



**ABAG POWER Executive Committee Meeting No. 2016-01
February 17, 2016 (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**
2. **Public Comments**
3. **Approve Summary Minutes of Executive Committee Meeting**
Action:
ATTACHMENT 3A – SUMMARY MINUTES OF DECEMBER 16, 2015
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 2015-16
ATTACHMENT 4B – PROGRAM TRENDS EXPLAINED
ATTACHMENT 4C – GAS HEDGE CHART
ATTACHMENT 4D – MARKET PRICE CHART
ATTACHMENT 4E – IMBALANCE ADJUSTMENT MEMO
5. **FY 2014-15 Audited Financial Statements**
Action: Staff will present for approval the audited financial statements for the year ending June 30, 2015. Staff will include a discussion of ABAG fiscal controls.
ATTACHMENT 5A – ABAG POWER BASIC FINANCIAL STATEMENTS
ATTACHMENT 5B – ABAG POWER MEMORANDUM OF INTERNAL CONTROL
6. **PG&E Gas Customers One-Time Bill Credit Plan**
Information: Staff will review PG&E's proposed plan to allocate gas ratepayers their proportional share of the \$400 million bill credit as ordered by the CPUC.
ATTACHMENT 6A – PG&E BILL CREDIT MEMO
7. **Water Efficiency Finance Legislation**
Information: Status update of new water efficiency legislation that will allow Joint Powers Authorities (JPAs) to raise funds to finance water efficiency measures on residential and commercial properties.
ATTACHMENT 7A – WATER BILL SAVINGS ACT FACT SHEET
8. **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.

CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION
Initiation of litigation pursuant to Government Code Section 54956.9(d)(4): One case
9. **Other Business**
10. **Adjournment**

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



SUMMARY MINUTES

**ABAG POWER Executive Committee
Regular Meeting 2015-06
December 16, 2015**

ABAG's Conference Room B
101 8th Street, Oakland, CA 94607

WELCOME AND INTRODUCTIONS

Due to the absence of both the Chair (Julie Bueren) and Vice Chair (Chris Schroeder), the Committee agreed to have Richard Sealana chair the meeting.

Richard Sealana opened the meeting with introductions at 12:10 PM.

<u>Committee Representatives</u>	<u>Jurisdiction/Agency</u>
Dave Brees	City of Los Altos
Tonya Gilmore	City of Orinda
Richard Sealana	City of Union City
Angela Walton	City of Richmond
<u>Members Absent</u>	
Chris Schroeder (Vice Chair)	City of Milpitas
Julie Bueren (Chair)	County of Contra Costa
<u>Staff Present</u>	
Jerry Lahr	ABAG POWER
Ryan Jacoby	ABAG POWER
Ken Moy	ABAG
Jenny Berg	ABAG
<u>Guests Present</u>	
Brad Vance	County of Santa Clara

PUBLIC COMMENTS & ANNOUNCEMENTS

The Committee acknowledged and welcomed Brad Vance, a Utilities Analyst representing the County of Santa Clara, a gas pool member.



APPROVAL OF SUMMARY MINUTES OF AUGUST 19, 2015.

Motion was made by Walton/S/Sealana/C/3:0:1 to approve the Summary Minutes of August 19, 2015 Executive Committee meeting.

The aye votes were: Gilmore, Sealana, Walton.

The nay votes were: None.

Abstentions were: Brees.

Absentees were: Bueren, Schroeder.

REPORT ON NATURAL GAS PROGRAM

Monthly Summary of Operations FY 2015-16

Lahr provided members with the Monthly Summary of Operations reports for FY15-16; members were updated on the percentage savings comparisons with PG&E. Lahr noted that financial statements for October, 2015 indicated a cumulative savings figure of -13.6% including the CTA Unrecovered Pipelines Capacity costs. The program's 'Rate Comparisons excluding Pipeline Capacity Costs' calculation displayed a cumulative savings through October, 2015 of -10.1%.

Gas Hedge Chart

Lahr provided information on the various current long-term gas purchases (contracts which are greater than one month in length). Lahr recommended the purchase of a fixed-price gas contract following the expiration of the current package in March, 2016. Securing a fixed-price gas purchase contract offers the program a greater degree of price stability while also capitalizing on comparatively low gas prices.

Adhering to Lahr's recommendation, motion was made by Brees/S/Walton/C/4:0:0 to authorize a fixed price six-month gas purchase contract beginning April 1, 2016.

