item on the agenda.

The meeting is scheduled to begin at 10:30 a.m.

Agenda and roster available at <https://abag.ca.gov/our-work/energy-infrastructure/power>

#### 1 Welcome

[19-1084](#)

Welcome

**Action:**

Information

**Presenter:**

Dave Brees

**Attachments:**

[1.a - ABAG POWER JPA Member List.pdf](#)

#### 2 Public Comments

#### 3 Consent Calendar

3.a

[19-1085](#)

Approval of Minutes from October 25, 2018 Annual Board Meeting

**Action:**

Approval

**Presenter:**

Ryan Jacoby

**Attachments:**

[3.a - Approval of Minutes from October 25, 2018 Annual Board Meeting.pdf](#)

3.b

[19-1086](#)

Approval of amendment to ABAG POWER Conflict of Interest Code

**Action:**

Approval

**Presenter:**

Leslie Miessner

**Attachments:**

[3.b.1 - Authorization of Amendment to ABAG POWER COIC.pdf](#)

[3.b.2 - Notice of Intention to Amend the COIC for ABAG POWER.pdf](#)

[3.b.3 - Proposed First Amended COIC.pdf](#)

#### 4 ABAG-MTC Agency and Local Government Services Update

[19-1087](#) Staff will provide an update on ABAG-MTC governance and the Local Government Services division.

**Action:** Information

**Presenter:** Jennifer Berg

**Attachments:** [4.a - ABAG-MTC Governance and Local Government Services Update.pdf](#)

#### 5 Staff Report and Review of Natural Gas Program

[19-1088](#) Staff will report the results of the Natural Gas Program for the 2018-19 Fiscal Year.

**Action:** Information

**Presenter:** Ryan Jacoby

**Attachments:** [5.a - Staff Report on 2018-19 Gas Program.pdf](#)  
[5.b - Canadian Supply and Transport Update.pdf](#)  
[5.c - Renewable Natural Gas & Related Opportunities.pdf](#)

#### 6 ABAG POWER Audited Financial Statements and Reports for FY 2018-19

[19-1089](#) Staff will present for approval audited financial statements and reports for FY 2018-19

**Action:** Approval

**Presenter:** Arleicka Conley

**Attachments:** [6.a - POWER FY19 Audit Results.pdf](#)  
[6.b - POWER FY19 Audited Financial Statements and Reports.pdf](#)  
[6.c - POWER FY19 Audited Financial Statements.pdf](#)

#### 7 Election of ABAG POWER Chair and Vice Chair

[19-1090](#) Board of Directors to approve the Executive Committee for CY 2020, including the election of Chair and Vice Chair

**Action:** Approval

**Presenter:** Dave Brees

**Attachments:** [7.a - Proposed Executive Committee CY 2020.pdf](#)

## 8 Guest Speaker

[19-1091](#)

Energy Manager 4.1 Demonstration

*Presenter:*

John Cooke, Utility Management Services

## 9 Adjournment

[19-1105](#)

*Presenter:*

Dave Brees

**Public Comment:** The public is encouraged to comment on agenda items at Committee meetings by completing a request-to-speak card (available from staff) and passing it to the Committee secretary. Public comment may be limited by any of the procedures set forth in Section 3.09 of MTC's Procedures Manual (Resolution No. 1058, Revised) if, in the chair's judgment, it is necessary to maintain the orderly flow of business.

**Meeting Conduct:** If this meeting is willfully interrupted or disrupted by one or more persons rendering orderly conduct of the meeting unfeasible, the Chair may order the removal of individuals who are willfully disrupting the meeting. Such individuals may be arrested. If order cannot be restored by such removal, the members of the Committee may direct that the meeting room be cleared (except for representatives of the press or other news media not participating in the disturbance), and the session may continue.

**Record of Meeting:** Committee meetings are recorded. Copies of recordings are available at a nominal charge, or recordings may be listened to at MTC offices by appointment. Audiocasts are maintained on MTC's Web site ([mtc.ca.gov](http://mtc.ca.gov)) for public review for at least one year.

**Accessibility and Title VI:** MTC provides services/accommodations upon request to persons with disabilities and individuals who are limited-English proficient who wish to address Commission matters. For accommodations or translations assistance, please call 415.778.6757 or 415.778.6769 for TDD/TTY. We require three working days' notice to accommodate your request.

**可及性和法令第六章:** MTC 根據要求向希望來委員會討論有關事宜的殘疾人士及英語有限者提供服務/方便。需要便利設施或翻譯協助者，請致電 415.778.6757 或 415.778.6769 TDD / TTY。我們要求您在三個工作日前告知，以滿足您的要求。

**Acceso y el Titulo VI:** La MTC puede proveer asistencia/facilitar la comunicación a las personas discapacitadas y los individuos con conocimiento limitado del inglés quienes quieran dirigirse a la Comisión. Para solicitar asistencia, por favor llame al número 415.778.6757 o al 415.778.6769 para TDD/TTY. Requerimos que solicite asistencia con tres días hábiles de anticipación para poderle proveer asistencia.

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Attachments are sent to Committee members, key staff and others as appropriate. Copies will be available at the meeting.

All items on the agenda are subject to action and/or change by the Committee. Actions recommended by staff are subject to change by the Committee.



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

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**File #:** 19-1084      **Version:** 1      **Name:**  
**Type:** Report      **Status:** Informational  
**File created:** 9/11/2019      **In control:** ABAG POWER Board of Directors  
**On agenda:** 10/30/2019      **Final action:**  
**Title:** Welcome  
**Sponsors:**  
**Indexes:**  
**Code sections:**  
**Attachments:** [1.a - ABAG POWER JPA Member List.pdf](#)

Date	Ver.	Action By	Action	Result
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**Subject:**

**Presenter:**  
Dave Brees

**Recommended Action:**  
Information

**Attachments:** List any attachments.

**ABAG Publicly Owned Energy Resources (ABAG POWER)**

**Board of Directors**

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**October 30, 2019**

**Agenda Item 1.a.**

**ABAG POWER Joint Powers Authority Member List**

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**Subject:** ABAG POWER Joint Powers Authority (JPA) Member List

**Background:** The ABAG POWER Bylaws were adopted in 1997, and were amended in 1997, 2002, 2004, and 2016. The Bylaws currently provide that each member will appoint a director and may appoint an alternate director to the Board. Only directors appointed by a member which is participating in an ongoing program shall be entitled to cast a vote at the Board of Directors or any committee of ABAG POWER.

The current roster of voting and non-voting directors is attached hereto. Forty percent (40%) of the directors entitled to cast a vote is a quorum.


**Discussion Items:** None.

**Recommended Action:** None.

**Issues:** None.

**Attachments:** ABAG POWER JPA Member List

**Reviewed:**

  
\_\_\_\_\_  
Brad Paul

**Agenda Item 1.a. – ABAG POWER JPA Member List**

October 30, 2019

Page 1 of 2

<b>Active, Voting Eligible Program Members</b>	<b>Primary Director</b>	<b>Alternate Director</b>	<b>Number of Active Accounts</b>	<b>Percentage of Annual Load (%)</b>
Alameda, City of	Liam Garland	-	22	0.8
Alameda, City, Housing Auth.	Candace Latigue	Vanessa Cooper	13	0.7
Albany, City of	Mark Hurley	Nicole Almaguer	4	0.2
Atherton, Town of	George Rodericks	-	6	0.1
Benicia, City of	Lorie Tinfow	Alan Shear	18	1.1
Contra Costa, County of	Diana Oyler	Warren Lai	147	19.4
Cupertino, City of	Andre Duurvoort	Gilee Corral	10	0.6
Fremont, City of	Mike Sung	Dan Schoenholz	44	3.1
Golden Gate Bridge, H&TD	Jennifer Mennucci	Alice Ng	5	0.9
Gonzales, City of	Rene Mendez	Harold Wolgamott	7	0.2
Half Moon Bay, City of	Matthew Chidester	-	3	0.0
Hercules, City of	David Biggs	-	5	0.1
Los Altos, City of	Dave Brees	Chris Jordan	11	0.4
Mill Valley, City of	Eric Erickson	-	10	1.2
Millbrae, City of	Khee Lim	-	7	0.3
Milpitas, City of	Chris Schroeder	Zachary DeVine	10	2.2
Monte Sereno, City of	Terry Blount	-	2	0.0
Moraga, Town of	Norman Veloso	-	3	0.1
Napa, County of	Steven Lederer	Liz Habkirk	8	1.2
Oakland, City of	Daniel Hamilton	Pete Fong	115	10.8
Orinda, City of	Steve Salomon	-	4	0.7
Pacifica, City of	Lorenzo Hines	-	17	0.4
Petaluma, City of	Corey Garberolio	-	7	0.4
Pleasanton, City of	Kathleen Yurchak	-	24	2.8
RAFC	Sean Brooks	-	1	0.8
Richmond, City of	Angela Walton	-	39	5.8
Salinas, City of	Brian Frus	-	31	3.9
San Carlos, City of	Tara Peterson	-	7	0.4
San Mateo, County of	Gary Behrens	Kevin Sporer	42	14.4
San Rafael, City of	Bill Guerin	Hunter Young	14	1.0
Santa Clara, County of	Lin Ortega	Brad Vance	47	12.0
Santa Rosa, City of	Doug Williams	-	35	8.0
Saratoga, City of	Thomas Scott	Mary Furey	4	0.2
Union City, City of	Merrill Buck	-	5	0.2
Vallejo, City of	Melissa Morton	-	16	1.5
Vallejo Flood & WW Dist.	Roland Rojas	-	3	1.3
Watsonville, City of	Gabriel Gordo	-	18	2.7
Winters, City of	John Donlevy	Shell Gunby	3	0.0

**Agenda Item 1.a. – ABAG POWER JPA Member List**

October 30, 2019

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<b>Inactive, Non-voting Program Members</b>	<b>Primary Director</b>	<b>Alternate Director</b>
Antioch, City of	Dawn Merchant	Jim Jakel
Arcata, City of	Randy Mendosa	-
Belmont, City of	Greg Scoles	-
Berkeley, City of	Dee Williams-Ridley	-
Cloverdale, City of	Nina D. Regor	-
Cotati, City of	Dianne Thompson	-
Daly City, City of	Patricia Martel	-
Davis, City of	Dirk Brazil	-
El Cerrito, City of	Maria Sanders	Garth Schultz
Foster City, City of	Ray Towne	-
Menlo Park, City of	Alex McIntyre	-
Newark, City of	Peggy Claassen	-
Patterson, City of	Ken Irwin	-
Pinole, City of	Michelle Fitzer	-
San Leandro, City of	Lianne Marshall	-
San Mateo, City of	David Culter	-
San Pablo, City of	Bradley J. Ward	Brock Arner
Sebastopol, City of	Ron Puccineli	-
Hillsborough, Town of	Maria Edna Masbad	-
Los Altos Hills, Town of	Carl Cahill	-
Butte, County of	Grant Hunsicker	-
Monterey, County of	Mario Salazar	-
Sonoma, County of	John Haig	-
Windsor, Town of	James McAdler	-
Hayward Area Rec. Dist.	Karl Zabel	-
Alameda, County, Housing Auth.	Christine Gouig	-
Los Trancos County Water Dist.	Keri Tate	-
South County Fire Authority	Leon Churchill Jr.	-
West County Wastewater Dist.	Ken Cook	-





# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

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**File #:** 19-1085      **Version:** 1      **Name:**  
**Type:** Report      **Status:** Committee Approval  
**File created:** 9/11/2019      **In control:** ABAG POWER Board of Directors  
**On agenda:** 10/30/2019      **Final action:**  
**Title:** Approval of Minutes from October 25, 2018 Annual Board Meeting  
**Sponsors:**  
**Indexes:**  
**Code sections:**  
**Attachments:** [3.a - Approval of Minutes from October 25,2018 Annual Board Meeting.pdf](#)

Date	Ver.	Action By	Action	Result
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**Subject:**  
Approval of Minutes from October 25, 2018 Annual Board Meeting

**Presenter:**  
Ryan Jacoby

**Recommended Action:**  
Approval

**Attachments:** List any attachments.

# SUMMARY MINUTES

ABAG POWER Board of Directors Meeting

October 25, 2018

Yerba Buena Conference Room

375 Beale Street, San Francisco, CA 94105

## WELCOME AND INTRODUCTIONS

Vice Chair Dave Brees opened the meeting with introductions at 11:05 AM.

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

### Board Representatives Present

Alan Shear

Angela Walton

Brad Vance

Chris Schroeder

Corey Garberolio

Dan Schoenholz

Danielle Thoe

Dave Brees

Derek Lee

Diana Oyler

Doug Williams

Harold Wolgamott

Jennifer Mennucci

Khee Lim

Mark Hurley

Merrill Buck

Misty Mersich

Norman Veloso

Pete Fong

Roland Rojas

Steve Lederer

### Jurisdiction/Agency

City of Benicia

City of Richmond

County of Santa Clara

City of Milpitas

City of Petaluma

City of Fremont

Housing Authority of the City of Alameda

City of Los Altos

City of Pleasanton

County of Contra Costa

City of Santa Rosa

City of Gonzales

Golden Gate Bridge, Highway & Trans District

City of Millbrae

City of Albany

City of Union City

City of Cupertino

Town of Moraga

City of Oakland

City of Vallejo

County of Napa

### Board Representatives Absent

David Biggs

David Boesch

Eric Erickson

Gabriel Gordo

Gary Behrens

George Rodericks

John Donlevy

Kevin McGowan

Liam Garland

Lorenzo Hines

Melissa Morton

### Jurisdiction/Agency

City of Hercules

City of Half Moon Bay

City of Mill Valley

City of Watsonville

County of San Mateo

Town of Atherton

City of Winters

City of San Rafael

City of Alameda

City of Pacifica

Vallejo Flood & Wastewater District

**Agenda Item 3.a. – Approval of Minutes from October 25, 2018 Annual Board Meeting**

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Michael Ricker	City of Salinas
Sean Brooks	Regional Administrative Facility Corporation
Steve Solomon	City of Orinda
Tara Peterson	City of San Carlos
Terry Blount	City of Monte Sereno
Thomas Scott	City of Saratoga

**Staff Present**

Arleicka Conley  
Brad Paul  
Jennifer Berg  
Jerry Lahr  
Matthew Lavrinets  
Ryan Jacoby

**Organization**

Metropolitan Transportation Commission (MTC)  
MTC  
MTC  
MTC  
MTC  
MTC

**Guests Present**

Brad Angell  
Filip Nowak  
Greg Kester  
Sahar Kamali  
Sarah Deslauriers

**Affiliation**

County of Santa Clara  
PricewaterhouseCoopers  
California Association of Sanitation Agencies  
Clean Energy Renewables  
California Association of Sanitation Agencies

**CHAIR'S OPENING REMARKS**

Vice Chair Brees welcomed board members and provided a brief history and a general overview of the ABAG POWER program. He introduced and extended a special acknowledgement to the 2017-18 Executive Committee and ABAG POWER principal staff.

**PUBLIC COMMENTS**

There were no public comments.

**APPROVAL OF SUMMARY MINUTES OF OCTOBER 26, 2017 ANNUAL BOARD MEETING**

Motion was made by Wolgamott/S/Schroeder/C/18:0:0 to approve as proposed the Summary Minutes of the October 26, 2017 Board of Directors meeting.

The aye votes were: Brees, Buck, Fong, Hurley, Lederer, Lee, Mennucci, Mersich, Oyler, Rojas, Schoenholz, Schroeder, Shear, Thoe, Veloso, Walton, Williams, Wolgamott.

The nay votes were: None.

Abstentions were: None.

Absentees were: Behrens, Biggs, Blount, Boesch, Brooks, Donlevy, Erickson, Garberolio, Garland, Gordo, Hines, Lim, McGowan, Morton, Peterson, Ricker, Rodericks, Scott, Solomon, Vance.

**ASSOCIATION OF BAY AREA GOVERNMENTS (ABAG)/MTC LOCAL GOVERNMENT SERVICES**

Paul provided a comparison of staff resources and organizational structure before and after the ABAG/MTC staff consolidation. He summarized ABAG's efforts and potential benefits of designating the Bay Area as an economic development district, progress on Plan Bay Area 2040, and the Advancing California Finance Authority. Lastly, he announced the upcoming retirement of Lahr and extended special acknowledgement to his service to ABAG since 2000.

**STAFF REPORT AND REVIEW OF NATURAL GAS PROGRAM**

Lahr provided an in-depth report on the operations of the natural gas program for Fiscal Year 2017-18. He provided a review of the program and discussed program goals, long-term program achievements, and gas purchasing strategies, including recent international purchasing initiatives and the potential for a voluntary program involving renewable natural gas and/or natural gas offset products.

ABAG POWER's blend of long-term and short-term gas purchases resulted in a weighted average cost of gas for the year of \$2.84/Dth, representing a year-on-year decrease of approximately 6%. ABAG POWER's annual weighted average price was approximately 7.5% higher than PG&E's similar total rate (G-NR1). Due to the program's levelized billing structure and layered purchasing strategy, ABAG POWER's monthly rates were more stable than PG&E's rates throughout the year.

