



ABAG POWER Executive Committee Meeting No. 2013-01
February 20, 2013 (12 Noon - 2:00 p.m.)
Association of Bay Area Governments
101 Eighth Street, Conference Room B
Oakland, CA 94607

AGENDA*

1. Welcome and Introductions

INTRODUCTION OF NEW COMMITTEE MEMBERS

2. Public Comments

3. Approve Summary Minutes of Executive Committee Meeting

Action:

ATTACHMENT 3A – SUMMARY MINUTES OF DECEMBER 12, 2012

4. Report on Natural Gas Program

Information: Staff will review recent gas operations, including gas purchases; the program's long-term hedge position; gas imbalances; and other miscellaneous program items.

ATTACHMENT 4A – MONTHLY SUMMARY OF OPERATIONS FY 2012-13

ATTACHMENT 4B – GAS HEDGE CHART

ATTACHMENT 4C – MARKET PRICE CHART (4 YR)

5. FY 2010-11 Audited Financial Statements

Action: Staff will present for approval the audited financial statements for the year ending June 30, 2012.

ATTACHMENT 5A – ABAG POWER BASIC FINANCIAL STATEMENT

ATTACHMENT 5B – ABAG POWER MEMORANDUM OF INTERNAL CONTROL

6. Natural Gas Program Scheduling Services Contract

Information: Staff will discuss the need to issue an RFP for natural gas scheduling services.

7. ABAG Energy Programs Update

Information: Staff will update members on the status of the following programs:

- ABAG Green Communities (Partnership with PG&E)
- DOE Better Buildings Program
- Electric Vehicle (EV) Projects
- SF Bay Area Regional Energy Network (BayREN)

ATTACHMENT 7A – ABAG ENERGY PROGRAMS

9. Other Business

10. Closed Session

The following item will be discussed in closed session, pursuant to the requirements of the Ralph M. Brown Act. All reportable actions taken will be announced in open session prior to the adjournment of the meeting.

- (a) Conference With Legal Counsel—Anticipated Litigation, Govt. C. Sec. 54956.9(c)
Initiation of litigation pursuant to subdivision (c) of Section 54956.9: One Case.

11. Adjournment

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

MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area

Attachment 3A



SUMMARY MINUTES

ABAG Power Executive Committee

Regular Meeting 2012-06

December 12, 2012

Metro Center, ABAG's Conference Room B

101 8th Street, Oakland, CA 94607

WELCOME AND INTRODUCTIONS

Chairman Richard Sealana opened the meeting with introductions at 12:05 PM.

Committee Representatives

Mark Armstrong (Vice-Chair)

Julie Bueren

Angela Rush

Chris Schroeder

Richard Sealana (Chair)

Jurisdictions

City of Santa Rosa

County of Contra Costa

City of Richmond

City of Milpitas

City of Union City

Committee Representatives Absent

Laura Ryan

City of Pleasanton

Staff Present

Jerry Lahr

ABAG POWER

Vina Maharaj

ABAG POWER

Kenneth Moy

ABAG

PUBLIC COMMENTS & ANNOUNCEMENTS

There were no public comments.

Chairman Sealana welcomed Julie Bueren, Director of Public Works from the County of Contra Costa to her first meeting of the executive committee. Bueren was appointed to the ABAG POWER Executive Committee at the ABAG POWER Annual Board Meeting of October, 25, 2012.

APPROVAL OF SUMMARY MINUTES OF AUGUST 15, 2012

Motion was made by Schroeder/S/Sealana/C/2:0:1 (Armstrong abstained) to approve the Summary Minutes of August 15, 2012 Executive Committee Meeting.

MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area

Attachment 3A



REPORT ON NATURAL GAS PROGRAM

Monthly Summary of Operations FY 12-13

Lahr provided the members with the Monthly Summary of Operations report for FY 12-13. He updated the members on the percentage savings comparisons with PG&E. The cumulative savings for the period July through October, 2012 is 0.8%.

Gas Hedge Chart

Lahr provided information on the various current long-term gas purchases (contracts which are greater than one month in length). One of the long-term purchase contracts will expire in March, 2013. The other long-term contract will be in effect until the end of 2014.

Market Price Chart (3-year)

Lahr provided a 3-year comparison of gas prices.

2011-12 Natural Gas Program True-Up

Lahr presented and discussed the annual true-up for FY 2011-12. In aggregate the true-up represented an over collection of (\$1,762,453.56). This amount will be returned to members on the final 8 invoices of the current fiscal year (Nov '12– Jun '13).

Master accounts with a credit totaled (\$1,819,672.41).

Master accounts with a debit totaled \$57,218.85.

2012-2013 BUDGET UPDATE

Lahr updated the committee on the current year budget and expenses. The committee concluded that no changes to the current levelized billings are necessary at this time.

CTA Unrecovered Capacity Cost Invoices

PG&E sent their first invoice dated April, 2012 to ABAG POWER. ABAG and other CTA's have been allocated capacity on various pipelines. In the past CTAs were allowed to either accept or reject the capacity offered without any penalty. Now CTA's are required to pay for a portion of it, even if the capacity is rejected. The rejected capacity is offered at auction, and any proceeds are used to offset the costs. CTAs, including ABAG POWER, are responsible to pay for the remaining unrecovered capacity costs. These costs are expected to rise very significantly in the coming years.

From April to June, 2012, the first three invoices averaged \$630.00 per month. From July to November, the invoices jumped to an average of \$3,300 per month. ABAG POWER has budgeted \$18,000 for these unrecovered capacity costs for FY 2012-13, however, this amount is expected to rise up to \$40,000. Staff will keep a close watch on the monthly invoices and will recommend a revised budget if necessary.

ABAG ENERGY PROGRAMS UPDATE

Lahr provided information on the status of all current ABAG Energy programs.

MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area

Attachment 3A



2013 Meeting Schedule

Motion was made by Schroeder/S/Rush/C/5:0:0 to approve the 2013 ABAG POWER Executive Meeting Schedule.

OTHER BUSINESS

None.

CLOSED SESSION

Conference With Legal Counsel—Anticipated Litigation, Govt. C. Sec. 54956.9(c)
Initiation of litigation pursuant to subdivision (c) of Section 54956.9: One Case

The Chair announced that no reportable action was taken.

ADJOURNMENT

Chairman Sealana adjourned the meeting at 1:30 pm.

/vm

*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.

Attachment 4A

ABAG POWER Natural Gas Program

FY 2012-13 Monthly Summary of Operations

	days/mo.	Jul 31	Aug 31	Sep 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	Mar 31	Apr 30	May 31	Jun 30	Total
<u>Gas Purchases⁽¹⁾</u>														
Purchase 1	Qty	15,500	15,500	15,000	15,500	15,000	15,500	15,500	14,000	15,500				137,000
	Price	\$4.24	\$4.24	\$4.24	\$4.24	\$4.24	\$4.24	\$4.24	\$4.24	\$4.24				
Purchase 2	Qty	15,500	15,500	15,000	15,500	15,000	15,500	15,500	14,000	15,500	15,000	15,500	15,000	182,500
	Price	\$3.74	\$3.74	\$3.74	\$3.74	\$3.74	\$3.74	\$3.74	\$3.74	\$3.74	\$3.74	\$3.74	\$3.74	
Purchase 3	Qty	24,800	24,800	24,000	24,800	15,000	24,242	24,242						161,884
	Price	\$2.50	\$2.90	\$2.57	\$2.91	\$3.96	\$3.73	\$3.43						
Purchase 4	Qty	2,150	7,275	13,075	15,600	23,460	28,000	37,000						126,560
	Price	\$3.11	\$2.97	\$3.39	\$3.97	\$3.54	\$3.74	\$3.65						
Purchase 5	Qty					2,000								2,000
	Price					\$3.87								
Total Quantity Purchased		57,950	63,075	67,075	71,400	70,460	83,242	92,242	28,000	31,000	15,000	15,500	15,000	609,944
Total Purchase Cost		\$192,289	\$217,173	\$225,581	\$257,674	\$269,816	\$318,763	\$341,687	\$111,650	\$123,613	\$56,100	\$57,970	\$56,100	\$2,228,415
Backbone Shrinkage (Dths)		(403)	(403)	(390)	(403)	(390)	(403)	(403)						
WACOG ⁽²⁾		\$3.34	\$3.47	\$3.38	\$3.63	\$3.85	\$3.85	\$3.72	\$3.99	\$3.99	\$3.74	\$3.74	\$3.74	\$3.65
<u>Storage/Inventory</u>														
Total Injections/ (Withdrawals)		9,751	9,300	9,000	9,218	(1,618)	(17,500)	(15,500)						2,651
Total Inventory Quantity (Dths)		51,600	60,900	69,900	79,118	77,500	60,000	44,500						
Total Inventory (\$)		\$211,619	\$243,843	\$274,290	\$307,742	\$302,094	\$241,001	\$186,891						
Avg. Inventory Rate (\$/Dth)		\$4.10	\$4.00	\$3.92	\$3.89	\$3.90	\$4.02	\$4.20						
<u>Gas Program Monthly Expenses (from Financial Reports)</u>														
Cost of Energy Used ⁽³⁾		\$ 178,693	\$ 203,938	\$ 214,356	\$ 243,575	\$ 290,999	\$ 399,116							\$ 1,530,676
Program Operating Expenses ⁽⁴⁾		23,023	32,315	30,203	41,748	30,692	23,852							181,833
Subtotal		\$ 201,716	\$ 236,253	\$ 244,559	\$ 285,323	\$ 321,690	\$ 422,967	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,712,509
Rate (\$/Dth)		\$3.46	\$4.26	\$4.07	\$4.59	\$4.53	\$4.20							\$4.20
PG&E Pass-through costs ⁽⁵⁾		141,719	168,739	146,220	153,910	213,438	255,305							1,079,329
Total ABAG POWER Cost		\$ 343,434	\$ 404,992	\$ 390,779	\$ 439,233	\$ 535,128	\$ 678,272							\$ 2,791,838
<u>Actual (metered) Gas Usage</u>														
Core ⁽⁶⁾		48,407	45,020	48,871	52,751	62,832	90,670							348,550
Non Core		9,884	10,448	11,282	9,461	8,251	9,961							59,287
Total Program Usage		58,291	55,468	60,152	62,212	71,083	100,631	0	0	0	0	0	0	407,837
ABAG POWER Total Core Rate		\$ 6.39	\$ 8.01	\$ 7.06	\$ 7.50	\$ 7.92	\$ 7.02							
<u>PG&E Rate⁽⁷⁾</u>														
Procurement Charge ⁽⁸⁾		4.58	4.34	3.92	4.00	4.98	4.49	4.29	4.70					
Transportation/Other Charge ⁽⁹⁾		2.93	3.75	2.99	2.92	3.40	2.82							
Total PG&E Rate		\$ 7.51	\$ 8.09	\$ 6.91	\$ 6.91	\$ 8.38	\$ 7.31	\$ 4.29	\$ 4.70	\$ -	\$ -	\$ -	\$ -	