The aye votes were: Brees, Gilmore, Sealana, Walton.

The nay votes were: None.

Abstentions were: None.

Absentees were: Bueren, Schroeder.

Market Price Chart

Lahr provided information on gas prices.

Historic Stranded Capacity Costs

Lahr provided a list of invoices received from PG&E for the CTA Unrecovered Pipelines Capacity costs. To date the program has paid a total of \$486,373 for these costs starting from April, 2012 (costs for FY 2015-16: \$54,363).



Lahr informed the Committee that a Proposed Decision had been released in PG&E's A.13-06-011, indicating continued allocation of the full portion of these costs to ABAG POWER for the foreseeable future.

Program Trends Chart

Lahr presented a comparison of the program's total usage and number of accounts throughout a ten-year period, highlighting the program's recent decline in usage.

2014-15 NATURAL GAS PROGRAM TRUE-UP

Gas True-up Summary FY 2014-15

Staff reviewed the FY 2014-15 true-up calculation, highlighting each component of the calculation and elaborating on several portions of the process.

2015-16 BUDGET UPDATE

ABAG POWER Income Statement – October 2015

Lahr presented the status of the current fiscal year's budget.

Budget to Actual Graph

Staff reviewed actual gas usage and costs as compared to the 2014-15 budget, and it was recommended and agreed that no changes were needed to be made to the budget at this time.

WATER EFFICIENCY FINANCE LEGISLATION

Lahr presented a summary of draft water efficiency legislation that would allow Joint Powers Authorities (JPAs) to raise funds to finance water and energy efficiency measures on residential and commercial properties.

Motion was made by Gilmore/S/Walton/C/4:0:0 to endorse the concept of a regionally implemented, voluntary program to deliver water and energy savings measures to customers that would be repaid through a surcharge on participating water agency bills, and to support the draft legislation.

The aye votes were: Brees, Gilmore, Sealana, Walton.

The nay votes were: None.

Abstentions were: None.

Absentees were: Bueren, Schroeder.

**2016 MEETING SCHEDULE**

Motion was made by Sealana/S/Walton/C/4:0:0 to accept the 2016 Executive Committee meeting schedule as proposed.

The aye votes were: Brees, Gilmore, Sealana, Walton.

The nay votes were: None.

Abstentions were: None.

Absentees were: Bueren, Schroeder.

CLOSED SESSION

Conference with Legal Counsel—Existing Litigation, Govt. C. §54956.9(d):

1. Application of Pacific Gas & Electric Company to Set New Core Interstate Pipeline Capacity Planning Range (A.13-06-011)
2. Application of Pacific Gas & Electric Company Proposing Cost of Service and Rates for Gas Transmission and Storage Services for the Period 2015-2017 (A.13-12-012)

The Chairman announced that no reportable action was taken in closed session.

ADJOURNMENT

Sealana adjourned the meeting at 2:05 PM.

/rj

*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.