**ABAG POWER FY 2017-18 AUDITED FINANCIAL STATEMENTS AND REPORTS**

Arleicka Conley, MTC's Section Director of Finance and Accounting, and Filip Nowak, Senior Partner with PricewaterhouseCoopers, presented the audit report and financial reports for the fiscal year ending June 30, 2018. Preliminary income statements indicated a total of approximately \$0.67 million being classified as unearned energy revenues to be refunded to members in the Fiscal Year 2017-18 true-up allocation.

Filip Nowak informed attendees a clean audit opinion was received for the FY 2017-18 financial statements, including no significant findings. In addition, the independent audit firm, PricewaterhouseCoopers did not identify any deficiencies in internal control that were considered to be material weaknesses.

[Representatives Garberolio, Lim, and Vance arrived prior to this vote.]

Motion was made by Schroeder/S/Wolgamott/C/21 :0:0 to approve as presented the audited FY 2017-18 Financial Statements and Audit Report.

The aye votes were: Brees, Buck, Fong, Garberolio, Hurley, Lederer, Lee, Lim, Mennucci, Mersich, Oyler, Rojas, Schoenholz, Schroeder, Shear, Thoe, Vance, Veloso, Walton, Williams, Wolgamott.

The nay votes were: None.

Abstentions were: None.

## **Agenda Item 3.a. – Approval of Minutes from October 25, 2018 Annual Board Meeting**

October 30, 2019

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Absentees were: Behrens, Biggs, Blount, Boesch, Brooks, Donlevy, Erickson, Garland, Gordo, Hines, McGowan, Morton, Peterson, Ricker, Rodericks, Scott, Solomon.

### **ELECTION OF ABAG POWER EXECUTIVE COMMITTEE**

Motion was made by Schroeder/S/Mennucci/C/21:0:0 to approve as proposed the ABAG POWER Executive Committee for program year 2018-19. Separately, motion was made by Mersich/S/Schroeder/C/21:0:0 to nominate the election of chair and vice chair as follows:

Angela Walton, City of Richmond (Vice Chair)  
Chris Schroeder, City of Milpitas  
Dave Brees, City of Los Altos (Chair)  
Dan Schoenholz, City of Fremont  
Misty Mersich, City of Cupertino

The aye votes were: Brees, Buck, Fong, Garberolio, Hurley, Lederer, Lee, Lim, Mennucci, Mersich, Oyler, Rojas, Schoenholz, Schroeder, Shear, Thoe, Vance, Veloso, Walton, Williams, Wolgamott.

The nay votes were: None.

Abstentions were: None.

Absentees were: Behrens, Biggs, Blount, Boesch, Brooks, Donlevy, Erickson, Garland, Gordo, Hines, McGowan, Morton, Peterson, Ricker, Rodericks, Scott, Solomon.

### **GUEST SPEAKERS – BIOGAS/RENEWABLE NATURAL GAS (RNG) OPPORTUNITIES**

Merrill Buck, Public Works Superintendent with the City of Union City summarized the City's experience contracting with Clean Energy Renewables (CER) to supplant the city's use of natural gas as a vehicle fuel. The contract enables an accounting mechanism which allows CER to procure an equivalent amount of Renewable Natural Gas which the City receives revenue from due to state and federal incentives.

Greg Kester and Sarah Deslauriers with the California Association of Sanitation Agencies provided an update on California initiatives to address climate change and the wastewater sector's collaborative role, including upcoming reductions in short lived climate pollutants mandated by SB 1383 and biomethane procurement targets in SB 1440.

### **SAN FRANCISCO BAY AREA REGIONAL ENERGY NETWORK (BAYREN)**

Jennifer Berg, MTC Principal Program Manager, provided a portfolio overview of the ratepayer-funded energy efficiency programs and recent accomplishments, including the California Public Utilities Commission's approval of BayREN's 2018-2025 Business Plan. She also detailed related projects such as the BayREN Integrated Commercial Retrofit and Heat Pump Water Heater Regional Market Transformation Project.

### **ADJOURNMENT**

Chair Brees adjourned the meeting at 1:45 PM.

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\*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.



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

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**File #:** 19-1086      **Version:** 1      **Name:**  
**Type:** Report      **Status:** Committee Approval  
**File created:** 9/11/2019      **In control:** ABAG POWER Board of Directors  
**On agenda:** 10/30/2019      **Final action:**  
**Title:** Approval of amendment to ABAG POWER Conflict of Interest Code  
**Sponsors:**  
**Indexes:**  
**Code sections:**  
**Attachments:** [3.b.1 - Authorization of Amendment to ABAG POWER COIC.pdf](#)  
[3.b.2 - Notice of Intention to Amend the COIC for ABAG POWER.pdf](#)  
[3.b.3 - Proposed First Amended COIC.pdf](#)

Date	Ver.	Action By	Action	Result
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**Subject:**  
Approval of amendment to ABAG POWER Conflict of Interest Code

**Presenter:**  
Leslie Miessner

**Recommended Action:**  
Approval

**Attachments:** List any attachments.

# ABAG Publicly Owned Energy Resources (ABAG POWER)

## Board of Directors

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October 30, 2019

Agenda Item 3.b.1

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### Authorization of Amendment to ABAG POWER Conflict of Interest Code

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**Subject:** Amendment of ABAG POWER Conflict of Interest Code

**Background:** A local agency's Conflict of Interest Code (COIC) must reflect the current structure of the agency and properly identify officials and employees responsible for filing Form 700, Statement of Economic Interests. A COIC details what must be disclosed on the California Fair Political Practices Commission (FPPC), Form 700 (Statement of Economic Interests). To ensure a COIC remains current and accurate, each local agency is required to review its Code at least every even-numbered year. In connection with the 2018 biennial review of ABAG POWER's COIC, staff determined that the positions that need to report should be updated to reflect the Metropolitan Transportation Commission (MTC) - Association of Bay Area Governments (ABAG) staff consolidation, that took effect July 1, 2017 pursuant to the Contract for Services between ABAG and MTC, dated May 30, 2017.

The following MTC consolidated staff positions have been determined to make or participate in the making of ABAG POWER decisions that may foreseeably have a material financial effect on an economic interest, thereby requiring the filing of Form 700: Deputy Executive Director, Local Government Services; General Counsel; Senior Deputy General Counsel; Senior Counsel; Director, Finance & Accounting; Director, Treasury & Revenue; and Assistant Director, Energy Programs. These positions have been added to Appendix B of ABAG POWER's COIC.

Other proposed changes to the COIC include the deletion of one of the disclosure categories per the direction of the FPPC; and deletion of Appendix C; and concomitant listing of officials who manage public investments (at the end of Appendix B), where they are listed for informational purposes only, because they file Form 700 under the Political Reform Act (Government Code § 87200). All of the ABAG POWER proposed changes have been reviewed and given initial approval by the FPPC.

Written notice of intent to amend a COIC must be given 45 days prior to the time the proposed amendment is submitted to the

**ABAG Publicly Owned Energy Resources (ABAG POWER)**

**Board of Directors**

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**October 30, 2019**

**Agenda Item 3.b.1**

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**Authorization of Amendment to ABAG POWER Conflict of Interest Code**

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FPPC for formal approval. A comment period for interested parties to submit comments to the COIC amendment will run from October 31, 2019 through December 16, 2019. (A copy of the Notice is attached to this Summary Sheet.)

Any interested person may request a public hearing to comment on the proposed COIC amendment, no later than 15 days prior to the close of the comment period, or by Wednesday, November 27, 2019. If no request for a hearing is received, staff would submit the proposed amended COIC to the FPPC for formal approval; the COIC as amended would be effective 30 days following FPPC approval.

**Recommended Actions:** The ABAG POWER Board of Directors is requested to authorize staff to submit the proposed changes for public comment and to schedule a public hearing upon request.

Assuming no comments are received, authorize staff to submit the proposed amended COIC to the FPPC for formal approval; the COIC as amended would be effective 30 days after FPPC approval.

**Issues:** None.

**Attachments:** Notice of Intention to Amend the Conflict of Interest Code of ABAG Publicly Owned Energy Resources

Proposed Amended Conflict of Interest Code

**Reviewed:**

  
\_\_\_\_\_  
Brad Paul



## Agenda Item 3.b.2 – Notice of Intention to Amend the COIC of ABAG POWER

October 30, 2019

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### NOTICE OF INTENTION TO AMEND THE CONFLICT OF INTEREST CODE OF ABAG PUBLICLY OWNED ENERGY RESOURCES

NOTICE IS HEREBY GIVEN that ABAG Publicly OWned Energy Resources (ABAG POWER), pursuant to the authority vested in it by section 87306 of the Government Code, proposes amendment to its conflict of interest code. A comment period has been established commencing on October 31, 2019 and closing on December 16, 2019. All inquiries should be directed to the contact listed below.

ABAG POWER proposes to amend its conflict of interest code to include Metropolitan Transportation Commission (MTC) employee positions that involve the making or participation in the making of decisions that may foreseeably have a material effect on any financial interest, as set forth in subdivision (a) of section 87302 of the Government Code. The amendment carries out the purposes of the law and no other alternative would do so and be less burdensome to affected persons.

Changes to the conflict of interest code include: changes reflecting the ABAG-MTC staff consolidation, and other technical changes.

The proposed amendment and explanation of the reasons for the changes can be obtained from the agency's contact.

Any interested person may submit written comments relating to the proposed amendment by submitting them no later than December 16, 2019, or at the conclusion of the public hearing, if requested, whichever comes later. At this time, no public hearing is scheduled. A person may request a hearing no later than November 27, 2019.

ABAG POWER has determined that the proposed amendments:

1. Impose no mandate on local agencies or school districts.
2. Impose no costs or savings on any state agency.
3. Impose no costs on any local agency or school district that are required to be reimbursed under Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.
4. Will not result in any nondiscretionary costs or savings to local agencies.
5. Will not result in any costs or savings in federal funding to the state.
6. Will not have any potential cost impact on private persons, businesses or small businesses.

Copies of the proposed amendment and explanation of the reasons for it will be made available to any interested person who calls Ryan Jacoby, Program Manager, ABAG POWER, during business hours at (415) 820-7956. Written requests for copies of the proposed amendment and explanation of the reasons for it, and written comments on the amendment, may be sent to Mr. Jacoby at ABAG's offices, 375 Beale Street, Suite 700, San Francisco, CA 94105. Any inquiries concerning the proposed amendment should be directed to Cynthia Segal, MTC Deputy General Counsel, at (415) 778-6713, or [csegal@bayareametro.gov](mailto:csegal@bayareametro.gov).

Revisions in ~~strikeout~~ and underline

**FIRST AMENDED CONFLICT OF INTEREST CODE**

**ABAG PUBLICLY OWNED ENERGY RESOURCES**

The Political Reform Act, Government Code Sections 81000, et seq., requires state and local government agencies to adopt and promulgate Conflict of Interest Codes. The Fair Political Practices Commission has adopted a regulation, 2 California Code of Regulations, Section 18730, which contains the terms of a standard Conflict of Interest Code, which can be incorporated by reference in an agency's Code. After public notice and hearing, it may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations, Section 18730, and any amendments to it duly adopted by the Fair Political Practices Commission, along with the attached Appendices in which officials and ~~employees~~positions are designated and disclosure categories are set forth, are hereby incorporated by reference and constitute the First Amended Conflict of Interest Code of ABAG Publicly OWned Energy Resources (ABAG POWER).

~~Designated employees~~Persons who hold designated positions shall file Statements of Economic Interests with the Association of Bay Area Governments (ABAG) who will make the statements available for public inspection and reproduction (Government Code Section 81008). Statements for all persons who hold designated ~~employees~~positions will be retained by ~~the Association of Bay Area Governments~~ABAG.

## **CONFLICT OF INTEREST DISCLOSURE DESIGNATIONS**

ABAG POWER has identified ~~four (4)~~three (3) disclosure categories: (1) requires disclosure of business entities and business positions in which designated parties have investments or sources of income to them if such entities or sources of income have filed claims against any member of ABAG POWER or ABAG POWER itself; ~~(2) requires disclosure of business entities and business positions in which designated parties have investments or sources of income to them if such entities or sources of income are of the type in which ABAG POWER is empowered to invest its funds;~~ (3) requires designated persons to disclose business entities and business positions in which they have investments or sources of income to them if such entities are of the type which contract with ABAG POWER or the Association of Bay Area Governments (ABAG), its administrator, to supply goods, services, materials, supplies, lease space or which are energy consultants, research firms, engineering firms or entities which design, build, manufacture, sell, distribute or service equipment of the type that is either presently utilized by natural gas or electric power suppliers or that is used by the federal, state or local government or by private industry in research designed to refine or develop new methods of electrical power generation or natural gas production; and (3) requires designated persons to disclose business entities and business positions in which designated parties have investments or sources of income to them if such entities or sources of income are private electric or natural gas utility companies.

The designated position list is intended to include all persons with decision-making powers or influence concerning how, where and with whom ABAG POWER invests funds and contracts for goods and services to disclose any bias such parties may have in making substantive decisions concerning the operations of ABAG POWER.

*Effective July 1, 2017, the Metropolitan Transportation Commission (MTC), pursuant to the Contract for Services dated as of May 30, 2017 (Contract for Services) between MTC and ABAG, provides consolidated staff to perform work for ABAG and its affiliated Local Collaboration Programs, including ABAG POWER.*

The primary decision-making positions of ABAG POWER are the members and alternate members of the Board of Directors (Board). The members and alternate members of the Board are

**Agenda Item 3.b.3 – Proposed First Amended COIC, ABAG POWER**

October 30, 2019

Page 3 of 7

not included in the Code because "city, county and local agency public officials who manage public investments" are not "designated employees" and file Statements of Economic Interest pursuant to Government Code § 87200. However, under the Contract for Services, certain MTC staff ~~the president, financial officer, manager of ABAG POWER Program, legal counsel and some consultants~~ may make recommendations to or bring information or proposals to the members of the Board and thus may influence the Board's decisions concerning ABAG POWER. MTC staff serving ABAG and ABAG POWER under the Contract for Services are not employees of ABAG but are included in the list of designated positions under this Code as consultants pursuant to Government Code Section 82019, which includes consultants within the definition of "designated employee". ~~Therefore~~ Additionally, with the exception of, consultants whose duties are limited in scope and who thus may have limited disclosure responsibilities, ~~the remaining positions set forth in the preceding sentence~~ consultants shall be required by ABAG POWER's Code to file Statements of Economic Interest and any supplementary information that may from time to time be required annually and upon assuming and leaving office/job position as set forth in 2 California Code of Regulations, § 18730**(b)**(5).

**APPENDIX A**

**DISCLOSURE CATEGORIES**

Category 1

Persons designated in this category must disclose all investments and business positions in business entities and sources of income if such entities or sources of income filed claims against any member jurisdiction of ABAG POWER or ABAG POWER itself during the reporting period.

Category 2

~~Persons designated in this category must disclose all investments and business positions in business entities and sources of income if the business entities or sources of income are of the type in which ABAG POWER is empowered to invest its funds.~~

Category 3

Persons designated in this category must disclose all investments and business positions in business entities and sources of income if the business entities or sources of income are of the type that contract with ABAG POWER or ABAG, its administrative agency, to supply goods, services, materials, supplies, leased space or which are energy consultants, research firms, engineering firms or entities which design, build, manufacture, sell, distribute or service equipment of the type that is either presently utilized by natural gas or electric power suppliers or that is used by the federal, state or local government or by private industry in research designed to refine or develop new methods of electrical power generation or natural gas production.

Category 4

Persons designated in this category must disclose all investments and business positions in business entities and sources of income if the business entities or sources of income are private electric or natural gas utility companies.

APPENDIX B

DESIGNATED POSITIONS

<u>Designated Positions</u>	<u>Disclosure Category</u>
President *	1, 2, 3, 4
<del>Secretary/Manager, ABAG POWER</del>	<del>1, 3, 4</del>
Legal Counsel	1, 2, 3, 4
<u>MTC Staff serving ABAG and ABAG POWER pursuant to the Contract for Services, including:</u>	<u>1, 2, 3 (except where otherwise indicated)</u>
<ul style="list-style-type: none"> <li>• <u>Deputy Executive Director, Local Government Services</u></li> <li>• <u>General Counsel</u></li> <li>• <u>Senior Deputy General Counsel</u></li> <li>• <u>Senior Counsel</u></li> <li>• <u>Director, Finance &amp; Accounting (Categories 2, 3)</u></li> <li>• <u>Director, Treasury &amp; Revenue (Categories 2, 3)</u></li> <li>• <u>Assistant Director, Energy Program</u></li> </ul>	
Consultants/ <u>New Positions</u> *	1, 2, 3, 4

\* With respect to consultants/new positions, the Executive Director of MTC may determine in writing that a particular consultant or new position, although a "designated person," is hired to perform a range of duties that are limited in scope and thus is not required to comply with the

disclosure requirements described in this Section. Such determination shall include a description of the consultant's or new position's duties and, based upon that description, a statement of the extent of disclosure requirements and shall be retained in ABAG POWER's files. Nothing herein excuses any such consultant or new position from any other provision of this Conflict of Interest Code.