ABAG POWER Natural Gas Program

FY 2012-13 Monthly Summary of Operations

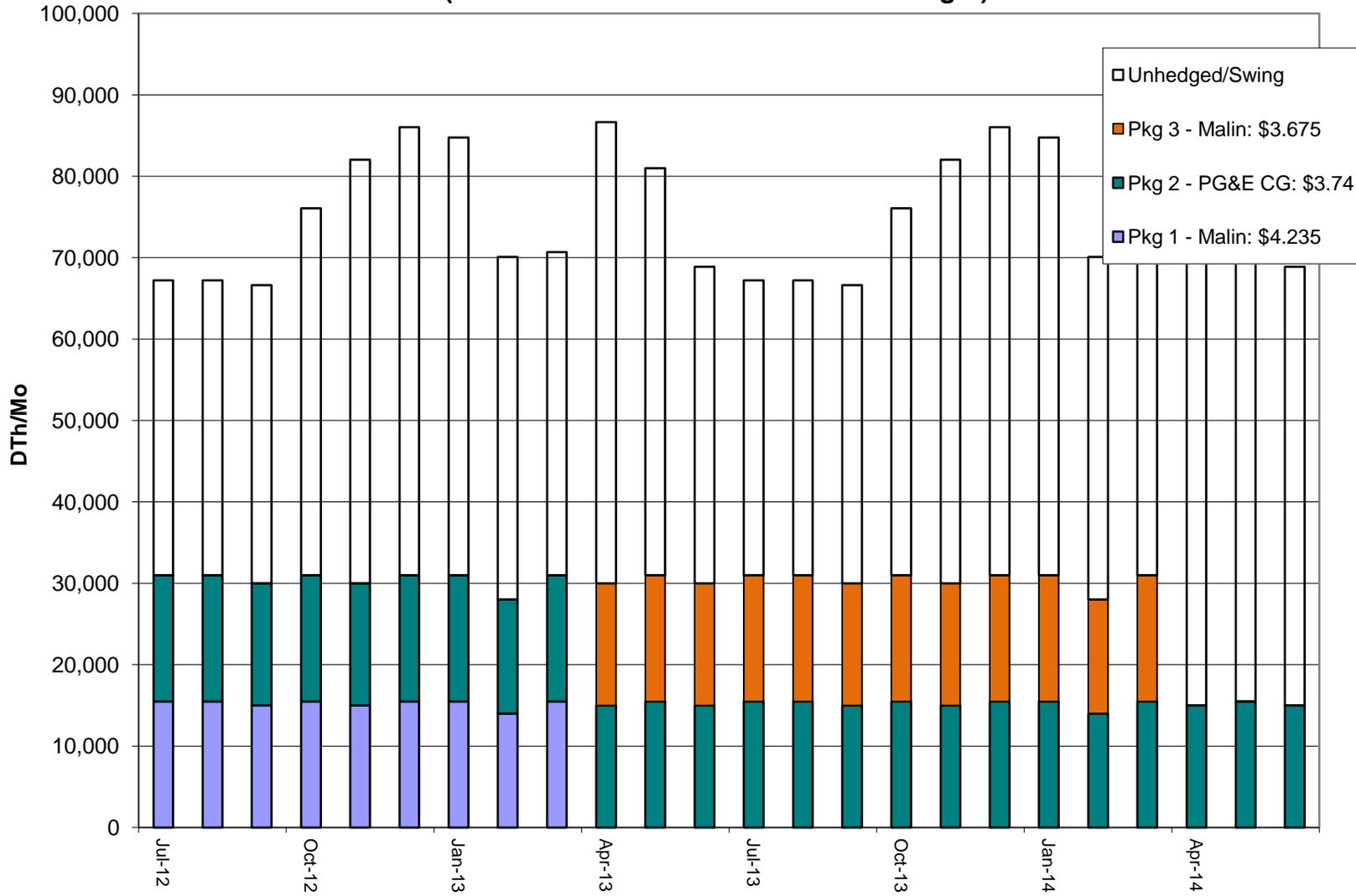
	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Total</u>
Rate Comparison													
Monthly Rate Difference (\$/Dth)	(1.12)	(0.08)	0.15	0.59	(0.46)	(0.29)							
Monthly Savings (\$)	54,408	3,762	(7,142)	(31,077)	28,743	25,981							
Cumulative 'Savings' (\$)	54,408	58,170	51,028	19,951	48,693	74,675							
Cumulative 'Savings' (%)	15.0%	8.0%	4.8%	1.4%	2.5%	2.9%							
Monthly Index Postings													
NGI Bidweek for PG&E Citygate	\$3.00	\$3.11	\$2.90	\$3.45	\$3.89	\$4.08	\$3.72	\$3.66					
Gas Daily Avg. for PG&E Citygate	\$3.01	\$3.03	\$3.30	\$3.95	\$3.83	\$3.77	\$3.67						
NGI Bidweek for Malin	\$2.49	\$2.89	\$2.56	\$2.90	\$3.53	\$3.55	\$3.42	\$3.39					

Notes:

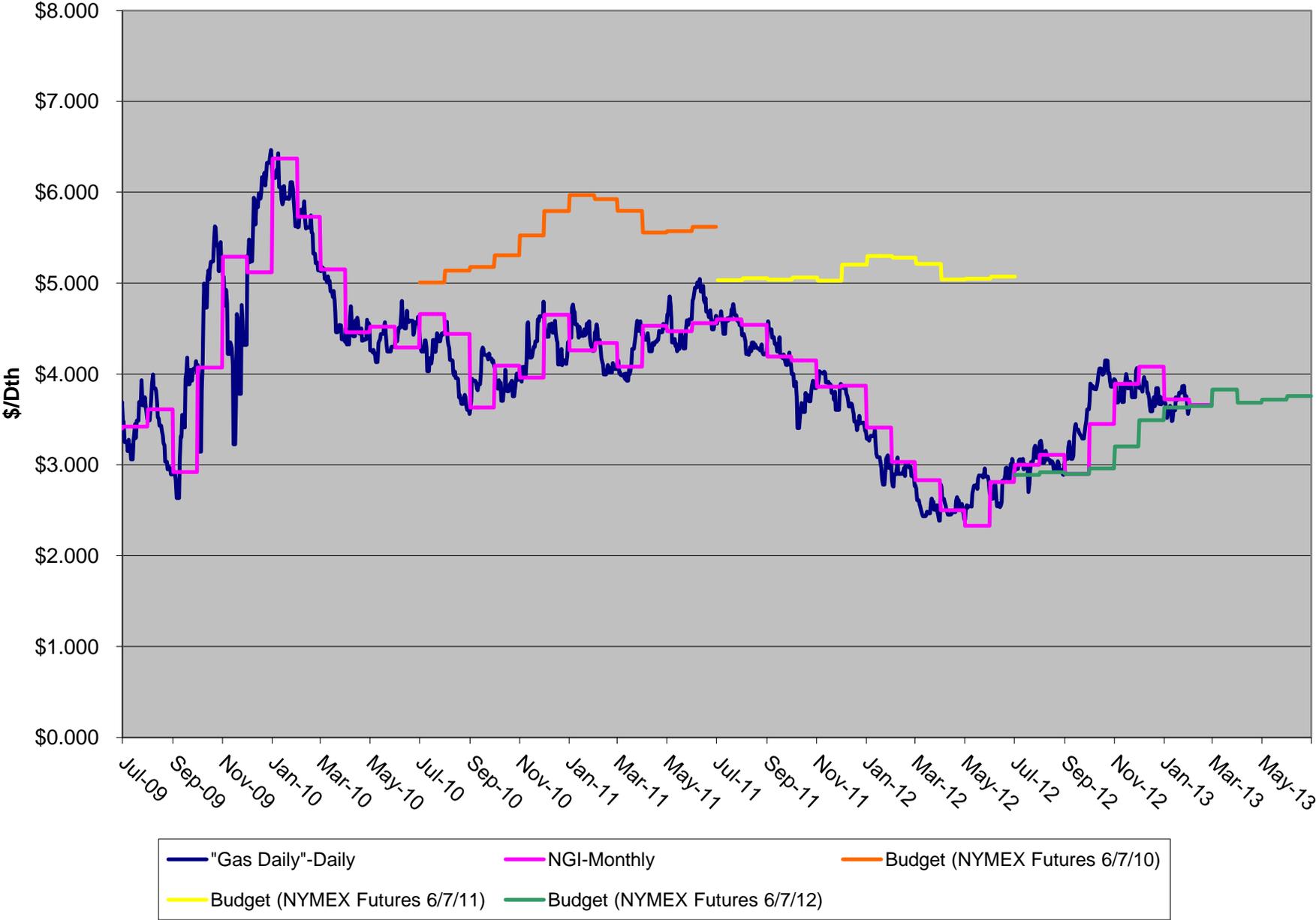
- (1) All gas quantities in Dth and rates in \$/Dth. (Does not include imbalance purchases traded to storage.)
- (2) Weighted Average Cost of Gas (WACOG) at PG&E Citygate
- (3) Includes costs to transport gas to PG&E Citygate from alternate delivery points, as well as physical storage costs.
- (4) Includes scheduling fees, billing fees, administrative costs and misc. expenses; less interest income.
- (5) PG&E charges billed to ABAG POWER via EDI process and passed through to customers. These costs do not necessarily tie directly to the actual gas usage shown above due to timing difference in reporting.
- (6) From billing data
- (7) Based on PG&E's G-NR1 rate schedule.
- (8) Includes: Procurement Charge, Capacity Charge, Brokerage Fee, Shrinkage, and Storage.
- (9) PG&E Transportation Charge; Customer Charge, and surcharge for Public Purpose Programs. Does not include Franchise Fees and City Taxes.

Gas Hedge Chart

**ABAG POWER Long Term Gas Purchases
(Fixed-Price Contracts > 1 month in length)**



Historical/Future Market Price Indices @ PG&E Citygate
Market Price Chart (4 Year)



**ABAG
PUBLICLY OWNED ENERGY
RESOURCES**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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**ABAG
PUBLICLY OWNED ENERGY RESOURCES
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
ABAG Publicly Owned Energy Resources
Oakland, California

We have audited the accompanying financial statements of the ABAG Publicly Owned Energy Resources (POWER) as of and for the year ended June 30, 2012, which collectively comprise POWER's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of POWER's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of POWER as of June 30, 2012, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented 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 this information in accordance with generally accepted auditing standards 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.

A handwritten signature in black ink, appearing to read "Maze & Associates", is written over the date.

December 14, 2012

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MANAGEMENT’S DISCUSSION AND ANALYSIS

ABAG Publicly Owned Energy Resources (POWER) has issued the financial reports for fiscal year ending June 30, 2012 based on the provisions of the Government Accounting Standards Board Statement 34, “Basic Financial Statement and Management’s Discussion & Analysis—for State and Local Governments,” (GASB 34). One of the most significant requirements of GASB 34 is for government entities to prepare financial reports using the full accrual basis of accounting. Since POWER has already been using this method of accounting, changes in its financial reports are primarily in format of presentation.

GASB 34 requires POWER to provide an overview of financial activities in the fiscal year and it should be read in conjunction with the accompanying financial statements.

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements required under GASB 34 include:

- (1) Statement of Net Assets—provides information about the financial position of POWER, including assets, liabilities and net assets. The difference between this statement and the traditional Balance Sheet is that net assets (fund equity) are shown as the difference between total assets and total liabilities.
- (2) Statement of Activities—presents revenues, expenses and changes in net assets for the fiscal year. It differs with the traditional Statement of Revenues and Expenses in that revenues and expenses directly attributable to operating programs are presented separately from investment income and financing costs.
- (3) Statement of Cash Flows—provides itemized categories of cash flows. This statement differs from the traditional Statement of Cash Flows in that it presents itemized categories of cash in flows and out flows instead of computing the net cash flows from operation by backing out non-cash revenues and expenses from net operating income. In addition, cash flows related to investments and financing activities are presented separately.