ABAG POWER Natural Gas Program

FY 2015-16 Monthly Summary of Operations

	days/mo.	Jul 31	Aug 31	Sep 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 29	Mar 31	Apr 30	May 31	Jun 30	Total
<u>Gas Purchases⁽¹⁾</u>														
Purchase 1	Qty	15,500	15,373	15,000	15,308	14,996	15,493	15,500	14,500	15,500	15,000	15,500	15,000	182,670
	Price	\$3.88	\$3.88	\$3.88	\$2.98	\$2.98	\$2.98	\$2.98	\$2.98	\$2.98	\$2.29	\$2.29	\$2.29	
Purchase 2	Qty	18,817	18,127	17,612	18,600	18,205	18,808	18,817						128,986
	Price	\$2.77	\$2.72	\$2.63	\$2.29	\$2.21	\$2.21	\$2.32						
Purchase 3	Qty	8,350	3,950	4,100	7,700	27,800	37,325	41,600						130,825
	Price	\$3.21	\$3.22	\$3.13	\$2.89	\$2.72	\$2.57	\$2.61						
Purchase 4	Qty													0
	Price													
Purchase 5	Qty													0
	Price													
Total Quantity Purchased		42,667	37,450	36,712	41,608	61,001	71,626	75,917	14,500	15,500	15,000	15,500	15,000	442,481
Total Purchase Cost		\$139,162	\$121,612	\$117,289	\$110,463	\$160,571	\$183,607	\$198,318	\$43,210	\$46,190	\$34,350	\$35,495	\$34,350	\$1,224,618
Backbone Shrinkage (Dths)		(403)	(433)	(384)	(404)	(420)	(434)	(434)						
WACOG ⁽²⁾		\$3.29	\$3.29	\$3.23	\$2.68	\$2.65	\$2.58	\$2.63	\$2.98	\$2.98	\$2.29	\$2.29	\$2.29	\$2.77
<u>Storage/Inventory</u>														
Total Injections/ (Withdrawals)		0	1,413	(7,008)	1,146	(527)	(7,800)							(12,776)
Total Inventory Quantity (Dths)		63,720	65,133	58,125	59,271	58,744	50,944							
Total Inventory (\$)		\$252,740	\$257,393	\$229,697	\$233,397	\$231,322	\$200,606							
Avg. Inventory Rate (\$/Dth)		\$3.97	\$3.95	\$3.95	\$3.94	\$3.94	\$3.94							
<u>Gas Program Monthly Expenses (from Financial Reports)</u>														
Cost of Energy Used ⁽³⁾		\$ 167,357	\$ 120,667	\$ 171,529	\$ 132,926	\$ 189,358	\$ 245,357							\$ 1,027,194
Program Operating Expenses ⁽⁴⁾		26,879	32,916	30,730	33,477	19,940	23,150							167,092
Subtotal		\$ 194,236	\$ 153,584	\$ 202,259	\$ 166,403	\$ 209,298	\$ 268,507	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,194,286
Rate (\$/Dth)		\$4.64	\$3.92	\$5.14	\$3.57	\$3.05	\$2.98							\$3.67
PG&E Pass-through costs ⁽⁵⁾		153,297	152,983	132,969	161,361	198,079	379,109							1,177,799
Total ABAG POWER Cost		\$ 347,533	\$ 306,567	\$ 335,228	\$ 327,764	\$ 407,377	\$ 647,616							\$ 2,372,085
<u>Actual (metered) Gas Usage</u>														
Core ⁽⁶⁾		34,636	33,447	33,104	40,108	62,573	84,537							288,406
Non Core		7,206	5,774	6,211	6,550	6,042	5,588							37,370
Total Program Usage		41,842	39,221	39,315	46,658	68,615	90,125	0	0	0	0	0	0	325,776
ABAG POWER Total Core Rate		\$ 9.07	\$ 8.49	\$ 9.16	\$ 7.59	\$ 6.22	\$ 7.46							
<u>PG&E Rate⁽⁷⁾</u>														
Procurement Charge ⁽⁸⁾		3.08	3.88	3.11	3.11	3.70	3.80	3.76	4.09					
Transportation/Other Charge ⁽⁹⁾		4.43	4.57	4.02	4.02	3.17	4.48							
Total PG&E Rate		\$ 7.51	\$ 8.45	\$ 7.12	\$ 7.13	\$ 6.86	\$ 8.28	\$ 3.76	\$ 4.09	\$ -	\$ -	\$ -	\$ -	

ABAG POWER Natural Gas Program

FY 2015-16 Monthly Summary of Operations

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
<u>Rate Comparison</u>													
Monthly Rate Difference (\$/Dth)	1.56	0.04	2.04	0.46	(0.65)	(0.82)							
Monthly Savings (\$)	(53,996)	(1,361)	(67,458)	(18,335)	40,595	69,265							
Cumulative 'Savings' (\$)	(53,996)	(55,357)	(122,814)	(141,150)	(100,555)	(31,290)							
Cumulative 'Savings' (%)	-20.8%	-10.2%	-15.8%	-13.3%	-6.7%	-1.4%							
<u>Rate Comparison excluding Stranded Pipeline Capacity Costs</u>													
Standed Pipeline Capacity Costs	\$ 10,861	\$ 10,781	\$ 11,016	\$ 10,563	\$ 11,143	\$ 15,126	\$ 16,751						
Monthly Savings	(45,005)	7,833	(58,182)	(9,256)	50,756	83,454							
Cumulative Savings (\$)	(45,005)	(37,173)	(95,354)	(104,610)	(53,854)	29,600							
Cumulative Savings (%)	-17.3%	-6.8%	-12.2%	-9.8%	-3.6%	1.3%							
<u>Monthly Index Postings</u>													
NGI Bidweek for PG&E Citygate	\$3.16	\$3.25	\$3.10	\$3.07	\$2.67	\$2.64	\$2.82						
Gas Daily Avg. for PG&E Citygate	\$3.19	\$3.17	\$3.10	\$2.87	\$2.70	\$2.55	\$2.60						
NGI Bidweek for Malin	\$2.77	\$2.76	\$2.58	\$2.50	\$2.16	\$2.37	\$2.42						

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.