**OFFICIALS WHO MANAGE PUBLIC INVESTMENTS**

The following individuals are not covered by the conflict of interest code because they must file under Political Reform Act's section 87200 and, therefore, are listed for informational purposes only:

Members and Alternate Members of ABAG POWER Board of Directors

Executive Director of MTC, acting pursuant to the Contract for Services

Chief Financial Officer of MTC, acting pursuant to the Contract for Services

An individual holding one of the above-listed positions may contact the Fair Political Practices Commission for assistance or written advice regarding their filing obligations if they believe that their position has been categorized incorrectly. The Fair Political Practices Commission makes the final determination whether a position is covered by section 87200.

~~\* This position is held by the Executive Director, Association of Bay Area Governments.~~

~~\*\* With respect to Consultants, the President, who is the Chief Administrative Officer, may determine in writing that a particular consultant, although a "designated person," is hired to perform a range of duties that are limited in scope and thus is not required to comply with the disclosure requirements described in this Section. Such determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure requirements and shall be retained in ABAG POWER's files. Nothing herein excuses any such consultant from any other provision of this Conflict of Interest Code.~~

**~~APPENDIX C~~**

**~~OFFICIALS WHO MANAGE PUBLIC INVESTMENTS~~**

~~It has been determined that the position listed below manages public investment and will file Form 721 Statement of Economic Interest:~~

~~Chief Financial Officer serving as ABAG's "Financial Officer"~~





# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

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**File #:** 19-1087      **Version:** 1      **Name:**  
**Type:** Report      **Status:** Informational  
**File created:** 9/11/2019      **In control:** ABAG POWER Board of Directors  
**On agenda:** 10/30/2019      **Final action:**  
**Title:** Staff will provide an update on ABAG-MTC governance and the Local Government Services division.  
**Sponsors:**  
**Indexes:**  
**Code sections:**  
**Attachments:** [4.a - ABAG-MTC Governance and Local Government Services Update.pdf](#)

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

**Subject:**  
Staff will provide an update on ABAG-MTC governance and the Local Government Services division.

**Presenter:**  
Jennifer Berg

**Recommended Action:**  
Information

**Attachments:** List any attachments.

**ABAG Publicly Owned Energy Resources (ABAG POWER)**

**Board of Directors**

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**October 30, 2019**

**Agenda Item 4.a.**

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**ABAG-MTC Governance and Local Government Services Update**

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**Subject:** ABAG-MTC Governance and Local Government Services Update

**Background:** The Association of Bay Area Governments' (ABAG) programs and services have supported Bay Area local governments for more than 55 years, providing a forum to discuss and work together to solve regional issues.

In 2017, ABAG staff were consolidated under the Metropolitan Transportation Commission (MTC), creating, among other things, MTC's Local Government Services section including ABAG POWER, the Advancing California Finance Authority (ACFA), Bay Area Regional Energy Network (BayREN), and most recently, the San Francisco Bay Trail.

A subcommittee comprised of members from ABAG's Executive Board and the MTC Commission is currently discussing options for governance of the consolidated staff.

**Discussion Items:** None.

**Recommended Action:** None.

**Issues:** None.

**Attachments:** ABAG-MTC Governance and LGS Update (Presentation)

**Reviewed:**

  
\_\_\_\_\_  
Brad Paul

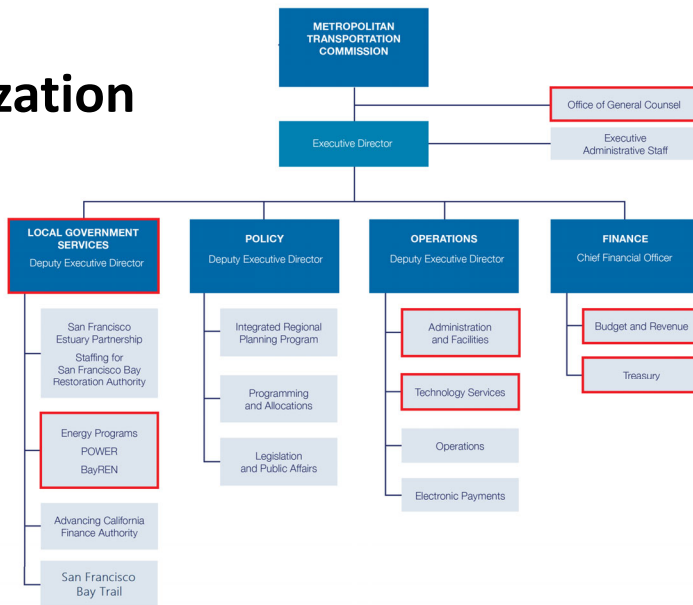
# ABAG-MTC Governance and Local Government Services Update

Jennifer Berg

Assistant Director, Energy Programs Manager



## Staff Organization



## Local Government Services

- ABAG POWER
- Bay Area Regional Energy Network (BayREN)
- Bay Trail
- San Francisco Estuary Partnership (SFEP)
- ABAG Finance Authority (FAN/ACFA)

## BayREN

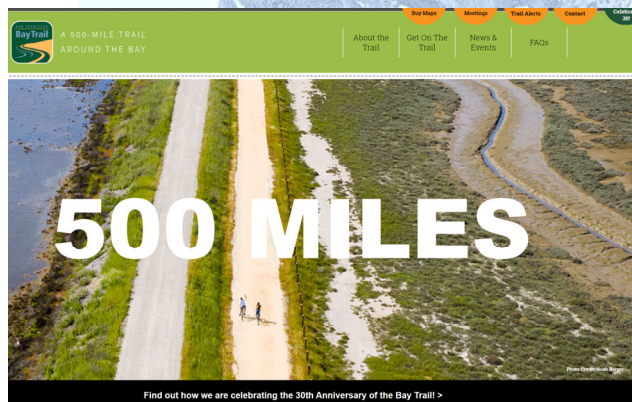
- Single Family
- Multifamily
- Commercial
- Codes and Standards
- Water Bill Savings

**BAYREN**

Local Governments Empowering Our Communities

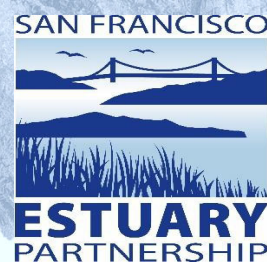
## Bay Trail

- Planned 500-mile walking and cycling path around the entire San Francisco Bay
- 350 miles in place
- Connects communities to parks, open spaces, schools, transit, and each other



## SF Estuary Partnership

- Bolster resilience of ecosystems, shorelines, and communities to climate change
- Improve water quality/quantity of fresh water
- SF Bay Restoration Authority (\$25M/year)
- Champion the Estuary
  - ✓ Annual Conference
  - ✓ NEP Conference



## Advancing California Finance Act (ACFA)

- Low-cost conduit financing services for local needs
  - Focus on affordable housing
- Local knowledge and experience with development challenges means staff can help clients solve problems
- Ease of execution via on-line application process
- ACFA's Success benefits residents/Council of Govts



## Contact

### **Brad Paul**

Deputy Executive Director, Local Government Services

(415) 820-7955

[bpaul@bayareametro.gov](mailto:bpaul@bayareametro.gov)

### **Jennifer Berg**

Assistant Director, Energy Programs Manager

(415) 820-7947

[jberg@bayareametro.gov](mailto:jberg@bayareametro.gov)





# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

---

**File #:** 19-1088      **Version:** 1      **Name:**  
**Type:** Report      **Status:** Informational  
**File created:** 9/11/2019      **In control:** ABAG POWER Board of Directors  
**On agenda:** 10/30/2019      **Final action:**  
**Title:** Staff will report the results of the Natural Gas Program for the 2018-19 Fiscal Year.  
**Sponsors:**  
**Indexes:**  
**Code sections:**  
**Attachments:** [5.a - Staff Report on 2018-19 Gas Program.pdf](#)  
[5.b - Canadian Supply and Transport Update.pdf](#)  
[5.c - Renewable Natural Gas & Related Opportunities.pdf](#)

Date	Ver.	Action By	Action	Result
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**Subject:**  
Staff will report the results of the Natural Gas Program for the 2018-19 Fiscal Year.

**Presenter:**  
Ryan Jacoby

**Recommended Action:**  
Information

**Attachments:** List any attachments.

# ABAG Publicly Owned Energy Resources (ABAG POWER)

## Board of Directors

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October 30, 2019

Agenda Item 5.a.

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### Natural Gas Aggregation Program

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**Subject:** Staff Report on 2018-19 Natural Gas Program

**Background:** Since 2002, the gas program has operated with the dual and often competing goals of cost savings and price stability. This year, ABAG POWER's total rate was 10.5% higher than Pacific Gas and Electric Company's (PG&E) similar rate for small commercial accounts (GMR-1). Due to the levelized billing structure, the program's monthly rates were more stable than PG&E's rates for the year.

During the year, ABAG POWER purchased the entirety of its gas on daily and monthly markets in California, Canada, and Oregon. This blend of short-term gas purchases resulted in a weighted average cost of gas for the year of \$3.18/Dth, an increase of 12% from the prior year. This increase was partially offset due to aggressive withdrawals from gas storage and purchases made in Canada for lower prices than were available domestically.

Natural gas prices were very volatile throughout winter and spring of 2018-19, particularly during November, December, and March:

- Daily prices per dekatherm (Dth) doubled from November (\$3/Dth) to December (\$6/Dth) before peaking at \$17.8/Dth in March, prices not seen in five years, and since the energy crisis before that.
- Prices began to decline later in March, continuing through June to the year's low (\$1.64/Dth).
- The five-year daily average market price at PG&E's Citygate is \$3.19/Dth. PG&E's average rate was \$3.21/Dth during this period.

Staff and the Executive Committee have a firm understanding that an inability to achieve cost savings presents a significant issue for the long-term prospect of the program. The Committee has continued to evaluate and modify the gas purchasing strategy to provide cost savings. Within the past year, efforts have included shifting from fixed-price purchases into the short-term market, entering international purchasing markets, and investigating pipeline capacity brokering.



**ABAG Publicly Owned Energy Resources (ABAG POWER)**

**Board of Directors**

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**October 30, 2019**

**Agenda Item 5.a.**

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**Natural Gas Aggregation Program**

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**Long Term Program Metrics**

The program's average annual savings for the period July 1997 to June 2019 was -0.2%, excluding proceeds (\$557,000) from gas litigation settlement in 2009.

**Discussion Items:**

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.

In recent years, membership surveys have indicated that cost savings is 'very' important to member agencies. However, the survey also revealed that there is not a clear preference towards the goal of price stability over cost savings. Surveys have also indicated significant interest in sustainability initiatives, such as Renewable Natural Gas. The Executive Committee and staff have continued to evaluate the Program's purchasing strategy and program offerings to best maximize the goals of the program and its members.

**Recommended Action:**

The ABAG POWER Board of Directors is requested to review and comment on the discussion items.


**Issues:**

None.

**Attachments:**

Staff Report on 2018-19 Natural Gas Program (Presentation)

**Reviewed:**

  
\_\_\_\_\_  
Brad Paul

# ABAG POWER

Board of Directors Meeting  
Staff Report on Natural Gas Program

Ryan Jacoby  
Program Manager  
October 30, 2019



## History & Services

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- 1 Started in **1996** by the Association of Bay Area Governments (ABAG) and local governments to provide **aggregated electricity and natural gas procurement for municipal facilities**
- 2 In-house billing and customer service, gas purchasing, and transportation
- 3 Program competes against Pacific Gas and Electric Company (PG&E) to provide **lower and more stable rates** for municipal facilities



## Membership & Governance

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### 38 Participating Entities

Each city, county, or special district assigns a voting delegate to the Board of Directors which meets annually

### 7-member Executive Committee

Meets bi-monthly to oversee

- Budget and operations
- Gas purchasing strategy
- Sustainability initiatives
- Regulatory proceedings

### Executive Committee

Chair: Dave Brees, City of Los Altos

Vice Chair: Angela Walton, City of Richmond

### Committee Members

- Chris Schroeder, City of Milpitas
- Dan Schoenholz, City of Fremont
- Diana Oyler, County of Contra Costa
- Doug Williams, City of Santa Rosa
- Misty Mersich/Gilee Corral, City of Cupertino

## Officers and Principal Staff

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Therese W. McMillan  
ABAG/MTC Executive Director



Brian Mayhew  
Chief Financial Officer



Brad Paul  
Deputy Executive Director,  
Local Government Services



Adrienne Weil  
General Counsel



Jennifer Berg  
Assistant Director,  
Energy Programs Manager

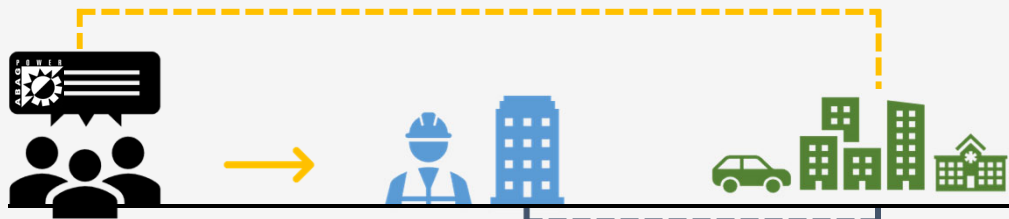


Ryan Jacoby  
Program Manager



Cindy Chen  
Energy Programs Coordinator

## How it Works



### ABAG POWER

- Gas purchasing strategy and transportation to PG&E
- Consolidated billing
- Responsive and helpful customer service

### PG&E

- Owns and maintains transmission and distribution infrastructure
- Provides account data

### PROGRAM PARTICIPANTS

- Receives gas for use in municipal facilities
- Governs ABAG POWER

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## Daily Operations

### Gas Storage Requirements

- CTA/PG&E
- Transitioning to Independent Storage Provider

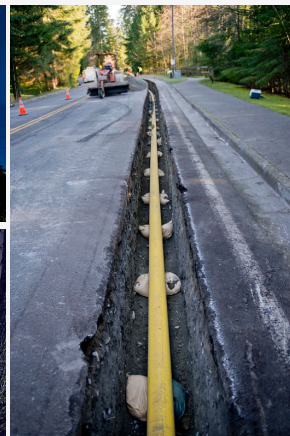
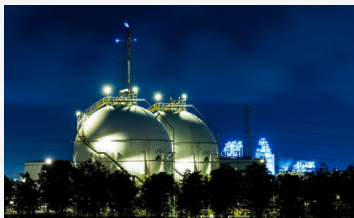
### Scheduling

- Daily and monthly balancing

### Competitive Supply Agreements

- Nine domestic vendors
- Three international vendors

### Usage & Cost Validation



6

## Program Benefits

### Public Ownership

- Trustworthy and transparent
- Adaptable to changing energy landscape

### In-house Customer Service

- Account management & consolidated billing
- Rate analysis

### Regional Program Structure

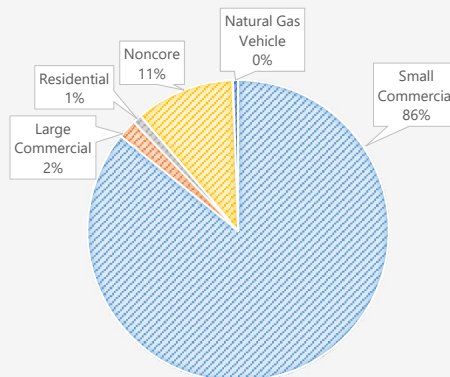
- 38 participating public entities
- Funding opportunities and regulatory involvement



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## Fiscal Year 2018-19 Review

Metric	FY 18-19	FY 2017-18 Comparison
Member Agencies	38	No Change
Core Accounts	768	+1%
Noncore Accounts	3	No Change
Total Usage (therms)	6.74 million	-2%
Core Usage	6.02 million	
Noncore Usage	0.72 million	



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## Fiscal Year 2018-19 Review

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### Significant Program Changes

- ✓ First fiscal year purchasing exclusively in the short-term market
- ✓ Entered international purchasing markets
- ✓ Retirement of Jerry Lahr (December 2018; 18 years of service)

### Annual Rate Comparison

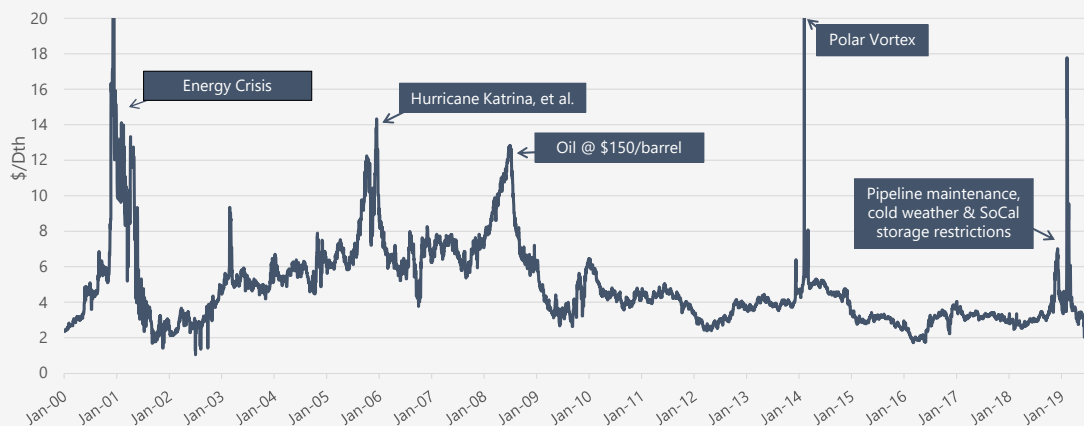
- Rates were more stable than PG&E due to the levelized payment system
- 10% higher relative to PG&E's G-NR1 rate