The Basic Financial Statements above provide information about the financial activities of POWER’s Natural Gas program.

FISCAL YEAR 2012 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

- POWER’s total assets were \$4.1 million at June 30, 2012. At June 30, 2011, total assets were \$4.2 million.
- POWER’s total revenues, including operating revenues, were \$6.9 million in FY 2012, while total expenses were \$6.9 million.
- POWER’s total net assets remained at zero at June 30, 2012. The accounting process for POWER is set up such that all surpluses and deficits are recorded as liabilities due to members.

- Revenues from sale of natural gas were \$6.9 million and cost of gas amounted to \$6.6 million in FY 2012.
- General and administrative expense, comprising professional fees and reimbursement of administrative expenses to ABAG, were \$319 thousand.
- Under nonoperating income (expense), the Natural Gas Pool had \$9 thousand in interest income.

MAJOR PROGRAM INITIATIVES IN FY 2012

Natural Gas Pool

Currently the natural gas aggregation program has 38 member cities, counties and special districts located in Northern California. As of June 30, 2012, the pool was serving a total of 776 core accounts and three non-core accounts. For FY 2012, levelized natural gas billings totaled \$8.7 million, while total expenses were \$6.9 million. The excess of revenues over expenses in the amount of roughly \$1.8 million was recorded as unearned revenues and will be returned to members as true-up adjustments in billings during FY 2013. Total gas usage of the program was approximately 9.1 million therms during FY 2012.

Continuing with POWER's strategy in purchasing natural gas, about 41.5% of purchases during FY 2012 were with fixed-price contracts of greater than one month in length. The remainder of the program's gas requirements was filled with monthly and daily index-based purchases. This combination of purchases produced an end-of-year weighted average price that was approximately 1.7% lower than PG&E's similar rate schedule (GNR-1).

PROGRAM OUTLOOK FOR FY 2013

Near-term, market-rate natural gas prices declined for most of the past year – beginning in the mid-\$4.00 range and bottoming out in April-May in the mid-\$2.00 range. Recently prices have rebounded to approximately \$3.50/Dth. While prices fluctuated somewhat throughout the year, overall the market volatility has remained less than in previous years. There are many factors that can cause significant price volatility, including: abnormal weather patterns, increased demand from gas powered electric generators, restrictions in gas transportation capacity and/or imports, the price of oil, regulatory actions, and political instability. In addition, an increased focus on environmental issues may cause regulatory actions that produce increased costs for using petroleum products, including natural gas. The business objective of ABAG POWER is to offer a reliable energy source at stable prices. The program is deemed to be even more valued during periods of uncertainty.

Other ABAG Energy/Sustainability Initiatives

Green Communities. In 2012, in partnership with PG&E, ABAG implemented two projects to assist local governments with their sustainability and energy efficiency efforts:

- GHG Inventory Assistance – ABAG provided resources to assist local governments to complete an inventory of their greenhouse gases resulting from municipal operations in accordance with the Local Government Operations Protocol (LGOP).
- Energy Efficiency – ABAG provided training on how to initiate and implement energy efficiency projects in local government facilities.

Both of these programs are scheduled to be completed at the end of calendar year 2012.

Retrofit Bay Area (Energy Upgrade California). ABAG was the lead agency for an 8-county collaborative that sought to increase the number of energy efficiency retrofits in residential homes in the Bay Area. This program was part of the larger, state-wide program *Energy Upgrade California*. This program was completed in April 2012.

DOE Better Buildings Program. ABAG is a subcontractor to LA County as part of the state and national *Better Buildings Program* coordinated by the Department of Energy (DOE). Four Bay Area agencies (Alameda County, San Francisco, San Jose, Sonoma County) are implementing variety energy efficiency retrofit projects under this program. These projects will be evaluated for potential expansion to other areas of the country.

BayREN. In July of 2012 ABAG submitted a proposal to the California Public Utilities Commission (CPUC) for implementation of the San Francisco Bay Area Regional Energy Network (BayREN). The purpose of this program is to implement energy savings programs throughout the region in collaboration with the local government agencies in the nine-county area. In November the CPUC approved \$26.5 million for implementation of the BayREN program during calendar years 2013-2014.

Electric Vehicles (EV). In the past year ABAG has taken significant steps toward promoting EVs in the Bay Area. ABAG was the lead agency on two EV grants:

- EV Streamlining – Develop and disseminate guidelines for EV infrastructure deployment by local and regional agencies. This project was completed in August 2012.
- EV Corridor – Installation of EV charging infrastructure. Provide EV drivers with the ability to travel across the region without “range anxiety”. This project will continue in 2013.

In addition, ABAG is a principal sponsor of the Bay Area EV Strategic Council which provides coordination with other Bay Area Regional Agencies, as well as regulatory bodies and private industry.

CONTACTING POWER'S FINANCIAL MANAGEMENT

This Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of POWER's finances. Questions about this Report should be directed to the Finance Department, at 101 Eighth Street, Oakland, California 94607.