DT: February 5, 2016

TO: ABAG POWER Executive Committee

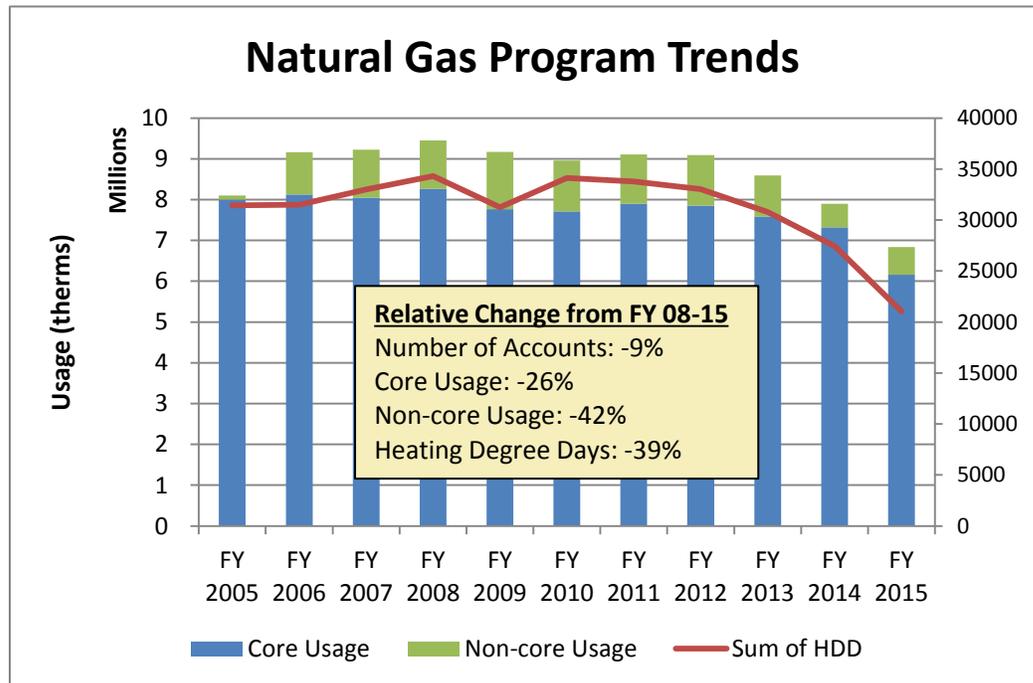
FM: Gerald Lahr, Energy Programs Manager, ABAG

RE: Explaining ABAG POWER’s Recent Decline in Natural Gas Usage

The heating degree day (HDD) is a metric derived from measurements of outside air temperature that is designed to reflect the demand for energy needed to heat a building. The heating requirements for a given structure at a specific location are considered to be directly proportional to the number of HDDs at that location. The number of degree days for a particular 24-hour period is equal to the difference between 65 degrees and the average temperature [(max temp + min temp)/2]. The higher the HDDs for a particular month, the more space heating and energy is required.

The gas program has member facilities operating within the vicinity nearest to twelve weather stations, including: Concord, Hayward, Monterey, Napa, Oakland, Sacramento, Salinas, San Francisco, San Jose, Santa Rosa, Vacaville, and Watsonville. The max temp and min temp are measured at the weather stations and collected by the National Oceanic and Atmospheric Administration (NOAA).

The chart to the right compares the sum of the annual HDDs at the twelve weather stations over ten years. The decline in HDDs reported from these weather stations indicate the region has experienced, on average, significantly warmer temperatures since FY 2010, representing a decrease in the need for heating. The



corresponding decrease in natural gas usage signifies that space heating is a primary use of natural gas among ABAG POWER members, and that the decrease in usage is primarily due to warmer weather within the region.