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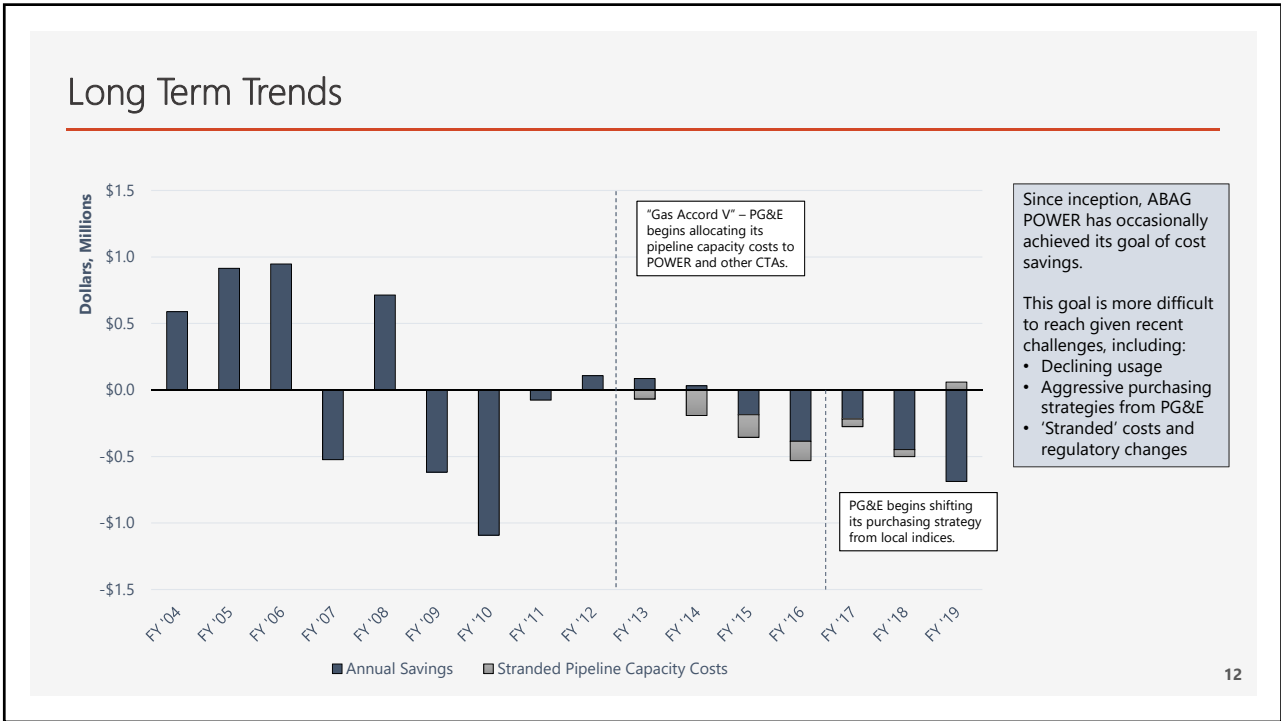
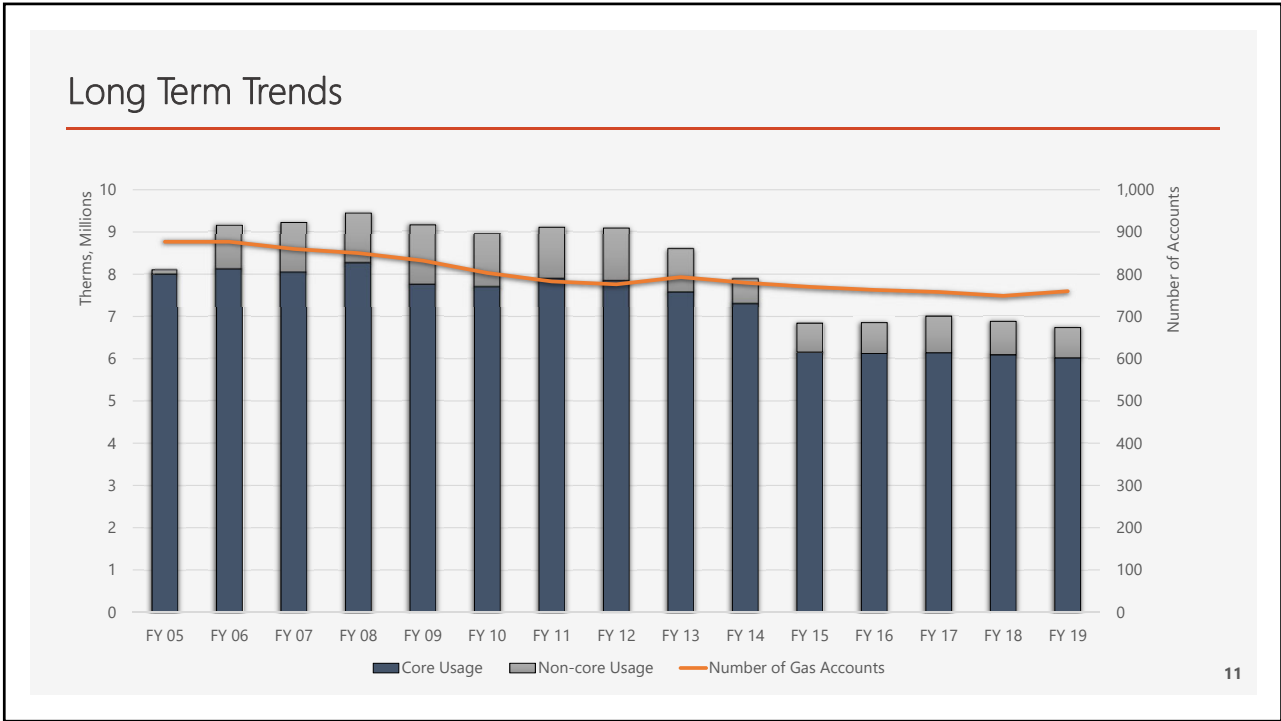
## Local Market Volatility

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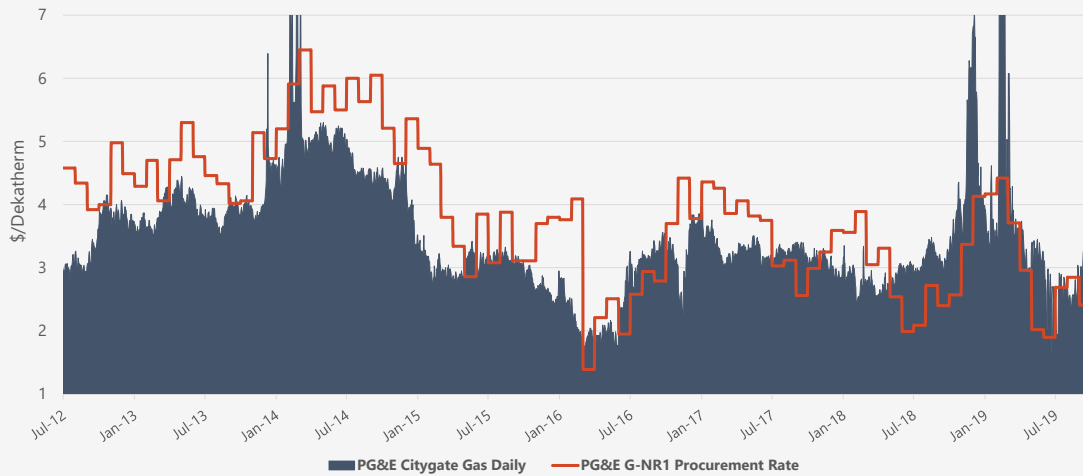
PG&E Citygate – 'Gas Daily' Daily Average



10

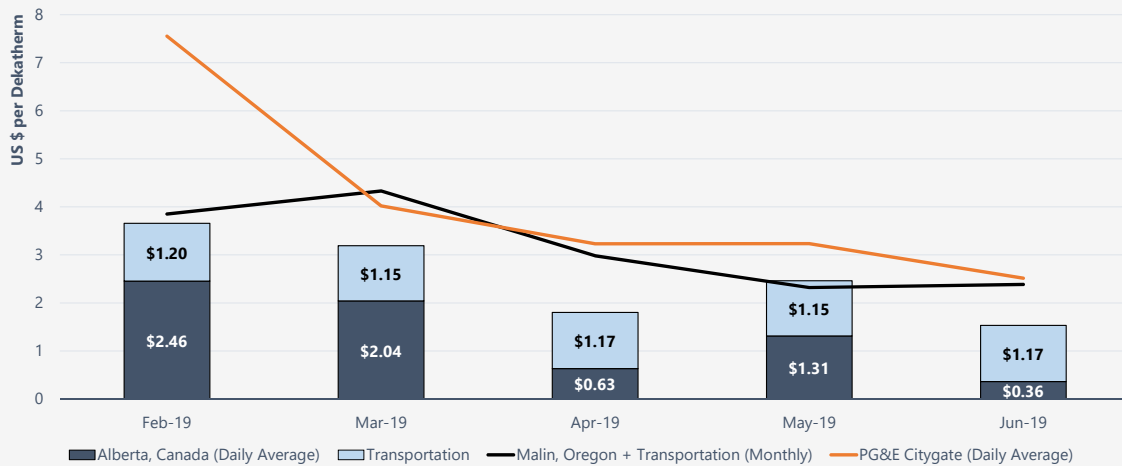


### Daily Index Pricing vs. PG&E's Monthly Procurement Rate



### Canadian Natural Gas Supply & Transportation

#### Price Comparison





## Canadian Natural Gas Supply & Transportation

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### Business Requirements

#### Import & Export Authorization

Alberta's Energy Regulator  
Canada's National Energy Board  
U.S. Department of Energy  
U.S. Customs and Border Protection

#### Licenses

Canadian Business Number  
Goods and Services Tax Account

#### Insurance

Continuous Import Bond & Brokerage

### Transportation & Supply

#### Pipeline Use & Capacity Acceptance Agreements

NOVA Gas Transmission Ltd. (Alberta)  
TransCanada Foothills (British Columbia)  
Gas Transmission Northwest (U.S.)

#### Daily Gas Nominations

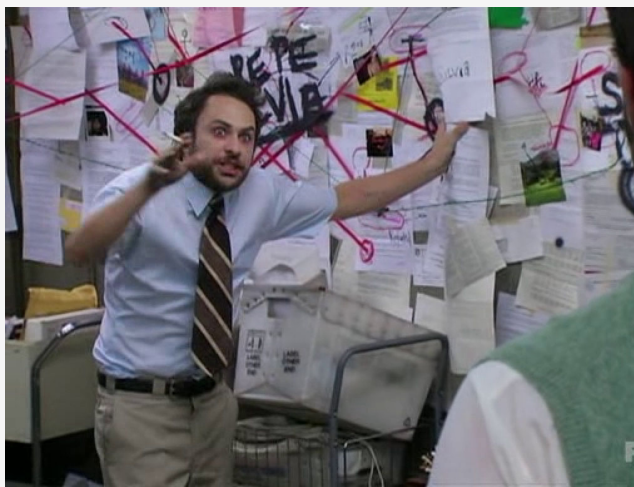
Contract Amendment for Natural Gas Scheduling

#### Market Index Publication

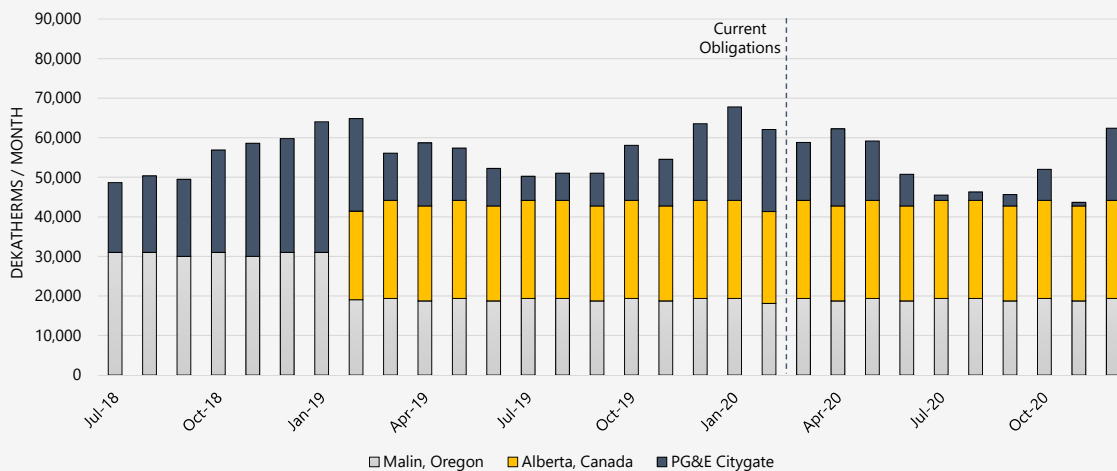
Canadian Enerdata

## Canadian Natural Gas Supply & Transportation

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### Gas Supply by Purchase Location



### Renewable Natural Gas (RNG)



## RNG 101

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- Biogas is a mixture of gases produced by decomposition of organic materials – a naturally occurring process at dairies, landfills, and wastewater treatment plants. Biomethane, or renewable natural gas, is biogas that has been upgraded to meet pipeline injection standards.
- RNG is chemically similar to natural gas but avoids the emissions and processes (drilling, fracking) associated with fossil-based gas extraction.
- Producing RNG from methane that would otherwise escape into the atmosphere is particularly beneficial.

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## RNG - Barriers to Adoption

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- Supply is driven by transportation fuel as petroleum/diesel substitutes
  - Expensive to purchase grid-connected supply
  - Federal and state transportation fuel incentives: RFS & LCFS
  - Limited supply
- Pipeline quality upgrading and interconnection is expensive
  - Often more economical to use RNG for electricity generation (onsite consumption or PPA)
- Policy
  - Decarbonization push
  - RNG uses existing, expensive, and imperfect pipeline and storage infrastructure

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## RNG - Next Steps

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- Continue to monitor supply
- Monitor regulatory proceedings involving interconnection and certification processes
- Examine opportunities for aggregated purchases with similar entities



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## Natural Gas Program Issues and Considerations

INDUSTRY DRIVERS	CHALLENGES	OPPORTUNITIES
Domestic Supply	Fuel Switching	Public Oversight
Global Warming	Pricing	Renewable Natural Gas
Policy	Pipeline Capacity	Transportation Fuel

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## Looking Forward

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- 1 Evaluate and implement additional purchasing strategies to achieve cost savings**
  - ✓ Flexibility to purchase at different receipt points and pipeline paths
  
- 2 Monitor and act on funding and regulatory opportunities**
  - ✓ Renewable natural gas proceedings and procurements
  - ✓ Decarbonization policies

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## Q&A

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# Questions & Comments

Dave Brees  
Chair, Executive Committee  
[dbrees@losaltosca.gov](mailto:dbrees@losaltosca.gov)

Ryan Jacoby  
Program Manager, ABAG POWER  
[rjacoby@bayareametro.gov](mailto:rjacoby@bayareametro.gov)

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# ABAG Publicly Owned Energy Resources (ABAG POWER)

## Board of Directors

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October 30, 2019

Agenda Item 5.b.

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### Natural Gas Aggregation Program

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**Subject:** Canadian Supply and Transportation Update

**Background:** Historically, POWER has been able to compete with Pacific Gas and Electric Company's (PG&E) core procurement price by purchasing gas in California's local markets. Typically, annual purchase requirements have consisted of 25-50% long-term fixed-price contracts, and the remainder purchased on short-term daily or monthly indices.

In early 2013, pursuant to a California Public Utilities Commission (CPUC) decision, PG&E began offering POWER and other Core Transport Agents (CTAs) a pro-rata share of the intra- and interstate pipeline capacity held by PG&E. Every four months, CTAs can elect to accept or reject this capacity. For rejected capacity, PG&E attempts to recover costs through an auction, but POWER retains full cost responsibility.

In recent years, PG&E's purchasing strategy has shifted from local markets to capitalize on low commodity prices in Canada and Texas. Following this change, staff began investigating the use of interstate capacity. In June 2018, in pursuit of cost savings, the Executive Committee authorized entering into necessary agreements and business actions to enable the purchase and transport of natural gas from locations within Canada.

Compared to purchasing on local indices, POWER saved approximately \$24,000 in Canadian markets. Purchasing in international markets also enables the program to avoid a degree of local price volatility.

When entering agreements with Canadian gas suppliers and pipeline companies, POWER is subject to the jurisdiction of Canadian law for these specific transactions. Staff and counsel believe that a dispute developing relative to the business POWER would transact pursuant to the agreements is unlikely. However, should such a dispute develop, it could require retention of Canadian counsel and possible litigating of the dispute in the Canadian court system, which would likely be costly.