ABAG
PUBLICLY OWNED ENERGY RESOURCES
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Natural Gas Pool</u>
ASSETS	
Cash and Cash Equivalents (Note 2)	\$3,601,067
Receivable from Members and Others	288,516
Interest Receivable	2,158
Natural Gas Inventory (Note 1E)	<u>179,041</u>
Total Assets	<u>4,070,782</u>
LIABILITIES	
Accounts Payable	287,891
Payable to Members	2,020,437
Unearned Revenue	<u>1,762,454</u>
Total Liabilities	<u>4,070,782</u>
NET ASSETS	<u><u> </u></u>

See accompanying notes to basic financial statements

ABAG
 PUBLICLY OWNED ENERGY RESOURCES
 STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2012

	Natural Gas Pool
OPERATING REVENUES	
Sale of natural gas	\$6,898,408
OPERATING EXPENSES	
Cost of natural gas sold	6,553,798
Gross margin	344,610
GENERAL AND ADMINISTRATIVE EXPENSES	
Metering and billing agent fees	34,580
Management and administration (Note 1)	318,929
Total general and administrative expenses	353,509
OPERATING INCOME(LOSS)	(8,899)
NONOPERATING INCOME (EXPENSE)	
Interest income	8,899
CHANGE IN NET ASSETS	
BEGINNING NET ASSETS	
ENDING NET ASSETS	

See accompanying notes to basic financial statements

ABAG
PUBLICLY OWNED ENERGY RESOURCES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Natural Gas Pool
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from members	\$6,855,754
Payments to suppliers	(6,612,664)
Payments for management and administration	(318,929)
Payments for agent and legal fees	(34,580)
Cash Flows from Operating Activities	(110,419)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest collections	9,602
Cash Flows from Investing Activities	9,602
Net increase (decrease) in cash and cash equivalents	(100,817)
Cash and cash equivalents at beginning of period	3,701,884
Cash and cash equivalents at end of period	\$3,601,067
 Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:	
Change in assets and liabilities:	(\$8,899)
Receivables	(40,662)
Natural gas inventory	32,988
Accounts payable	(91,854)
Unearned revenue	(1,992)
Cash Flows from Operating Activities	(\$110,419)

See accompanying notes to basic financial statements

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ABAG
PUBLICLY OWNED ENERGY RESOURCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description

ABAG Publicly Owned Energy Resources (POWER) is a joint powers agency of 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 arranges for the transportation and delivery of natural gas to its members by pipelines from its source. POWER pays these vendors and bills its members for their usage, transportation and administration costs on a monthly basis.

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.

POWER has contracted separately with the Association of Bay Area Governments (ABAG), to act as POWER’s trustee, providing promotional, administrative, accounting and clerical support. POWER paid ABAG \$314,941 for these services in the fiscal year ended June 30, 2012.

The members of POWER must be voting members or cooperating members of ABAG at the time they join POWER, but not all ABAG members are members of POWER. For that reason, POWER is not a component unit of ABAG.

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 is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

ABAG
PUBLICLY OWNED ENERGY RESOURCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

POWER accounts for all transactions in a single enterprise fund, which is a separate set of self-balancing accounts that comprise assets, liabilities, net assets, 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 delivered 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 following fiscal year.

POWER follows statements and interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

D. 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 of contingent liabilities to prepare these financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Actual results could differ from those estimates.

E. Natural Gas Inventory

Temporary inventories of natural gas are stated at cost, and transfers to the cost of natural gas sold are accounted for on a weighted average cost basis.

ABAG
PUBLICLY OWNED ENERGY RESOURCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 2 – CASH AND CASH EQUIVALENTS

A. Carrying Amount and Fair Value

Cash and investments comprised the following at June 30, 2012:

	Fair Value
Local Agency Investment Fund (LAIF)	\$2,379,917
Cash in Banks	1,221,150
Total Cash and Cash Equivalents	\$3,601,067

B. 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 is the sensitivity of its fair value to changes in market interest rates. As of year end, the weighted average maturity of the investments in the LAIF investment pool is approximately 268 days.

C. Credit Risk

Credit risk is the risk of failure of an issuer of an investment in fulfilling its obligation to the holder of the investment. LAIF is not rated by a nationally recognized statistical rating organization.

D. Custodial Credit Risk

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. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its agent having a fair value of 110% to 150% of a public agency's deposit. All of POWER's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in POWER's name.

E. Local Agency Investment Fund

POWER is a participant in the Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The carrying value of LAIF approximates fair value.

F. Statement of Cash Flows

For purposes of the statement of cash flows, POWER considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

ABAG
PUBLICLY OWNED ENERGY RESOURCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 3 – PURCHASE COMMITMENTS

During the fiscal year, POWER entered into various agreements with energy companies to facilitate the sale and purchase of gas for a particular delivery period. These agreements constituted commitments of \$1,945,295 as of June 30, 2012.

**ABAG PUBLICLY OWNED ENERGY RESOURCES
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

**FOR THE YEAR ENDED
JUNE 30, 2012**

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**ABAG PUBLICLY OWNED ENERGY RESOURCES
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

For the Year Ended June 30, 2012

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MEMORANDUM ON INTERNAL CONTROL

December 14, 2012

To the Board of Directors of the
ABAG Publicly Owned Energy Resources
Oakland, California

In planning and performing our audit of the financial statements of the ABAG Publicly Owned Energy Resources (POWER) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered POWER's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the POWER's internal control. Accordingly, we do not express an opinion on the effectiveness of the POWER's internal control. As POWER's administration and the majority of its internal controls are provided by the Association of Bay Area Government (the Association) staff we included tests of procedures and controls performed by them as part of our work.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of POWER's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This communication is intended solely for the information and use of management, the Executive Board, others within the organization, and agencies and pass-through entities requiring compliance with generally accepted government auditing standards, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Mazze" followed by a stylized name.

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REQUIRED COMMUNICATIONS

December 14, 2012

To the Board of Directors of the
ABAG Publicly Owned Energy Resources
Oakland, California

We have audited the financial statements of the ABAG Publicly Owned Energy Resources (POWER) as of and for the year ended June 30, 2012 and have issued our report thereon dated December 14, 2012. Professional standards require that we advise you of the following matters relating to our audit.

Financial Statement Audit Assurance: Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit in accordance with generally accepted auditing standards does not provide absolute assurance about, or guarantee the accuracy of, the financial statements. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is an inherent risk that material errors, fraud, or illegal acts may exist and not be detected by us.