Looking forward, should we expect this downward usage trend to continue? For a short-term approach, we can compare the sum of HDDs within the first half of each fiscal year (July-December)

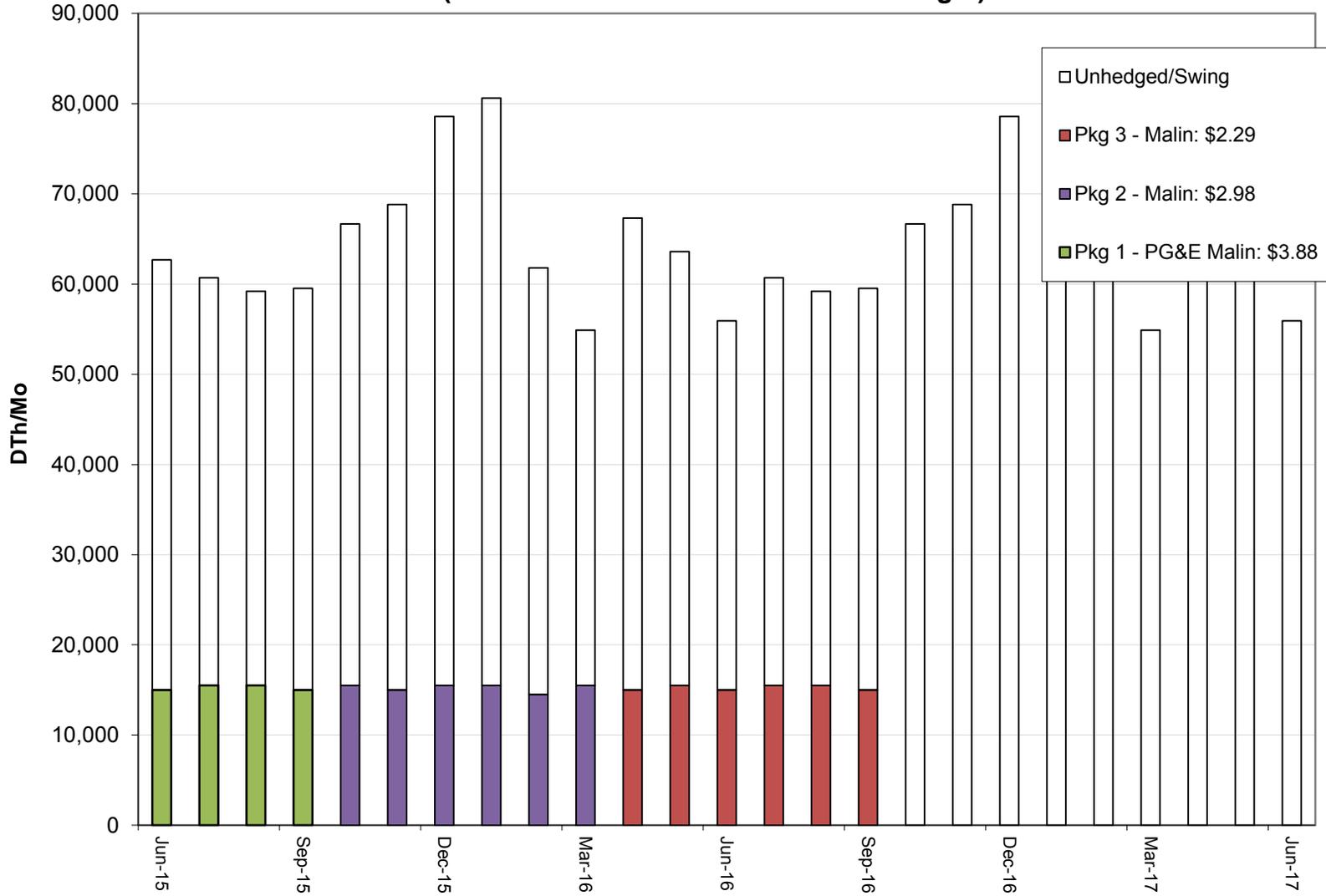


for the past three fiscal years, allowing us to form an educated opinion about likely consumption during the remainder of this fiscal year. As shown below, a 41% increase in sum of HDDs between 1H FY 2015 and 1H FY 2016 leads us to believe that core usage will rebound this year due to a return to colder temperatures in the region.