**Discussion Items:** Staff expects to continue this purchasing strategy for the foreseeable future, given the relative flexibility of four-month pipeline capacity agreements. In the coming months, staff plans to

**ABAG Publicly Owned Energy Resources (ABAG POWER)**

**Board of Directors**

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**October 30, 2019**

**Agenda Item 5.b.**

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**Natural Gas Aggregation Program**

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analyze additional pipeline capacity offered by PG&E that POWER has historically rejected. Ultimately, without a significant change in market conditions or PG&E's purchasing strategy, the program may need to shift most of its purchases to lower-cost markets to remain cost-competitive with PG&E.

**Recommended Action:** The ABAG POWER Board of Directors is requested to review and comment on the discussion items.

**Issues:** None.

**Attachments:** None.

**Reviewed:**

  
\_\_\_\_\_  
Brad Paul

# ABAG Publicly Owned Energy Resources (ABAG POWER)

## Board of Directors

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October 30, 2019

Agenda Item 5.c.

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### Natural Gas Aggregation Program

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**Subject:** Renewable Natural Gas & Related Program Opportunities

**Background:** In reviewing the goals and services of the program, staff polled program participants in 2014, 2017, and 2018 to determine areas of interest which might add value to ABAG POWER. Energy saving assistance programs, renewable natural gas (RNG)<sup>1</sup>, and web access to reporting have consistently ranked the highest.

#### Renewable Natural Gas

The program currently purchases fossil-based natural gas. Renewable natural gas offers environmental benefits that align with many members' Climate Action Plans, albeit at a higher price than traditional gas. To replace any portion of POWER's existing fossil-based gas purchases, RNG projects must be interconnected to PG&E's pipeline infrastructure rather than using the gas for onsite electricity generation. Through RNG supply, POWER could choose to offer a voluntary program for members to offset their fossil-based usage with varying amounts of RNG.

In August 2018, staff released a Request for Information (RFI) regarding the potential procurement of RNG and natural gas offset products or attributes. The five-question RFI was distributed to fifteen natural gas suppliers and marketers, utility infrastructure consultants, current carbon offset projects, and other industry groups. Review of the two responses were received made clear that:

1. Virtually all the RNG delivered in California is produced outside the state; and,
2. Generally, the current value and development of RNG is driven by the vehicle fuels market under California's Low Carbon Fuel Standard (LCFS) and the federal Renewable Fuel Standard (RFS) programs

There are very few RNG pipeline interconnection projects within PG&E's service territory. Wastewater treatment plants and

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<sup>1</sup> Renewable Natural Gas, or biomethane, is an upgraded, pipeline-quality mixture of biogas produced by the breakdown of organic matter in the absence of oxygen. Biogas can be produced from raw materials such as agricultural waste, manure, municipal waste, plant material, sewage, green waste or food waste.



# ABAG Publicly Owned Energy Resources (ABAG POWER)

## Board of Directors

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October 30, 2019

Agenda Item 5.c.

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### Natural Gas Aggregation Program

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landfills are the municipally-owned facilities most likely to be producing biogas, though it is often more economical to generate electricity or produce compressed RNG for vehicle fuel rather than sell RNG. Since the RFI, staff has continued to stay abreast of industry and regulatory developments.

### Web-based Utility Database Platform

POWER has used the Utility Manager Pro software application for basic utility accounting since 2015. In August 2019, the Executive Committee approved an upgrade to a web-based utility database platform that provides a web interface for unlimited concurrent user licenses. Member agencies will be able to modify their account portfolio, add additional utility (water, refuse, etc.) data, and view customizable usage and cost reports without assistance from staff. This upgrade is expected to be completed by the end of calendar year 2019. Member agencies will be invited to attend a web-based training to learn more about the capabilities of the web-based platform. Technical support for member agencies will be provided by program staff and the contractor.

### Energy Saving Assistance Programs

ABAG POWER does not currently offer an energy saving assistance program, though ABAG did administer an Energy Watch Partnership from 2006 through 2008 and has administered the Bay Area Regional Energy Network (BayREN) since 2012.

### Discussion Items:

One of the primary differences of POWER and PG&E is public ownership. Participants own and operate the pool and have equal voting rights in programmatic decisions. As the state continues to shift away from natural gas use, several opportunities may exist to enable POWER to provide natural gas service while simultaneously aiding member jurisdictions in meeting climate goals.

In June 2019, staff solicited interest from member agencies and related entities to form a working group to discuss natural gas emissions reductions and related initiatives. There was little response to the request.

**ABAG Publicly Owned Energy Resources (ABAG POWER)**

**Board of Directors**

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**October 30, 2019**

**Agenda Item 5.c.**

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**Natural Gas Aggregation Program**

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Since then, conversations with member and non-member jurisdictions have revolved around the following potential program offerings:

- Earmarking a certain amount of annual program savings for members' energy efficiency or fuel switching projects. Projects would be reviewed on an application basis, subject to Committee approval.
- Staff can monitor grant funding opportunities for aggregated methane reduction or energy efficiency projects on behalf of member jurisdictions.

**Recommended Action:** The ABAG POWER Board of Directors is requested to review and comment on the discussion items.

**Issues:** None.

**Attachments:** None.

**Reviewed:**

  
\_\_\_\_\_  
Brad Paul



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

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**File #:** 19-1089      **Version:** 1      **Name:**  
**Type:** Report      **Status:** Committee Approval  
**File created:** 9/11/2019      **In control:** ABAG POWER Board of Directors  
**On agenda:** 10/30/2019      **Final action:**  
**Title:** Staff will present for approval audited financial statements and reports for FY 2018-19  
**Sponsors:**  
**Indexes:**  
**Code sections:**  
**Attachments:** [6.a - POWER FY19 Audit Results.pdf](#)  
[6.b - POWER FY19 Audited Financial Statements and Reports.pdf](#)  
[6.c - POWER FY19 Audited Financial Statements.pdf](#)

Date	Ver.	Action By	Action	Result
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**Subject:**  
Staff will present for approval audited financial statements and reports for FY 2018-19

**Presenter:**  
Arleicka Conley

**Recommended Action:**  
Approval

**Attachments:** List any attachments.



## *Report to the Board of Directors FY 2019 audit results*

ABAG Publicly Owned Energy Resources

October 30, 2019



October 17, 2019

Dear Members of the Board of Directors of ABAG Publicly Owned Energy Resources:

We are pleased to submit our Report to the Board of Directors related to the results of our fiscal year 2019 audit of ABAG Publicly Owned Energy Resources ("POWER" or "Organization"). Our report includes a summary of the results of our audit work and other required communications.

This report has been prepared in advance of your meeting and prior to the completion of our procedures. Other matters of interest to the Board of Directors may arise that we will provide for your attention at your meeting.

Please feel free to contact me at (415) 377-4410 or [ian.fleming@pwc.com](mailto:ian.fleming@pwc.com) with any questions you may have.

Very truly yours,



Ian Fleming  
Engagement Partner

## *Table of contents*

<b>Executive summary</b>	<b>04</b>
<b>Audit results</b>	<b>06</b>
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### **Appendices**

Appendix I - Management representation letter draft

This report and the information that it contains is intended solely for the information and use of the Board of Directors or management, if appropriate, and should not be used by anyone other than these specified parties.



## *Executive summary*

## Executive summary

### Status of our audit

- We have substantially completed our audits of the financial statements of POWER in accordance with accounting principles generally accepted in the United States of America as of and for the year ended June 30, 2019. Pending items include:
  - Keeping current procedures
  - Receipt of signed management representation letter
  - Receipt of final in-house counsel letter and external counsel legal letters
  - Completion of certain audit procedures

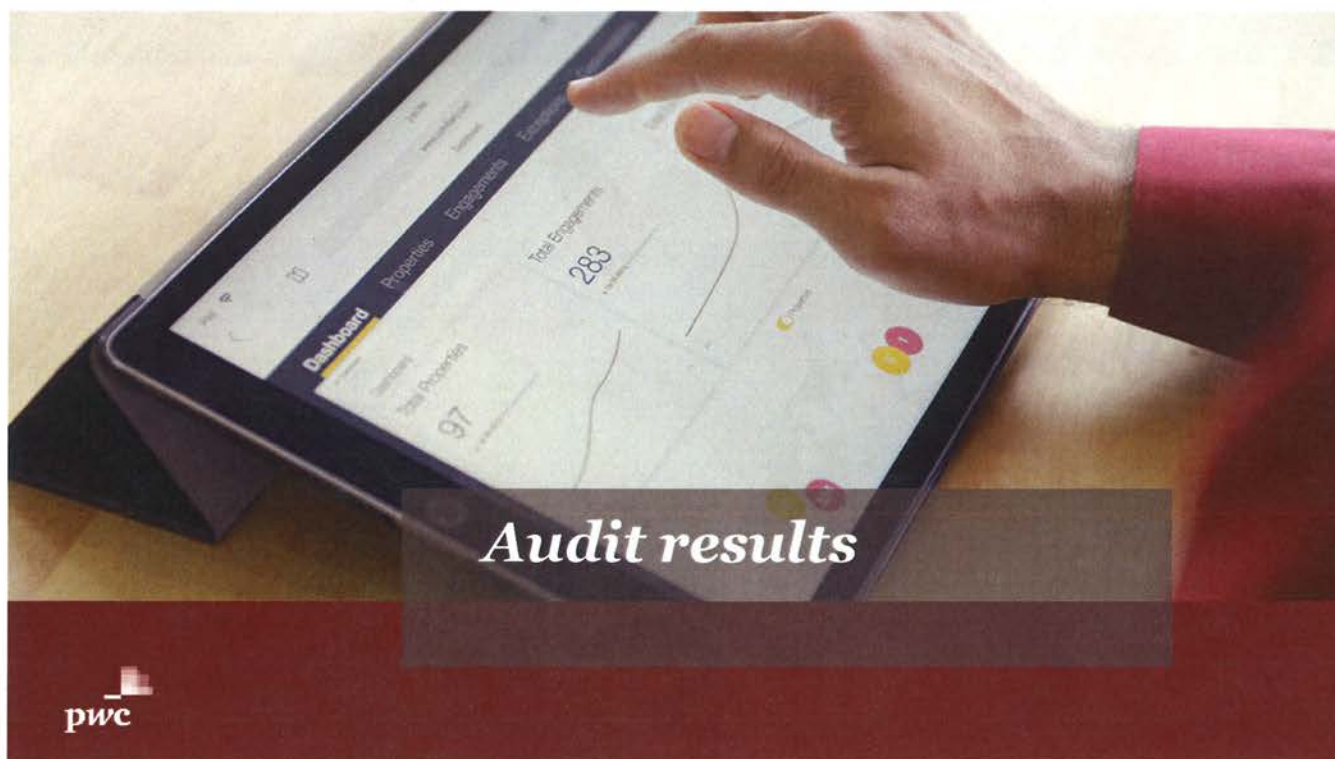
### Identified misstatements, recorded and unrecorded

- There were no identified misstatements as part of the audit.



### Highlights

- Audit has been substantially completed
- We have used final 2019 balances to update preliminary materiality
- Continued independence has been affirmed
- We did not identify any potential or known fraud, irregularities, or illegal acts




## Status of our audit

Remaining items to complete	Significant changes to the audit plan
<p>We are in the process of completing the audit procedures in accordance with our audit plan to address the identified risks.</p> <p>Open items include:</p> <ul style="list-style-type: none"> <li>• Keeping current procedures</li> <li>• Receipt of signed management representation letters</li> <li>• Receipt of final in-house counsel letters and external counsel legal letters</li> <li>• Completion of certain audit procedures</li> </ul> <p>We expect to issue our unmodified report on the financial statements of the Organization on October 24, 2019.</p>	<p>We provided our planned audit approach, including our preliminary risk assessment, and related scoping considerations for FY2019 to the Board on August 26, 2019. Throughout the audit, we continuously evaluated the appropriateness of our audit strategy. There were no further significant changes to the planned audit approach.</p>

## Audit risks and results

### Final audit plan

#### Significant risk

Risk	Significant findings
 Management override of controls – presumed risk under the auditing standards	None to report

## Other required communications

<b>Independence re-evaluation</b>	There were no independence matters that occurred or were identified subsequent to our most recent independence affirmation.
<b>Material uncertainties related to events and conditions (specifically going concern)</b>	We are not aware of any material uncertainties that cast doubt on POWER's ability to continue as a going concern.
<b>Other information in documents containing audited/reviewed financial statements</b>	We did not identify any information that was materially inconsistent with the information in the financial statements.
<b>Disagreements with management</b>	There were no disagreements with management.
<b>Consultation with other accountants</b>	We are not aware of any consultations management has had with other accountants about significant accounting or auditing matters.
<b>Difficulties encountered during the audit</b>	There were no significant difficulties encountered during the audit.
<b>Other material written communications</b>	Appendix I includes a draft of management's representation letter.
<b>Non-compliance with laws and regulations</b>	We did not identify any instances of non-compliance with laws and regulations.
<b>Fraud or illegal acts</b>	We did not identify any potential or known fraud, irregularities, or illegal acts.
<b>Alternative accounting treatments</b>	We did not identify any alternative treatments permissible under US GAAP for accounting policies and practices related to material items, including recognition, measurement, and presentation and disclosure.

## Other required communications

<b>Identified misstatements</b>	There were no identified misstatements as part of the audit.
<b>Control deficiencies</b>	We considered internal controls over POWER's financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of POWER's internal controls. Accordingly, we do not express an opinion on the effectiveness of POWER's internal control. In performing our audit, we identified no material weaknesses.
<b>Departure from standard report</b>	We plan to issue an unmodified audit report.
<b>Other matters</b>	There were no other matters arising from the audit that are significant to the oversight of POWER's financial reporting process.
<b>Quality of the organization's financial reporting</b>	<p>We have performed an evaluation of whether the presentation of the financial statements and the related disclosures are in conformity with the applicable financial reporting framework, including our consideration of the form, arrangement, and content of the financial statements (including the accompanying notes). We did not identify any instances of non conformity.</p> <p>We have evaluated management's anticipated application of accounting pronouncements that have been issued but are not yet effective and might have a significant effect on future financial reporting. We do not have any concerns as a result of our evaluation.</p> <p>We have evaluated the potential effect on the financial statements of significant exposures and risks, and uncertainties, such as pending litigation, that are disclosed in the financial statements. We did not identify any matters with a material potential effect.</p> <p>We have evaluated whether the difference between estimates best supported by the audit evidence and estimates included in the financial statements, which are individually reasonable, indicate a possible bias on the part of POWER management. We did not identify any areas of possible bias.</p>





## ***Appendices***

Appendix I – Management representation letter draft



METROPOLITAN  
TRANSPORTATION  
COMMISSION  
Bay Area Metro Center  
375 Beale Street, Suite 800  
San Francisco, CA 94105  
415.778.6700  
www.mtc.ca.gov

October 23, 2019

PriceWaterhouseCoopers LLP  
3 Embarcadero Center  
San Francisco, CA 94111  
Attn: Filip Nowak

- Mark Gregory, Chair*  
Associate Counsel  
New County and Cities
- Janet Brink*  
Chief of Staff, New County  
New County and Cities
- Doreen M. Gansel*  
Chief of Staff, New County  
New County and Cities
- David M. Gansel*  
Chief of Staff, New County  
New County and Cities
- Robert D. Gansel*  
Chief of Staff, New County  
New County and Cities
- Anna M. Halden*  
The Procurement and  
Development Commission
- Nick Jurgens*  
San Francisco Bay Area  
San Francisco Bay Area
- Sam Edwards*  
San Jose Regional System  
San Jose Regional System
- Jake Madsen*  
Sonoma County and Cities  
Sonoma County and Cities
- Glenn Paine*  
Chief of Staff, Sonoma County  
Sonoma County and Cities
- David Kalkbrenner*  
Association of Bay Area Governments  
Association of Bay Area Governments
- Milley Rose*  
City and County of San Francisco  
City and County of San Francisco
- Lady Salford*  
Oakland Airport System  
Oakland Airport System
- Hilary Stearns*  
San Mateo County  
San Mateo County
- James R. Sperry*  
Solano County and Cities  
Solano County and Cities
- James Stanger*  
U.S. Department of Housing  
and Urban Development  
U.S. Department of Housing  
and Urban Development
- Tim Zhang*  
Transportation Agency  
Transportation Agency
- Ann R. Hild*  
City of Contra Costa  
City of Contra Costa
- Therese W. McMillan*  
Executive Director  
Alameda County
- Debra Kamen, Director, Policy*  
Alameda County
- Andrew R. Brumby*  
Deputy Executive Director  
Alameda County
- Paul Paul*  
Deputy Executive Director  
Alameda County

We are providing this letter in connection with your audits of the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the aggregate remaining fund information and the fiduciary funds of the Metropolitan Transportation Commission Government-wide ("MTC GW") as of and for the years ended June 30, 2019 and 2018 and the related notes to the financial statements, which collectively comprise MTC GW's financial statements for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the aggregate remaining fund information and the fiduciary funds of MTC GW at June 30, 2019 and 2018, and were applicable, the respective changes in financial position and cash flows thereof and for the years then ended in conformity with accounting principles generally accepted in the United States of America.