Other Information Included with the Audited Financial Statements: Pursuant to professional standards, our responsibility as auditors for other information in documents containing POWER's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. Our responsibility also includes communicating to you any information that we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements. This other information and the extent of our procedures is explained in our audit report.

Accounting Policies: Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by POWER is included in Note 1 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2012. During the year, the following pronouncement became effective without materially impacting POWER's financial statements:

ABAG PUBLICLY OWNED ENERGY RESOURCES

REQUIRED COMMUNICATIONS

GASB 64 - *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*

Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income.

The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

Unusual Transactions, Controversial or Emerging Areas: No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during fiscal year ending 2012.

Estimates: Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Disagreements with Management: For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to POWER's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

ABAG PUBLICLY OWNED ENERGY RESOURCES

REQUIRED COMMUNICATIONS

Retention Issues: We did not discuss any major issues with management regarding the application of accounting principles and auditing standards that resulted in a condition to our retention as POWER's auditors.

Difficulties: We encountered no serious difficulties in dealing with management relating to the performance of the audit.

Audit Adjustments: For purposes of this communication, professional standards define an audit adjustment, whether or not recorded by the POWER, as a proposed correction of the financial statements that, in our judgment, may not have been detected except through the audit procedures performed. These adjustments may include those proposed by us but not recorded by POWER that could potentially cause future financial statements to be materially misstated, even though we have concluded that the adjustments are not material to the current financial statements.

We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the POWER's financial reporting process.

Uncorrected Misstatements: Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board.

This report is intended solely for the information and use of the Board, its committees, and management and is not intended to be and should not be used by anyone other than these specified parties.

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ABAG Energy Programs
(February 2013)

Program Name:	ABAG POWER	OWP: 303000
Funding Amount:	N/A	
Funding Source:	Fees on natural gas deliveries	
Program Term:	JPA: ongoing. Gas Program: rolling evergreen	
Primary Partners:	ABAG POWER JPA: 67 member agencies Natural Gas Program: 38 participants	
Program Description:	ABAG POWER (ABAG Publicly OWned Energy Resources) is a separate joint powers agency formed to take advantage of the deregulated environment for energy and telecommunications. ABAG POWER's primary program is to conduct pooled purchasing of natural gas on behalf of local governments and special districts in the PG&E territory.	
Program Goals:	Price Stability. Purchasing strategy and cost allocation methods that will provide members a reasonable degree of certainty of the costs to be shared. Cost Savings. Provide gas procurement services for less than the equivalent services provided by the default provider (i.e. PG&E).	
Status:	Natural Gas Rates: 2012-13 Budgeted Rates (\$/therm): Core Gas Commodity: \$0.455 Noncore Gas Commodity: \$0.438 PG&E Pass-through: \$0.391 2011-12 Savings: 1.7% (Compared to PG&E GNR-1 Rate)	

Program Name:	Retrofit California Better Buildings Program (BBP)	OWP: 303008
Funding Amount:	ABAG: \$8,395,887. Statewide: \$30,000,000	
Funding Source:	ARRA funded through the Department of Energy (DOE) (through subcontract with LA County)	
Program Term:	June 1, 2010 – May 31, 2013	
Primary Partners:	Los Angeles County, San Diego (CCSE), Sacramento (SMUD), ABAG (Alameda (StopWaste.org), San Jose, San Francisco, Sonoma RCPA)	
Program Description:	Facilitate energy upgrades in buildings through over 20 targeted pilot projects in four regions of the State (LA, San Diego, Sacramento, SF Bay Area). The BBP Program seeks to: (1) test innovative marketing tactics, (2) help build a workforce to complete building upgrades, (3) evaluate building improvement impacts, and (4) assist in providing financing options for building owners. The California pilot projects fall into the following categories: <ul style="list-style-type: none"> • Community Based Social Marketing (CBSM) • Home Improvement Retail Partnerships (HIRP) • Whole Neighborhood Approach (WNA) • HVAC Contractor Outreach (HVAC) • Multifamily (MF) • Green Building Labeling (GBL) • On-Water-Bill Financing (OWB) 	
Program Goals:	Energy efficiency retrofits in 15,282 single family homes and 965 multifamily homes.	
Status:	All Bay Area pilots have been initiated.	

ABAG Energy Programs

Agenda Item 7A

	<p>Alameda (StopWaste):</p> <ul style="list-style-type: none"> CBSM – ‘Energize for the Prize’ promotion underway w/ schools HIRP – Pilot project with Lowes completed in Spring 2011 MF – Toolkit available at: www.multifamilygreen.org/ GBL – Working with Alameda County MLS chapters Flex Package – New incentive pilot project for single family residences <p>San Francisco:</p> <ul style="list-style-type: none"> CBSM – Social media and marketing incentives to promote SFHip HIRP – Advertise SF Hip program through Cole Hardware WNA – Discontinued bulk purchasing pilot. Added single family incentive MF – Performing audits and tracking retrofits GBL – Working w/ Tax Assessor’s office for listing on tax roles <p>San Jose:</p> <ul style="list-style-type: none"> WNA – Active in neighborhood. Additional measures approved to increase per-project savings. <p>Sonoma RCPA:</p> <ul style="list-style-type: none"> WNA – Pilot being discontinued due to lack of participation. Funds reallocated OWB – Program design with Town of Windsor finalized. Scheduled for Town Council vote. Flex Package – Funds reallocated from WNA pilot to new incentive pilot for single family residences.
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Program Name:	ABAG Green Communities – Greenhouse Gas (GHG) Inventory Assistance	OWP: 303010
Funding Amount:	Phase II: \$172,625 (CO1) (Phase I: \$264,495 – complete)	
Funding Source:	Funded by energy rate payers (Public Goods Charge) through the California Public Utilities Commission (CPUC)	
Program Term:	Phase II: 5/12 – 12/31/12	
Primary Partners:	PG&E, ICLEI	
Program Description:	<p>Phase II: Develop community-wide GHG emissions inventories for jurisdictions in the County of Napa. The program partners trained interns with participating local governments to complete the inventories.</p> <p>Phase I (complete): Provide assistance to local governments in completing a municipal operations GHG emissions inventory.</p>	
Program Goals:	Phase II: Complete community-wide GHG emissions inventories for four agencies in Napa County.	
Status:	<p>Phase II completed 12/2012: Interns completed GHG inventories for the following jurisdictions: Cities of Napa, Calistoga, St. Helena, Yountville. Program included training workshops, data collection, report preparation and presentations.</p> <p>Phase I completed 8/2011 - Inventories completed for the cities of Concord, Lafayette, Pleasant Hill, Oakley, Napa, Sausalito, Yountville, and all jurisdictions in Sonoma County (via Sonoma RCPA)</p>	