<u>Date Range</u>	<u>Sum of HDD</u>	<u>Relative Change</u>
July – December 2013	12858	+9%
July – December 2014	7157	-44%
July – December 2015	10107	+41%

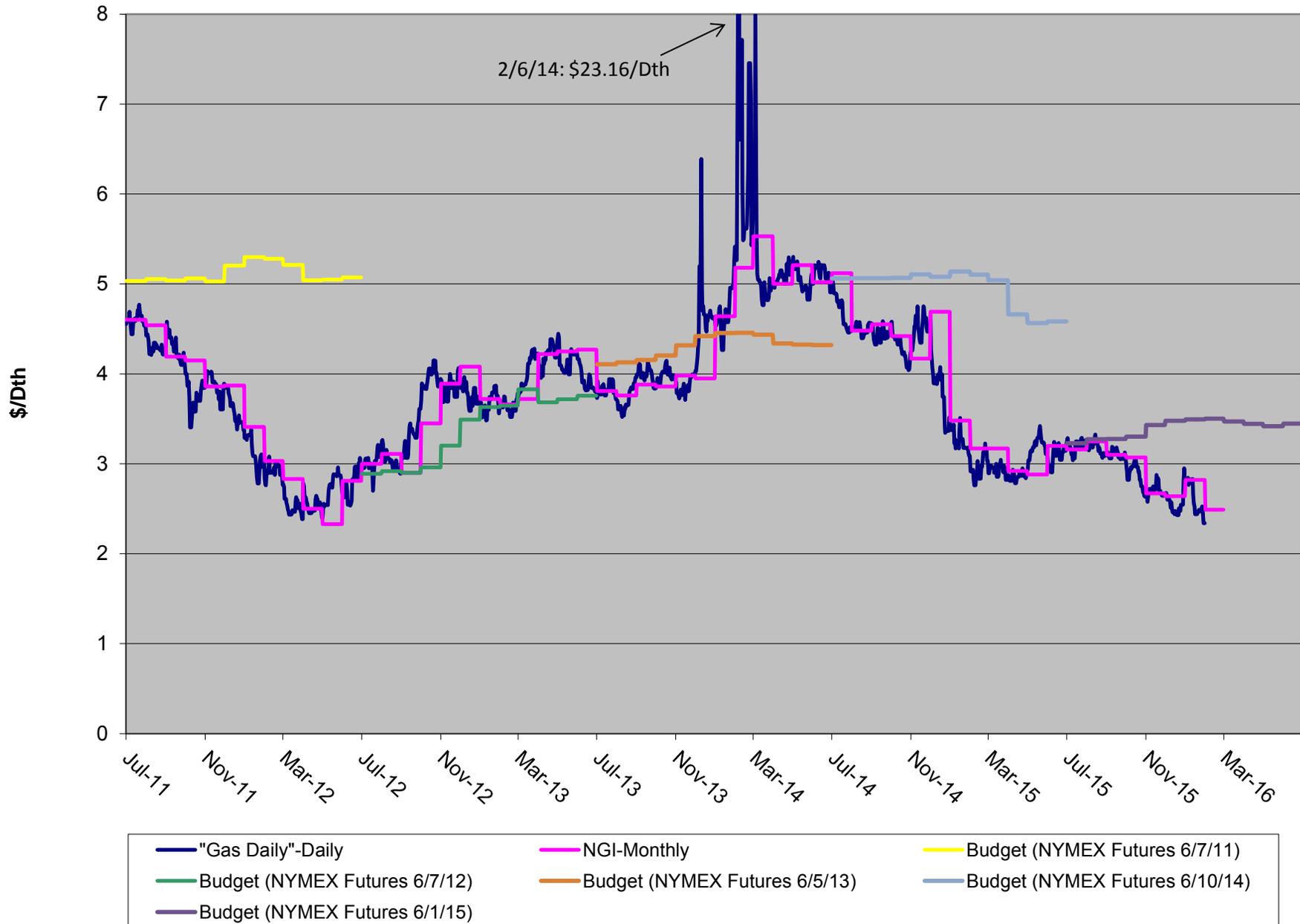
Gas Hedge Chart

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



Market Price Chart

5-Yr Historical/Future Market Price Indices @ PG&E Citygate





DT: February 11, 2016

TO: ABAG POWER Executive Committee

FM: Gerald Lahr, Energy Programs Manager, ABAG

RE: Natural Gas Operating Imbalance Adjustments

Summary

ABAG POWER recently received an ‘adjustment’ to its natural gas imbalance account with PG&E that will result in a significant financial expense to the program. The adjustment was necessary due to PG&E’s inadvertent application of certain metered usage to another Core Procurement group’s Operating Imbalance. We estimate the cost of this adjustment to be approximately \$237,000.

Background

On an ongoing basis, ABAG POWER (in coordination with PG&E and its scheduling agent, DMJ Gas Marketing Consultants) manages its natural gas imbalance accounts.¹ An imbalance occurs when there is a difference between the amount of gas delivered onto PG&E’s system and the amount of gas used by members. For Core Transportation Agents (CTAs), such as ABAG POWER, PG&E breaks the total imbalance into two imbalance accounts:

Cumulative Imbalance: The difference between what was delivered onto PG&E’s system and PG&E’s estimate of our usage.