We are also providing this letter in connection with your audits of the standalone financial statements for MTC GW's discretely presented component unit, Bay Area Headquarters Authority ("BAHA") as of and for the years ended June 30, 2019 and 2018 MTC GW's discretely presented component unit, Bay Area Infrastructure Financing Authority ("BAIFA") for the year ended June 30, 2019 and the related notes to the financial statements which comprise BAHA's and BAIFA's financial statements for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position of BAHA at June 30, 2019 and 2018 and BAIFA at June 30, 2019 and the changes in financial position and cash flows thereof and for the years then ended in conformity and 375 Beale Condominium Corporation (375 Beale Condo) for the year ended June 30, 2019 and the related notes to the financial statements with accounting principles generally accepted in the United States of America.

Further, we are providing this letter in connection with your audits of the Association of Bay Area Governments (ABAG), ABAG Publicly Owned Energy Resources (POWER), and ABAG Finance Authority for Nonprofit Corporations (FAN) for the year ended June 30, 2019 and the related notes to the financial statements which comprise these respective entities' financial statements for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position of the entities at June 30, 2019 and the changes in financial position and cash flows thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We acknowledge and confirm that we have fulfilled our responsibility, as set out in our engagement letters of April 9, 2019, for the preparation and fair presentation in the individual financial statements of financial position, and, where applicable, changes in financial position and cash flows in conformity with generally accepted accounting principles, including the appropriate selection and

application of accounting policies. For the purposes of this letter, the entities above are collectively referred to as "MTC" or "MTC entities".

Certain representations in this letter are described as being limited to those matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement. Materiality used for purposes of this letter is enclosed in Appendix I covered.

We confirm, to the best of our knowledge and belief, as of October 23, 2019, the date of your report, the following representations made to you during your audit(s):

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America ("GAAP"), and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included therein by the laws and regulations to which MTC is subject. We have prepared the financial statements on the basis that the MTC is able to continue as a going concern. There are no conditions or events, considered in the aggregate, that raise substantial doubt about MTC's ability to continue as a going concern within one year after the date the financial statements are available to be issued.
2. We have made available to you:
  - a. All financial records and related data.
  - b. Unconditional access to persons within the entity from whom you have requested audit evidence.
  - c. All minutes of the meetings of the Commission, committees of the Commission, the Boards, and Board committees of the MTC entities and summaries of actions of recent meetings for which minutes have not yet been prepared through the date of this letter. The most recent meetings held were:
    - Metropolitan Transportation Commission - 10/23/2019
    - Administration Committee - 10/09/2019
    - Bay Area Headquarters Authority (BAHA) - 06/26/2019
    - Bay Area Toll Authority (BATA) - 10/23/2019
    - Bay Area Toll Authority (BATA) Oversight Committee - 10/09/2019
    - Bay Area Infrastructure Financing Authority (BAIFA) - 10/23/2019
    - 375 Beale Condo Corporation Board - 05/30/2019
    - Operations Committee - 10/11/2019
    - Programming and Allocations Committee - 10/09/2019
    - ABAG Administrative Committee - 10/11/2019
    - ABAG Executive Board - 09/19/2019
    - ABAG Finance Committee - 09/19/2019
    - ABAG POWER Executive Committee - 08/21/2019
3. We have appropriately reconciled our books and records (e.g., general ledger accounts) underlying the financial statements to their related supporting information (e.g., sub ledger or third-party data). All related reconciling items considered to be material were identified and included on the reconciliations

- and were appropriately adjusted in the financial statements, as necessary. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to an income statement account and vice versa. All intra-entity accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements. The effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation.
4. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices. We have shared with you the Government Finance Officers' Association's comments on MTC GW's financial statements for the fiscal year ended June 30, 2019.
  5. There are no material transactions, agreements or accounts that have not been properly recorded in the accounting records underlying the financial statements.
  6. The effects of the uncorrected financial statement misstatements and out-of-period adjustments summarized in the accompanying schedule Appendix 2 are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
  7. We acknowledge and confirm that we have fulfilled our responsibility, as set out in our engagement letters of April 9, 2019, for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error and we have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware. We have also disclosed to you which of these deficiencies we believe are significant deficiencies or material weaknesses in internal control over financial reporting.
  8. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
  9. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud and we have no knowledge of any fraud or suspected fraud affecting MTC involving:
    - a. Management.
    - b. Employees who have significant roles in internal control over financial reporting, or
    - c. Others where the fraud could have a material effect on the financial statements.
  10. We have no knowledge of any allegations of fraud or suspected fraud affecting MTC received in communications from employees, former employees, analysts, regulators, short sellers, or others. (As to items 8, 9 and 10, we understand the term "Fraud" to mean those matters described in AICPA AU-C 240).
  11. There have been no violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  12. MTC has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
13. We have disclosed to you the identity of the MTC's related parties and all the related party relationships and transactions of which we are aware.
  14. The following, if material, have been properly recorded or disclosed in the financial statements
    - a. Relationships and transactions with related parties, as described in GASB Codification Section 2250 - *Additional Financial Reporting Considerations*, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
    - b. Significant changes in estimates in accordance with GASB Codification Section 2250 - *Additional Financial Reporting Considerations*.
    - c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB 72, *Fair Value Measurement and Application*.
  15. There are no Guarantees, whether written or oral, under which MTC is contingently liable.
  16. MTC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in the financial statements.
  17. Where an allocation estimate is used to recognize assets for construction/capital work in process, management has ensured the underlying assumptions, methods, procedures and the source and reliability of supporting data are reasonable and based on applicable guidance. The procedures and methods utilized in developing assumptions, estimates and judgments are appropriate and have been consistently applied in the periods presented. Any change in allocation in the current year was as a result of new facts and circumstances not previously known and as such was accounted for as a change in estimate.
  18. MTC has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
  19. Receivables recorded in the financial statements represent bona fide claims against debtors for sales or other charges arising on or before the balance sheet dates and are not subject to discount except for normal cash discounts. Receivables classified as current do not include any material amounts which are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable values.
  20. We have not violated any covenants of our debt instruments during any of the periods presented, and we disclosed to you all covenants and information related to how we determined compliance with the covenants.
  21. We are responsible for all significant estimates and judgments affecting the financial statements. Significant estimates and judgments and their underlying assumptions, methods, procedures and the source and reliability of supporting data are reasonable and based on applicable guidance, are completely and appropriately disclosed in the financial statements, and appropriately reflect management's intent and ability to carry out specific courses of action, where relevant. The procedures and methods utilized in developing assumptions, estimates and judgments are appropriate and have been consistently applied in the periods presented. There have been no subsequent events which would require the adjustment of any significant estimate and related disclosures.

22. MTC has no unpaid claims of risks not covered by an insurer that should either be recorded as a liability or reported as a contingency.
23. Expenditure by external transit agencies is an eligibility requirement of the AB664 fund.
24. The Service Authority for Freeways and Expressways ("SAFE") revenue is a fee and not a tax and therefore this entity is appropriately classified as an enterprise fund.
25. Management has determined in consultation with counsel that the contract between the Bay Area Toll Authority ("BATA") and the patron for prepaid FastTrak toll monies establishes a legal restriction on the use of the patron's monies such that the monies may not be used by BATA for operating purposes.
26. Management has determined in conclusion with counsel that the contract between BATA and the Golden Gate Bridge Highway and Transportation District relating to the collection of FastTrak toll monies establishes a legal restriction on the use of the monies such that the monies may not be used by BATA for operating purposes.
27. The Memorandum of Understanding Regarding the Operation and Maintenance of Clipper Fare Collection System ("MOU") is a validly executed arrangement and is the basis by which MTC and the parties to the MOU are operating the Clipper Fare Collection System.
28. Management has concluded that the nature of ABAG membership dues is a fee charged to external users for goods or service. As such, ABAG is considered an enterprise fund.
29. Management has concluded that in consideration of the GASB Codification 2100 - *Defining the financial reporting entity*, ABAG, 375 Beale Condo, are not considered component units of MTC GW. Additionally, POWER, FAN and the San Francisco Bay Restoration Authority are not considered to be component units of ABAG.
30. We have appropriately implemented the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). We concluded that it was not practical, as defined by GASB 75, to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to OPEB for the prior periods presented.
31. We have concluded that OPEB Plan Assets held in a trust are not considered to be a Fiduciary Fund. We conclude that we have no financial accountability for the plan assets per the provisions of GASB Statement No. 14 *The Financial Reporting Entity*.
32. Management has followed applicable laws and regulations in adopting, approving, and amending budgets.
33. The financial statements of MTC properly classify all funds and activities.
34. The financial statements of MTC include all component units and properly disclose all other related organizations.
35. All funds that meet the quantitative criteria in GASB Codification Section 2200 - *Comprehensive Annual Financial Report*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered to be important to financial statement users, and therefore presented accordingly.
36. Net position components (restricted, assigned, committed, unassigned, nonexpendable, invested in capital assets, net of related debt, and unrestricted and fund balance reserves and designations) are properly classified and, if applicable, approved.
37. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities and the statement of revenues, expenses and changes in fund balances/net position, and allocations have been made on a reasonable basis.
38. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
39. Deposits and investment securities are properly classified in a category of custodial credit risk.
40. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
41. We acknowledge our responsibility for the presentation of the *Required Supplementary Information, Other Supplementary Information, and Statistical Section* in accordance with prescribed guidelines. We believe such information, including its form and content, is fairly presented in accordance with applicable criteria, including those required by GASB. The methods of measurement or presentation have not changed from those used in the prior period. We have informed you about any significant assumptions or interpretations underlying the measurement or presentation of the information.
42. Assets and liabilities required to be measured at fair value were measured both on a recurring and nonrecurring basis at fair value in accordance with GASB Statement No. 72, Fair value measurement and application. The valuation was determined using an acceptable methodology applied on a consistent basis and taking into account reasonable assumptions, including highest and best use, non-performance risk and credit and liquidity risk adjustments. We classified and disclosed financial assets and liabilities in the financial statements as Level 1, Level 2 and Level 3 in accordance with GASB 72, including a description of inputs and information used to develop valuation techniques.
43. Special items are appropriately classified and reported.
44. Tax-exempt bonds issued have retained their tax-exempt status.
45. The actuarial valuations of the Miscellaneous Plan of Metropolitan Transportation Commission, MTC's defined-benefit other post-employment benefits healthcare plan obligations, and all other MTC pension and OPEB plans were determined using acceptable methodologies applied on a consistent basis and taking into account the individual characteristics of the plans and reasonable assumptions, including those for the discount rates, rates of return on plan assets, mortality rates and other demographic assumptions.
46. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
47. We are responsible for establishing and maintaining effective internal controls over financial reporting.
48. We are responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

- 49. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
  - 50. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements, and any other instances that warrant the attention of those charged with governance.
  - 51. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts.
  - 52. We have identified and disclosed to you all instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements.
  - 53. We are responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
  - 54. We acknowledge our responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
  - 55. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you report.
  - 56. We have a process to track the status of audit findings and recommendations.
  - 57. We have identified for you previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
  - 58. We have provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
  - 59. We acknowledge our responsibilities as they relate to nonaudit services performed by you and assume all management responsibilities. We oversee the services by designating an individual within senior management who possesses suitable skills, knowledge, or experience and we evaluate the adequacy and results of the services performed. We accept responsibility for the results of the services.
- With respect to the federal awards program applicable to MTC entities
- I. We are responsible for complying, and have complied, with the requirements of the Uniform Guidance.
  - II. We are responsible for understanding and complying with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs.
  - III. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on our federal programs.

- IV. We acknowledge and understand our responsibility for the presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance and we believe such information, including its form and content, is fairly presented in accordance with the Uniform Guidance. We have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance. The methods of measurement or presentation have not changed from those used in the prior period. We have informed you about any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.
- V. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit.
- VI. We have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- VII. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
- VIII. We have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards or stated that there was no such noncompliance.
- IX. We believe that we have complied with the direct and material compliance requirements.
- X. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- XI. We have provided to you our interpretations of any compliance requirements that are subject to varying interpretations.
- XII. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- XIII. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- XIV. We are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

XV. We have disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affected noncompliance during the reporting period.

XVI. We have disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by your report or we have stated that there were no such known instances.

XVII. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.

XVIII. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

XIX. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

XX. We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.

XXI. We have issued management decisions for audit findings that relate to federal awards we make to subrecipients and that such management decisions are issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient from us.

XXII. We have considered the results of subrecipient audits and have made any necessary adjustments to our own books and records.

XXIII. We have charged costs to federal awards in accordance with applicable cost principles.

XXIV. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance.

XXV. The reporting package does not contain protected personally identifiable information.

XXVI. We have accurately completed the appropriate sections of the data collection form.

XXVII. We have disclosed all contracts or other agreements with service organizations.

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Therese W. McMillan – Executive Director

Brian Mayhew – Chief Financial Officer

Arleicka Conley – Section Director, Finance & Accounting

Debbie Amajia – Assistant Director, Financial Reporting

Suzanna Bode – Assistant Director, Accounting Manager

Appendix 1

Materiality Levels

Fund Name	Materiality (\$)
MTC General	160,000
AB 664	183,000
STA	489,000
Rail Reserves	41,000
BART Car Exchange	395,000
MTC Non Major	26,000
Gov Activities / Fund 299 (A)	774,000
BATA	849,000
Clipper	97,000
SAFE	25,000
BAHA	238,000
BAIFA	20,000
TDA / AB1107 / Clipper	524,000
ABAG	63,000
ABAG Non Major	5
POWER	15,000
FAN	2,500
375 Beale Condo Corporation	9,000

Appendix 2

Preliminary SUM Items					
Funds affected					
FY 2019 SUM Entries - Business Type:					
Entries	Reason	BATA	Clipper	SAFE	Business-Wide
DR/CR Operating Expenses	To correct expenses pertaining to FY 2019 that were not booked	\$ 2,989,335	\$ 354,289	\$ 1,982	\$ 3,345,606
CR/DR Accounts Payable		\$ 2,989,335	\$ 354,289	\$ 1,982	\$ 3,345,606
<b>Total of Prior Year out-of-period adjustments:</b>					
Entries	Reason	BATA	Clipper	SAFE	Business-Wide
DR/CR Income statement	To correct transactions pertaining to FY2018 that were subsequently booked in FY2019.	\$ (1,995,583)	\$ -	\$ -	\$ (1,995,583)
<b>Net P/L Impact of Uncorrected Misstatements (rollover):</b>		<b>\$ 993,752</b>	<b>\$ 354,289</b>	<b>\$ 1,982</b>	<b>\$ 1,350,023</b>

Financial Statements Metrics:

Operating Revenues	\$ 751,563,073	\$ 20,973,240	\$ 6,865,827	\$ 779,402,140
Operating Expenses	\$ 174,407,488	\$ 36,954,965	\$ 12,892,398	\$ 224,254,851
Non-operating Revenues (Expenses)	\$ (680,257,479)	\$ 1,483,873	\$ 8,560,941	\$ (670,212,665)
Transfers	\$ (32,663,071)	\$ 19,821,933	\$ (9,086,669)	\$ (21,927,807)
Change in Net Position	\$ (135,764,965)	\$ 5,321,081	\$ (6,552,299)	\$ (136,996,183)
Total current assets	\$ 1,099,688,305	\$ 25,367,508	\$ 25,698,335	\$ 1,150,754,148
Total non-current assets	\$ 1,721,198,518	\$ -	\$ 687,688	\$ 1,721,886,206
Total Deferred Outflows	\$ 810,715,055	\$ 1,248,219	\$ 385,135	\$ 812,348,409
Total current liabilities	\$ 428,812,757	\$ 7,981,285	\$ 4,786,670	\$ 441,580,712
Total non-current liabilities	\$ 10,054,591,322	\$ 2,085,597	\$ 850,250	\$ 10,057,327,169
Total Deferred Inflows	\$ 1,451,326	\$ 351,557	\$ 108,472	\$ 1,911,355
Total Net Position	\$ (6,853,253,527)	\$ 16,197,288	\$ 21,225,766	\$ (6,815,830,473)

Preliminary SUM Items								
Funds affected								
FY 2019 SUM Entries - Governmental Funds:								
Entries	Reason	MTC General	AB664	STA	Rail Reserves	BART Car	Non-Major	GW
DR/CR Operating Expenses	To correct expenses pertaining to FY 2019 that were not booked	\$ 868,838	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 868,838
CR/DR Accounts Payable		\$ 868,838	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 868,838
Total of Prior Year out-of-period adjustments:								
Entries	Reason	MTC General	AB664	STA	Rail Reserves	BART Car	Non-Major	GW
DR/CR Income statement	To correct transactions pertaining to FY2018 that were subsequently booked in FY2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net P/L Impact of Uncorrected Misstatements (rollovers)</b>		<b>\$ 868,838</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 868,838</b>

**Financial Statements Metrics:**

Total Revenues	\$ 77,536,629	\$ 4,192,220	\$ 286,229,668	\$ 938,799	\$ 9,346,208	\$ 13,309,868	\$ 397,168,572
Total Expenditures	\$ 100,174,058	\$ 35,536,285	\$ 282,821,306	\$ 3,883,877	\$ 4,421	\$ 13,824,948	\$ 418,048,895
Total Assets	\$ 67,936,468	\$ 183,493,988	\$ 148,714,828	\$ 41,717,764	\$ 395,254,870	\$ 89,873,338	\$ 927,011,254
Total Deferred Outflows	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ 21,927,941	\$ 30,192,365	\$ 84,051,145	\$ 5,036,283	\$ 4,420	\$ 4,839,876	\$ 126,070,628
Total Deferred Inflows	\$ -	\$ 160,453,783	\$ -	\$ 120,079,644	\$ -	\$ 38,088,729	\$ 327,624,156
Total Fund Balance	\$ 67,936,468	\$ (7,152,160)	\$ 84,663,683	\$ (97,418,181)	\$ 395,254,870	\$ 46,944,731	\$ 493,249,431