ABAG Energy Programs

Agenda Item 7A

Program Name:	ABAG Green Communities Energy-Use Benchmarking	OWP: 303012
Funding Amount:	\$187,323 (CO 3)	
Funding Source:	Funded by energy rate payers (Public Goods Charge) through the California Public Utilities Commission (CPUC)	
Program Term:	10/26/10 – 12/31/12	
Primary Partners:	PG&E, EEFG (consultant)	
Program Description:	The program offers free benchmarking workshops and individual agency assistance to give local governments the tools necessary to evaluate their facilities' energy use.	
Program Goals:	Significantly increase the number of local government buildings using ENERGY STAR <i>Portfolio Manager</i> .	
Status:	<p>Phase II – completed 12/2012: Conducted 'What's Next' training workshops for local governments. Th training was intended to assist local governments in moving energy efficiency projects along the path of identification to implementation. A total of four workshops were completed in various locations throughout the Bay Area. Final workshop held 11/15/12. Scope of work complete.</p> <p>Phase I (completed 2011):</p> <ul style="list-style-type: none"> • Held 15 classes in 7 counties • Trained 92 local government staff in 53 different jurisdictions • Met CPUC goal to increase benchmarking by 20% in Bay Area 	

Program Name:	Electrical Vehicle (EV) Corridor	OWP: 303014
Funding Amount:	\$1,493,165 (requires \$2,653,424 in agency match funding)	
Funding Source:	California Energy Commission's (CEC) Alternative and Renewable Fuel and Vehicle Technology Program (created by AB 118).	
Program Term:	8/12/11 – 4/30/13 (Requested extension to January 2014.)	
Primary Partners:	<p>EV Communities Alliance (project coordination), Clean Fuel Connections (charger installations), Ecology Action (project coordination in Monterey region)</p> <p>Installation Participants: County of Alameda, City of Palo Alto, City/County of San Francisco, City of San Jose, County of Santa Clara (opted out), Marin County, Monterey Bay (Ecology Action), Coulomb Technologies, 350Green</p>	
Program Description:	Install EV charging infrastructure (Levels I, II, and III charging units) in the SF and Monterey Bay Areas.	
Program Goals:	212 EV charging units (423 charging points) in the SF and Monterey Bay Areas	
Status:	<ul style="list-style-type: none"> • Alameda County – Under contract for installation of 40 combination L1/L2 chargers (80 charge points) • San Jose – Under contract for installation of 23 combination L1/L2 chargers (46 charge points) • Monterey (Ecology Action) – Under contract for installation of 40 combination L1/L2 chargers (80 charge points) • San Francisco – Under contract for installation of 34 L2 or combination L1/L2 chargers. • Coulomb – Under contract for installation of 11 L2 chargers in 4 cities. • 350Green – Contract has been terminated for non-compliance. Intend to issue and an RFP for fast charger installations. • Novato – Under contract for installation of 6 combination L1/L2 chargers. <p>Charger installations have been proceeding at a slower pace than expected. A contract extension has been requested and is pending CEC approval.</p>	

Program Name:	San Francisco Bay Area Regional Energy Network (BayREN)	OWP: Proposed
Funding Amount:	Approved Budget: \$26,567,750	
Funding Source:	California Public Utilities Commission (CPUC)	
Program Term:	1/1/13 – 12/31/14	
Primary Partners:	Counties of Alameda (StopWaste.org), Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano (Suisun City), Sonoma RCPA	
Program Description:	<p>The BayREN proposal consists of four primary energy efficiency subprograms that are designed to address key cost, process, work force and other market barriers that adversely affected the market penetration of the Energy Upgrade California in 2010-12:</p> <ul style="list-style-type: none"> • Single-family energy efficiency retrofit program • Multi-family energy efficiency retrofit program • Codes and standards compliance and enforcement • Financing for energy efficiency projects 	
Program Goals:	<p>Preliminary Goals: (to be revised based on approved budget)</p> <ul style="list-style-type: none"> • 5,200 single-family energy efficiency upgrades • 5,000 multi-family unit upgrades • 550 building professionals trained • 1,650 local government building dept employees trained 	
Status:	<p>In November 2012 the CPUC approved the energy efficiency programs and budgets for 2013-14. This decision included funding for the BayREN program in the amount of \$26,567,750. In January ABAG submitted a revised Program Implementation Plan (PIP) to correspond with the approved budget. The PIP is pending approval at the CPUC. The CPUC decision also required PG&E to enter into a contract with ABAG for funding purposes, and act as fiscal manager for the program. ABAG and PG&E signed this contract in early February.</p> <p>In January ABAG issued an RFP for consultant services to assist with program implementation.</p> <p>ABAG is finalizing the scopes of work and budgets for the county agencies and expect to enter into contracts in the near future.</p>	