Operating Imbalance: The difference between PG&E’s estimate of our usage and what is actually used.

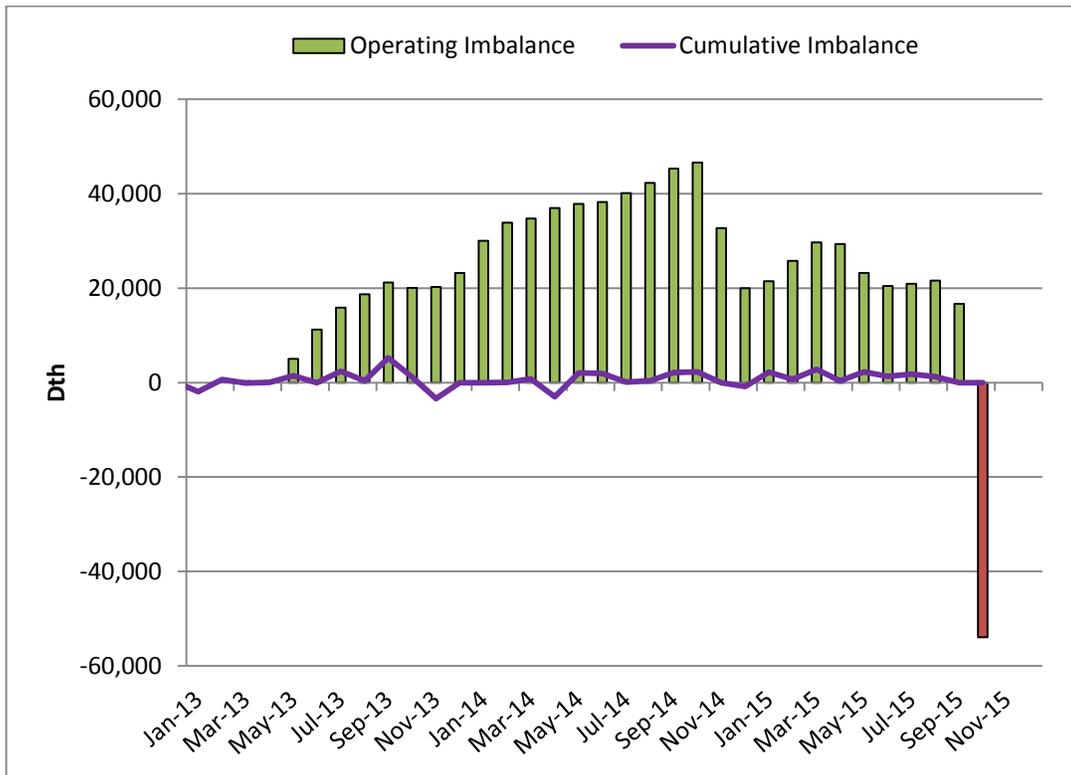
At any given time, these balances are either an asset or a liability to the program, and the dollar value of the Operating Imbalance is currently represented as either an Accounts Payable or Accounts Receivable on the programs financial statements. Operationally, ABAG POWER uses the imbalances to strategically manage its gas supply and pricing, similar to its storage gas. And, while the Operating Imbalance is not subject to maximum or minimum limitations, each month one-twelfth (1/12th) of the untraded imbalance is added to the gas requirements for the subsequent month, which provides for continual corrective action. In general, the program strives to maintain an Operating Imbalance Carryover of between +1% to -2% of the program’s estimated annual usage.

¹ As a CTA, ABAG POWER is the designated ‘Balancing Agent’ and therefore the party responsible for managing and clearing imbalances. However PG&E provides Balancing Services to accommodate any imbalances. (Gas Schedule: G-BAL)



Adjustments

Occasionally, PG&E will issue an “adjustment” to correct a previously calculated imbalance² – most commonly this is due to usage errors caused by a malfunctioning meter or the recovery of missing data. This is a fairly common occurrence, and the adjustment amounts are generally minor and considered a routine part of program operations. Recently however (January 2016), ABAG POWER was notified of significant adjustments made to three of its accounts, spanning a three year period. The total combined adjustment represented an increased usage of 79,200 Dths and caused a corresponding reduction to the program’s Operating Imbalance. In January 2016, ABAG POWER’s Operating Imbalance (shown below) shifted from a sizable asset to a significant liability.³



Through discussions with PG&E, we have learned that this issue was caused by PG&E’s inadvertent application of the metered usage from three accounts to another Core Procurement group’s Operating Imbalance. (PG&E characterized this as a ‘coding error’.) Although the usages were applied to the wrong balancing account, the customers were billed correctly (i.e., ABAG POWER received and billed for the correct usage).