Preliminary SUM Items				
Funds affected				
FY 2019 SUM Entries - Fiduciary Funds:				
Entries	Reason	Fiduciary	BAHA	BAIFA
DR/CR Operating Expenses	To correct expenses pertaining to FY 2019 that were not booked	\$ 1,671,010	\$ 7,829	\$ 91,798
CR/DR Accounts Payable		\$ 1,671,010	\$ 7,829	\$ 91,798

**Financial Statements Metrics:**

Operating Revenues	\$ -	\$ 9,970,433	\$ 13,672,704
Operating Expenses	\$ -	\$ 12,534,773	\$ 7,341,837
Non-operating Revenues (Expenses)	\$ -	\$ (3,835,916)	\$ (2,645,079)
Transfers	\$ -	\$ 3,165,421	\$ -
Change in Net Position	\$ -	\$ (3,234,835)	\$ 3,685,788
Total current assets	\$ 262,300,367	\$ 29,468,300	\$ 14,761,837
Total non-current assets	\$ -	\$ 209,280,957	\$ 3,392
Total Deferred Outflows	\$ -	\$ 232,178	\$ 327,919
Total current liabilities	\$ 262,300,367	\$ 4,932,820	\$ 3,214,426
Total non-current liabilities	\$ -	\$ 375,652	\$ 100,357
Total Deferred Inflows	\$ -	\$ 65,394	\$ 143,583
Total Net Position	\$ -	\$ 233,607,569	\$ 11,634,782



Preliminary SUM Items						
Funds affected						
FY 2019 SUM Entries - Business Type:						
Entries	Reason	BATA	Clipper	SAFE	Business-Wide	
DR/CR Operating Expenses	To correct expenses pertaining to FY 2019 that were not booked	\$ 2,738,125	\$ 82,115	\$ 1,982	\$ 2,822,222	
CR/DR Accounts Payable		\$ 2,738,125	\$ 82,115	\$ 1,982	\$ 2,822,222	
<b>Total of Prior Year out-of-period adjustments:</b>						
DR/CR	Reason	BATA	Clipper	SAFE	Business-Wide	
Income statement	To correct transactions pertaining to FY2018 that were subsequently booked in FY2019.	\$ (1,995,583)	\$ -	\$ -	\$ (1,995,583)	
<b>Net P/L Impact of Uncorrected Misstatements (rollover):</b>		\$ 742,542	\$ 82,115	\$ 1,982	\$ 826,639	

**Financial Statements Metrics:**

Operating Revenues	\$ 751,563,073	\$ 20,973,240	\$ 6,865,827	\$ 779,402,140
Operating Expenses	\$ 174,407,488	\$ 36,954,965	\$ 12,892,398	\$ 224,254,851
Non-operating Revenues (Expenses)	\$ (680,257,479)	\$ 1,483,873	\$ 8,560,941	\$ (670,212,665)
Transfers	\$ (32,663,071)	\$ 19,821,933	\$ (9,086,669)	\$ (21,927,807)
Change in Net Position	\$ (135,764,965)	\$ 5,321,081	\$ (6,552,299)	\$ (136,996,183)
Total current assets	\$ 1,099,688,305	\$ 25,367,508	\$ 25,698,335	\$ 1,150,754,148
Total non-current assets	\$ 1,721,198,518	\$ -	\$ 687,688	\$ 1,721,886,206
Total Deferred Outflows	\$ 810,715,055	\$ 1,248,219	\$ 385,135	\$ 812,348,409
Total current liabilities	\$ 428,812,757	\$ 7,981,285	\$ 4,786,670	\$ 441,580,712
Total non-current liabilities	\$ 10,054,591,322	\$ 2,085,597	\$ 650,250	\$ 10,057,327,169
Total Deferred Inflows	\$ 1,451,326	\$ 351,557	\$ 108,472	\$ 1,911,355
Total Net Position	\$ (6,853,253,527)	\$ 16,197,288	\$ 21,225,766	\$ (6,815,830,473)

Preliminary SUM Items								
Funds affected								
FY 2019 SUM Entries - Governmental Funds:								
Entries	Reason	MTC General	AB664	STA	Rail Reserves	BART Car	Non-Major	GW
DR/CR Operating Expenses	To correct expenses pertaining to FY 2019 that were not booked	\$ 336,760	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 336,760
LN/UN Accounts Payable		\$ 336,760	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 336,760
<b>Total of Prior Year out-of-period adjustments:</b>								
DR/CR	Reason	MTC General	AB664	STA	Rail Reserves	BART Car	Non-Major	GW
Income statement	To correct transactions pertaining to FY2018 that were subsequently booked in FY2019.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net P/L Impact of Uncorrected Misstatements (rollover):</b>		\$ 336,760	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 336,760

**Financial Statements Metrics:**

Total Revenues	\$ 77,556,629	\$ 4,392,220	\$ 286,026,668	\$ 938,799	\$ 9,146,008	\$ 13,209,866	\$ 391,168,192
Total Expenditures	\$ 100,174,058	\$ 35,356,285	\$ 292,823,306	\$ 5,689,677	\$ 4,421	\$ 13,824,948	\$ 418,048,895
Total Assets	\$ 67,936,468	\$ 143,493,888	\$ 148,714,828	\$ 41,717,264	\$ 395,254,870	\$ 89,871,336	\$ 977,011,254
Total Deferred Outflows	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ 21,927,941	\$ 30,190,385	\$ 84,051,145	\$ 2,016,381	\$ 4,420	\$ 4,839,876	\$ 126,070,864
Total Deferred Inflows	\$ -	\$ 140,453,783	\$ -	\$ 129,079,644	\$ -	\$ -	\$ 327,624,136
Total Fund Balance	\$ 67,936,468	\$ (7,152,160)	\$ 64,663,683	\$ (92,418,161)	\$ 395,254,870	\$ 46,944,711	\$ 495,249,431

Preliminary SUM Items  
Funds affected

**FY 2019 SUM Entries - Fiduciary Funds:**

Entries	Reason	Fiduciary	BAHA	BAIFA
DR/CR Operating Expenses	To correct expenses pertaining to FY 2019 that were not booked	\$ 1,568,846	\$ 7,829	\$ 91,798
CR/DR Accounts Payable		\$ 1,568,846	\$ 7,829	\$ 91,798

**Financial Statements Metrics:**

Operating Revenues	\$ -	\$ 9,970,433	\$ 13,672,704
Operating Expenses	\$ -	\$ 12,534,773	\$ 7,341,837
Non-operating Revenues (Expenses)	\$ -	\$ (3,835,916)	\$ (2,645,079)
Transfers	\$ -	\$ 3,165,421	\$ -
Change in Net Position	\$ -	\$ (3,234,835)	\$ 3,685,788
<b>Total current assets</b>	\$ 262,300,367	\$ 29,468,300	\$ 14,761,837
<b>Total non-current assets</b>	\$ -	\$ 209,280,957	\$ 3,392
<b>Total Deferred Outflows</b>	\$ -	\$ 232,178	\$ 327,919
<b>Total current liabilities</b>	\$ 262,300,367	\$ 4,932,820	\$ 3,214,426
<b>Total non-current liabilities</b>	\$ -	\$ 375,652	\$ 100,357
<b>Total Deferred Inflows</b>	\$ -	\$ 65,394	\$ 143,583
<b>Total Net Position</b>	\$ -	\$ 233,607,569	\$ 11,634,782

# ABAG Publicly Owned Energy Resources (ABAG POWER)

## Board of Directors

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October 30, 2019

Agenda Item 6.b.

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### ABAG POWER Fiscal Year 2019 Audited Financial Statements and Reports

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**Subject:** ABAG POWER Audited Financial Statements and Reports for Fiscal Year (FY) 2018-19

**Background:** Pursuant to ABAG POWER's Bylaws and State law, an independent audit firm performs an annual financial audit and an opinion is issued on POWER's financial position as of June 30 of each year. The Financial Statements are for the period ended June 30, 2019. POWER received an unmodified opinion, which means there are no significant deficiency or material weakness in financial controls.

The ABAG POWER Financial Statements (separately enclosed) are comprised of several sections:

#### **Report of Independent Auditors**

This section has the independent auditors' report which includes the auditors' opinion on the presentation of the accompanying financial statements from PricewaterhouseCoopers, LLP.

#### **Management Discussion and Analysis**

This section includes Management's Discussion and Analysis (MD&A), which is managements' overview of POWER's financial position, identification of any major issues and projections for the future.

#### **Basic Financial Statements**

This section includes actual financial statements and note disclosures.

**Discussion Items:** The MD&A section of the Financial Statements discloses management's perspective on the financial position of POWER for FY 2018-19. Financial highlights include:

- 38 cities, counties, and special districts are participants in POWER.
- Total gas usage for FY 2018-19 decreased by approximately 0.2 million therms in comparison to the prior year.

**ABAG Publicly Owned Energy Resources (ABAG POWER)**

**Board of Directors**

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**October 30, 2019**

**Agenda Item 6.b.**

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**ABAG POWER Fiscal Year 2019 Audited Financial Statements and Reports**

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- In FY 2018-19 gas true-up adjustments resulted in \$83,503 refund that will be returned to participating members (see page 7 unearned revenue).

**Recommended Action:** The ABAG POWER Board of Directors is requested to receive a presentation from Arleicka Conley, Section Director, Finance and Accounting, on the ABAG POWER Audited Financial Statements for FY 2018-19 and approve as presented the financial statements and accompanying reports.

**Issues:** None.

**Attachments:** ABAG POWER FY 2018-19 Financial Statements

**Reviewed:**

  
\_\_\_\_\_  
Brad Paul

**ABAG POWER**  
**Publicly Owned Energy Resources**

**Financial Statements**  
**For the Year Ended June 30, 2019**



**ABAG Publicly Owned Energy Resources**

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**For the Year Ended June 30, 2019**

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### **Report of Independent Auditors**

To the Members of the Executive Committee of  
ABAG Publicly Owned Energy Resources:

We have audited the accompanying financial statements of ABAG Publicly Owned Energy Resources (“POWER”), which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended.

#### ***Management’s Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors’ Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to POWER’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of POWER’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABAG Publicly Owned Energy Resources as of June 30, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

The accompanying management's discussion and analysis ("MD&A") on pages 3 through 6 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***DRAFT***

San Francisco, California  
Month XX, 2019

**ABAG Publicly Owned Energy Resources  
Financial Statements as of June 30, 2019  
Management's Discussion and Analysis (unaudited)**

---

**Management's Discussion and Analysis**

ABAG Publicly Owned Energy Resources (POWER) has prepared its financial report for the fiscal year ending June 30, 2019. This Management's Discussion and Analysis (MD&A) provides an overview of POWER's financial activities during the fiscal year and should be read in conjunction with the financial statements and the notes which follow.

**A. Financial Highlights**

1. Total gas usage during fiscal year 2018-19 was approximately 6.74 million therms, which was a decrease of approximately 0.2 million therms compared to fiscal year 2017-18.
2. POWER's current strategy for purchasing natural gas, revised in fiscal year 2017-18, consists exclusively of short-term, index-based purchases at three market locations.
3. POWER serves a total of 768 core accounts and three non-core accounts as of June 30, 2019
4. In fiscal year 2019 there was an excess of revenues over expenses in the amount of \$83,503, which will be returned to the members as true-up adjustments in billings during the next fiscal year.

**B. Overview of the POWER Financial Statements**

POWER's financial statements include *Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows*. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

The *Statement of Net Position* report assets, liabilities and the difference as net position. The *Statement of Revenues, Expenses, and Changes in Net Position* consist of operating revenues and expenses and non-operating revenues and expenses. *Statement of Cash Flows* is presented using the direct method.

The *Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows* are presented on pages 7 – 9 of this report.

**ABAG Publicly Owned Energy Resources  
Financial Statements as of June 30, 2019  
Management's Discussion and Analysis (unaudited)**

---

**C. Financial Analysis**

Statement of Net Position

The following table is a summary of POWER's statement of net position as of June 30 for the last two fiscal years:

	2019	2018
<b>Assets</b>		
Cash and investments	\$ 2,051,063	\$ 2,451,264
Receivables	395,569	313,881
Prepaid items	4,389	-
Natural gas inventory	37,344	107,967
Total assets	2,488,365	2,873,112
<b>Liabilities</b>		
Current liabilities	487,580	872,327
Noncurrent liabilities	2,000,785	2,000,785
Total liabilities	2,488,365	2,873,112
Net position	\$ -	\$ -

Cash and investments decreased by \$400,202 from fiscal year 2018 to fiscal year 2019. The decrease was due to larger monthly expenses throughout the year, caused by high market prices for gas, and the disbursement of fiscal year 2018's true-up to members.

Receivables increased by \$81,688 in fiscal year 2019. The increase in receivable was primarily due to larger outstanding invoices compared to fiscal year 2018; additionally, fiscal year 2019 adjustment for year-end gas imbalance resulted in an increase of \$32,779 in receivable.

The value of natural gas in storage decreased by \$70,623 in fiscal year 2019 compared to fiscal year 2018. The decrease in inventory was caused by both a significant decrease in quantity of gas, from 36,073 Dth to 19,996 Dth, and a decrease in value per dekatherm, from \$2.993 to \$1.868 enabled by lower-priced Canadian gas.

Compared to fiscal year 2018, total liabilities decreased by \$384,747, entirely due to a decrease in current liabilities. POWER had a fewer outstanding vendor invoices and a comparatively small true-up payable to members. Non-current liabilities, representing working capital deposits from members, remain unchanged from fiscal year 2018 because there was no change in the membership.

POWER's financial reporting model reflects all surpluses and deficits as liabilities to or receivables from its members, therefore the net position remained at zero on June 30, 2019.

**ABAG Publicly Owned Energy Resources  
Financial Statements as of June 30, 2019  
Management's Discussion and Analysis (unaudited)**

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*Statement of Revenues, Expenses, and Changes in Net Position*

The following table is a summary of POWER's statement of revenues, expenses, and changes in net position for the last two fiscal years ended June 30:

	2019	2018
<b>Operating revenue</b>		
Sale of natural gas & other revenue	\$ 7,538,287	\$ 6,777,496
Total operating revenue	<u>7,538,287</u>	<u>6,777,496</u>
<b>Operating expenses</b>		
Cost of natural gas & PG&E passthrough	7,152,323	6,414,948
Salaries and benefits	211,016	208,208
Professional fees	107,408	75,697
Other expenses	123,757	108,615
Total operating expenses	<u>7,594,504</u>	<u>6,807,468</u>
<b>Operating loss</b>	(56,217)	(29,972)
<b>Nonoperating revenue</b>		
Interest income	56,217	29,972
Total nonoperating revenue	<u>56,217</u>	<u>29,972</u>
Changes in net position	-	-
Net position - beginning	-	-
Net position - ending	<u>\$ -</u>	<u>\$ -</u>

Total operating revenues increased by \$760,791 in fiscal year 2019 as a result of an increase in revenue associated with the sale of natural gas. The operating budget was revised in February 2019 to account for higher than anticipated market prices for natural gas, causing a corresponding increase in members' monthly invoices. The increase in billed amounts became effective on March 1, 2019.

Total operating expenses increased by \$787,036 in fiscal year 2019 compared to fiscal year 2018. The comparatively high market price for natural gas, and increase in PG&E's pass-through costs were the primary contributors to the overall increases in operating expenses, representing \$737,375 or 93.69% of total increased expenses. The increase in professional fees is the result of higher audit fees.

The nonoperating revenue was \$56,217 in fiscal year 2019, an increase of \$26,245 due to higher interest rates for cash held in the LAIF account.

**D. Notes to the Financial Statements**

The notes to the financial statements, beginning on page 10, provide additional information essential to a full understanding of the data provided in this MD&A and the financial statements that follow.

**ABAG Publicly Owned Energy Resources**  
**Financial Statements as of June 30, 2019**  
**Management's Discussion and Analysis (unaudited)**

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**E. Economic Factor and Program Outlook for Fiscal Year 2020**

POWER's futures contracts gas prices expects to remain in the \$3.00 - \$3.50/Dth domestic price range for the next couple of years. The expectations reflect a market environment where domestic gas supply exceeds demand, and where supply has continued to increase year to year.

However, there are many factors that can cause significant gas price volatility, including abnormal weather patterns, increased demand from industry and/or gas powered electric generators, restrictions in gas transportation capacity and/or imports, the price of oil, regulatory actions, political instability and the rise of gas exports. In addition, an increased focus on environmental issues has initiated regulatory actions that emphasize the use of renewable electricity over natural gas potentially lowering the demand for gas appliances, and thus moderating gas costs. Conversely, regulatory actions also have the potential to increase costs for using petroleum products, including natural gas. The business objective of POWER is to offer a reliable energy source at stable prices, but not necessarily the lowest price. The program's levelized billing structure is deemed to be more valued during periods of uncertainty.

**Request for Information**

This financial report is intended to provide citizens, taxpayers, and creditors with a general overview of POWER's finances. Questions about this report should be addressed to the Chief Financial Officer, ABAG Publicly Owned Energy Resources, 375 Beale Street, Suite 800, San Francisco, CA 94105.

**ABAG Publicly Owned Energy Resources**  
**Statement of Net Position**  
**June 30, 2019**

---

**ASSETS**

Current assets:

Cash	\$ 540,581
Investments	1,510,482
Accounts receivable	384,395
Interest receivable	11,174
Prepaid items	4,389
Natural gas inventory	<u>37,344</u>
<b>TOTAL ASSETS</b>	<b><u>2,488,365</u></b>

**LIABILITIES**

Current liabilities:

Accounts payable	375,086
Due to other government	28,991
Unearned revenue	<u>83,503</u>
Total current liabilities	<u>487,580</u>

Non-current liabilities:

Deposits from members	<u>2,000,785</u>
Total non-current liabilities	<u>2,000,785</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,488,365</u></b>

**NET POSITION** **\$ -**

See accompanying notes to financial statements

**ABAG Publicly Owned Energy Resources  
Statement of Revenue, Expenses and Changes in Net Position  
For the Year Ended June 30, 2019**

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<b>OPERATING REVENUE</b>	
Sale of natural gas	\$ 7,529,166
Other operating revenues	<u>9,121</u>
<b>TOTAL OPERATING REVENUE</b>	<u>7,538,287</u>
<b>OPERATING EXPENSES</b>	
Cost of natural gas	2,601,475
PG&E Passthrough	4,550,848
Salaries and benefits	211,016
Professional fees	107,408
Overhead	111,353
Other	<u>12,404</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>7,594,504</u>
<b>OPERATING LOSS</b>	<u>(56,217)</u>
<b>NONOPERATING REVENUE</b>	
Interest income	<u>56,217</u>
<b>TOTAL NONOPERATING REVENUE</b>	<u>56,217</u>
<b>CHANGE IN NET POSITION</b>	-
<b>TOTAL NET POSITION - BEGINNING</b>	<u>-</u>
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ -</u>

See accompanying notes to financial statements



**ABAG Publicly Owned Energy Resources**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2019**

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<b>Cash flows from operating activities</b>	
Cash receipts from users and others	\$ 6,867,294
Cash payments to suppliers and others for services	<u>(7,322,783)</u>
<b>Net cash used in operating activities</b>	<u>(455,489)</u>
<b>Cash flows from investing activities</b>	
Proceeds from maturity of investments	<u>700,000</u>
<b>Net cash provided by investing activities</b>	<u>700,000</u>
<b>Net increase in cash</b>	<u>244,511</u>
<b>Balances- beginning of year</b>	<u>296,070</u>
<b>Balances - end of year</b>	<u>\$ 540,581</u>
<b>Reconciliation of operating income to net cash used in operating activities</b>	
Operating loss	\$ (56,217)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Due to other government	(1,785)
Unearned revenue	(590,234)
Accounts receivable	(80,759)
Prepaid items	(4,389)
Natural gas inventory	70,623
Accounts payable	<u>207,272</u>
<b>Net cash used in operating activities</b>	<u>\$ (455,489)</u>

See accompanying notes to financial statements

**ABAG Publicly Owned Energy Resources**  
**Financial Statements for the year ended June 30, 2019**  
**Notes to Financial Statements**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity and Operations**

ABAG Publicly Owned Energy Resources (POWER) was created pursuant to Chapter 5, Division 7, and Title 1 of the Government Code section 6500 of the State of California in 1997, to acquire energy services for use by its Members.

POWER is a joint powers agency of ABAG and local government entities in Northern California. POWER is governed by a Board of Directors composed of representatives from member jurisdictions. The Board appoints an Executive Committee to carry out policy decisions.

POWER is an "Energy Service Provider (ESP)," aggregating the natural gas requirements of its members as allowed by the California Public Utilities Commission and purchasing gas directly from natural gas producers that offer competitive prices and reliable supply. POWER purchases natural gas on behalf of its members and arranges for delivery to the PG&E system for distribution. The goal of POWER's Natural Gas Program is to provide both cost savings and price stability.

Association of Bay Area Governments (ABAG) was created in 1961 and serves as the Council of Government for the 101 member cities/ towns and nine counties that make up the region with powers and responsibilities granted to it under the laws of the State of California.

The members of POWER must be voting members or cooperating members of ABAG at the time they join POWER. However, not all ABAG members are members of POWER and for that reason, POWER is not a component unit of ABAG. POWER is a public entity and is legally separate from ABAG. ABAG is not responsible for any liabilities or obligations of POWER.

**POWER's Operation**

The area served by POWER is encompassed by Pacific Gas & Electric Company (PG&E) which delivers gas to POWER's members. POWER has contracted with a number of vendors for natural gas purchases. As required by the utility companies, the amount of gas POWER purchases each month must be nominated to PG&E's distribution system in advance, and POWER is obligated to purchase the amount nominated, regardless of actual usage. The difference between the amount of gas nominated and the amount actually used results in an "imbalance," which may be cured by making purchases or sales on the open market or allocation to a future month's use.

In July 2017 ABAG staff was consolidated into the Metropolitan Transportation Commission (MTC) and the POWER Board subsequently took action to appoint MTC staff to the relevant POWER officer positions in accordance with the Bylaws. MTC staff will continue to provide administrative support to POWER in accordance with the ABAG-MTC Contract for Services. POWER paid MTC \$322,369 for these services in the fiscal year ended June 30, 2019. On the *Statement of Revenues, Expenses, and Changes in Net Position*, this amount is reflected as salaries and benefits and overhead costs.

**ABAG Publicly Owned Energy Resources**  
**Financial Statements for the year ended June 30, 2019**  
**Notes to Financial Statements**

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**B. Basis of Presentation**

POWER's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

**C. Measurement Focus, Basis of Accounting and Financial Statements Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

POWER's financial statements are prepared using the *economic resources measurement focus* and *the accrual basis of accounting*. POWER accounts for all transactions in a single enterprise fund, which is a separate set of self-balancing accounts that is comprised of assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. All transactions are accounted for on the accrual basis, which means that expenses are recorded when the liability is incurred and revenues are recorded when earned, rather than when cash changes hands.

Revenues from sales of natural gas are recognized in the period in which the gas is billed to members. Members are billed monthly on a levelized basis based on anticipated average usage.

Any excess of billings to members over total actual cost of a fiscal year is reflected as unearned revenue and will be reflected as true-up adjustments in billings in the fiscal year 2019.

**New Accounting Pronouncement**

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses requirements regarding the retirement of certain tangible assets for all state and local governments. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. This standard did not have any impact on POWER's financial statements.

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the effect of this standard on POWER's financial statements.

GASB Statement No. 87, *Leases*, better meets the information needs of financial statement users by improving accounting and financial reporting, enhancing the comparability of financial statements between governments, and also enhancing the relevance, reliability, and consistency of information about the leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the effect of this standard on POWER's financial statements.

**ABAG Publicly Owned Energy Resources**  
**Financial Statements for the year ended June 30, 2019**  
**Notes to Financial Statements**

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GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, provides additional essential information related to the debt disclosure in notes to financial statements. This statement clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. This standard did not have any impact on POWER's financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This statement enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the effect of this standard on POWER's financial statements.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance on how to improve reporting of Majority Equity Interests. This statement improve the consistency and comparability of reporting a government's majority equity interest in legally seperate organization and to improve the relevance of financial statement information for certain component units. The requirments of this Statement are effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the effect of this standard on POWER's fianancial statements.

GASB Statement No. 91, *Conduit Debt Obligatons*, provides single method of reporting conduit debt obligations. This statement achives those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commiments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Management is currently evaluating the effect of this standard on POWER's financial statements.

**ABAG Publicly Owned Energy Resources**  
**Financial Statements for the year ended June 30, 2019**  
**Notes to Financial Statements**

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**D. Cash and Investments**

POWER has assigned its management of cash and investments to MTC under the contract for services and adopted MTC's investment policy. Accordingly MTC, on behalf of POWER invests its available cash under the prudent investor rule. The prudent investor rule states, in essence, that "in investing ... property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs." This policy affords POWER a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq.

Investments allowed under MTC's investment policy adopted by POWER include the following:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit issued by a nationally or state chartered bank
- Authorized pooled investment programs
- Commercial paper – Rated "A1" or "P1"
- Corporate notes – Rated "A" or better
- Municipal bonds
- Mutual funds – Rated "AAA"
- Other investment types authorized by state law and not prohibited in MTC's investment policy.

POWER applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, as amended (including by GASB Statement No. 72, *Fair Value Measurement and Application*), which generally requires investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. Investments are stated at fair value based upon quoted market prices. POWER reports its money market securities and cash equivalents at amortized cost. This is permissible under this standard provided those investments have a remaining maturity at the time of purchase of one year or less and that the fair value of those investments is not significantly affected by the credit standing of the issuer or other factors. Net increases or decreases in the fair value of investments are shown in the Statement of Revenues, Expenses and Changes in Net Position.

POWER considers all balances in demand deposit accounts to be cash, and classifies all other highly liquid cash equivalents as short-term investments. Highly liquid cash equivalents are short-term investment that meet the following definitions:

- Readily convertible to known amounts of cash.
- So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

**ABAG Publicly Owned Energy Resources  
Financial Statements for the year ended June 30, 2019  
Notes to Financial Statements**

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**E. Natural Gas Inventory**

Any excess of natural gas purchase is transferred to the natural gas inventory and it is accounted on the average cost basis.

**F. Unearned Revenue**

The unearned revenue in POWER consists of the excess of revenues over expenses. POWER will match billings to members with the cost of gas provided and in effect, return any unearned revenue to members as true-up adjustments in billings during the subsequent fiscal year.

**G. Due to Other Government**

The due to other government consists of the amount due to MTC for services provided in fiscal year 2019.

**H. Operating and Nonoperating Revenues and Expense**

Operating revenues are those necessary for principal operations of the entity. Operating expenses are those related to user service activities. Nonoperating revenues and expenses are all other revenues and expenses not related to user service activities.

**I. Use of Estimates**

POWER's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and the disclosure to prepare these financial statements in conformity with generally accepted accounting principles in the United States of America. Actual results could differ from those estimates.

**2. NET POSITION**

Net position represents residual interest in assets after liabilities are deducted. Net position consists of three sections: Net investment in capital assets, as well as restricted and unrestricted net position, if applicable. The net position remained at zero at June 30, 2019. POWER's financial reporting model reflects all surpluses and deficits as liabilities to or receivables from members.

**ABAG Publicly Owned Energy Resources  
Financial Statements for the year ended June 30, 2019  
Notes to Financial Statements**

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**3. CASH AND INVESTMENTS**

A. A summary of Cash and Investments as shown on the Statement of Net Position at June 30, 2019 is as follows:

Cash	\$ 540,581
Investments	<u>1,510,482</u>
Total Cash and Investments	<u>\$ 2,051,063</u>

B. The composition of cash and investments at June 30, 2019 is as follows:

**Cash**

Cash at banks	<u>\$ 540,581</u>
Total Cash	<u>\$ 540,581</u>

**Investments**

GASB Statement No. 72 sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

**Level 2:** Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term the level 2 input must be observable for substantially the full term of the asset or liability.

**ABAG Publicly Owned Energy Resources  
Financial Statements for the year ended June 30, 2019  
Notes to Financial Statements**

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**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2018:

Local Agency Investment Fund: The position in the California State Local Agency Investment Fund is determined by the fair value of the pool's underlying portfolio.

The following tables set forth by level, within the fair value hierarchy, POWER's investments at fair value.

Investments by fair value level at June 30, 2019	Level 1	Level 2	Level 3	Total
Government Pool Investments:				
Local Agency Investment Fund*	\$ -	\$ 1,510,482	\$ -	\$1,510,482
Total Investments Measured at Fair Value	<u>\$ -</u>	<u>\$ 1,510,482</u>	<u>\$ -</u>	<u>\$1,510,482</u>

\*LAIF is a program created by state statute as an investment alternative for California's local governments and special districts. LAIF funds are available for immediate withdrawal.

**C. Deposit and Investment Risk Factors**

There are many factors that can affect the value of deposits and investments such as credit risk, custodial credit risk, concentration of credit risk, and interest rate risk.

**i.) Credit Risk**

Generally, credit risk is the risk that an issuer of an investment fails to fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF is unrated.

**ii.) Custodial Credit Risk**

Custodial credit risk is the risk that securities held by the custodian and in the custodian's name may be lost and not be recovered.



**ABAG Publicly Owned Energy Resources**  
**Financial Statements for the year ended June 30, 2019**  
**Notes to Financial Statements**

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Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, POWER may not be able to recover its deposits that are in the possession of an outside party. All checking accounts are insured by the Federal Depository Insurance Corporation (FDIC) up to the limit of \$250,000.

Under California Government Code Sections 53651 and 53652, depending on specific types of eligible securities, a bank must deposit eligible securities to be posted as collateral with its agent with the securities having a fair value of 110% to 150% of POWER's cash on deposit.

**iii.) Concentration of Credit Risk**

Concentration of credit risk is the risk associated with lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory or credit developments. LAIF is the only investment made by POWER and LAIF consists of pooled investment securities.

**iv.) Interest Rate Risk**

Interest rate risk is the potential adverse effect resulting from changes in market interest rates on the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The weighted average maturity of the investments in the LAIF investment pool at June 30, 2019 is 0.47 years.

**4. PURCHASE COMMITMENTS**

During the fiscal year, POWER entered into three agreements with various energy suppliers to facilitate the sale and purchase of natural gas for a delivery period extending beyond fiscal year 2019. Two of the agreements constituted an estimated combined purchase commitment of \$508,254. The third agreement was a flexible contract whereas POWER has the daily option to purchase a quantity from zero to 2,000 MMBtu. Therefore, there is no financial commitment for this agreement.

**5. SUBSEQUENT EVENTS**

POWER has evaluated subsequent events for the period from June 30, 2019 through October 30, 2019, the date the financial statements were available to be issued, and no subsequent events have been identified.



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

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**File #:** 19-1090      **Version:** 1      **Name:**

**Type:** Report      **Status:** Committee Approval

**File created:** 9/11/2019      **In control:** ABAG POWER Board of Directors

**On agenda:** 10/30/2019      **Final action:**

**Title:** Board of Directors to approve the Executive Committee for CY 2020, including the election of Chair and Vice Chair

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [7.a - Proposed Executive Committee CY 2020.pdf](#)

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

**Subject:**  
Board of Directors to approve the Executive Committee for CY 2020, including the election of Chair and Vice Chair

**Presenter:**  
Dave Brees

**Recommended Action:**  
Approval

**Attachments:** List any attachments.

**ABAG Publicly Owned Energy Resources (ABAG POWER)**

**Board of Directors**

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**October 30, 2019**

**Agenda Item 7.a.**

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**Natural Gas Aggregation Program**

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**Subject:** Approval of Executive Committee and Election of Chair and Vice Chair for Calendar Year 2020

**Background:** The ABAG POWER Bylaws were adopted in 1997, and were amended in 1997, 2002, 2004, and 2016. The Bylaws currently provide that the Executive Committee is comprised of the Chair, Vice Chair, and three to nine members entitled to cast a vote (Article 8.1), and that the Chair and Vice Chair will be elected.

Current and Proposed Roster:

Chair: Dave Brees, City of Los Altos

Vice Chair: Angela Walton, City of Richmond

Committee members:

- Andre Duurvoort, City of Cupertino
- Diana Oyler, County of Contra Costa
- Dan Schoenholz, City of Fremont
- Chris Schroeder, City of Milpitas
- Doug Williams, City of Santa Rosa

**Discussion Items:** None.

**Recommended Action:** The ABAG POWER Board of Directors is requested to approve as proposed the current seven-member Executive Committee, including the election of Chair and Vice Chair.

**Issues:** None.

**Attachments:** None.

**Reviewed:**

  
\_\_\_\_\_  
Brad Paul



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

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**File #:** 19-1091      **Version:** 1      **Name:**  
**Type:** Report      **Status:** Informational  
**File created:** 9/11/2019      **In control:** ABAG POWER Board of Directors  
**On agenda:** 10/30/2019      **Final action:**  
**Title:** Energy Manager 4.1 Demonstration  
**Sponsors:**  
**Indexes:**  
**Code sections:**  
**Attachments:**

Date	Ver.	Action By	Action	Result
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**Subject:**  
Energy Manager 4.1 Demonstration

**Presenter:**  
John Cooke, Utility Management Services

**Recommended Action:**

**Attachments:** List any attachments.



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

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**File #:** 19-1105      **Version:** 1      **Name:**  
**Type:** Report      **Status:** Informational  
**File created:** 9/19/2019      **In control:** ABAG POWER Board of Directors  
**On agenda:** 10/30/2019      **Final action:**

**Title:**

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:**

Date	Ver.	Action By	Action	Result
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**Presenter:**

Dave Brees

**Recommended Action:**

**Attachments:** List any attachments.