Financial Impact

It is necessary to record this adjustment during the current fiscal year. The adjustment will have a significant near-term financial impact to ABAG POWER by causing an expense to the program in an amount representing the cost of the gas associated with this adjustment. Based on current gas prices

² PG&E is authorized to make corrections, although “adjustments are limited to a maximum three year period.”

³ A three-month lag is implemented by PG&E to compensate for varying meter read schedules. E.g., adjustments for the October 2015 activity period are reported on the January 2016 statement.



we estimate this cost to be approximately \$237,000⁴. Under normal practices this cost will be passed through to members as part of the true-up process, and will consequently have a negative impact on the program's savings comparison to PG&E.

Future Actions

There is no fee or penalty for carrying a negative Operating Imbalance, and the nearly -54,000 Dth balance is manageable over time. Staff intends to remedy this obligation through persistent management and trading of the imbalance and storage accounts. This method requires that gas purchases and deliveries consistently "over-supply" such that a positive cumulative imbalance can be used to gradually decrease the Operating Imbalance. While this method does require additional purchasing to maintain a constant surplus, historically low market prices lend to the viability of this long-term approach.

In order to identify this type of error more quickly in the future, staff will begin a monthly reconciliation between the accounts used for billing purposes to the accounts used for imbalance purposes.

⁴ Assuming a \$3.00/Dth cost of gas.

**ABAG
PUBLICLY OWNED ENERGY
RESOURCES
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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**ABAG
PUBLICLY OWNED ENERGY RESOURCES
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Executive Committee
ABAG Publicly Owned Energy Resources
Oakland, California

Report on Financial Statements

We have audited the accompanying financial statements of the ABAG Publicly Owned Energy Resources (POWER) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise POWER's basic financial statements as listed in the Table of Contents.

Management is responsible for the preparation and fair presentation of these 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 the auditor's 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, the auditor considers 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of POWER as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 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.

Maze & Associates

Pleasant Hill, California
December 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

ABAG Publicly Owned Energy Resources (POWER) has issued the financial reports for fiscal year ending June 30, 2015 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 Position—provides information about the financial position of POWER, including assets, liabilities and net position. The difference between this statement and the traditional Balance Sheet is that net position (fund equity) is shown as the difference between total assets and total liabilities.
- (2) Statement of Activities—presents revenues, expenses and changes in net position 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 inflows 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 2015 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

- POWER's total assets were \$4.4 million at June 30, 2015. At June 30, 2014, total assets were \$3.5 million.
- POWER's total revenues, including program and general revenues, were \$6.2 million in FY 2015, compared to \$6.7 million in FY 2014. The decline in revenue is a result of lower cost of natural gas purchases.

- POWER's total net position remained at zero at June 30, 2015. The accounting process for POWER is set up such that all surpluses and deficits are recorded as receivables or liabilities due to members.
- General and administrative expense, comprising professional fees and reimbursement of administrative expenses to ABAG, were \$386 thousand.
- Under nonoperating income (expense), the Natural Gas Pool had \$5 thousand in interest income.

MAJOR PROGRAM INITIATIVES IN FY 2015

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, 2015, the pool was serving a total of 770 core accounts and three non-core accounts. For FY 2015, levelized natural gas billings totaled \$8.4 million, while total expenses were \$6.2 million. The excess of revenues over expenses in the amount of roughly \$2.2 million was recorded as unearned revenues and will be returned to members as true-up adjustments in billings during FY 2016. Total gas usage of the program was approximately 6.8 million therms during FY 2015.

Continuing with POWER's strategy in purchasing natural gas, about 47% of purchases during FY 2015 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 3.3% higher than PG&E's similar rate schedule (GNR-1).

PROGRAM OUTLOOK FOR FY 2016

Natural gas prices continued a general decline during the fall and winter of 2014-15 – bottoming out at below \$3.00/Dth during the early spring.¹ While prices rebounded modestly during the summer of 2015 to approximately \$3.20, they remain low by historic standards. Futures prices show only a modest increase over the next year. This is due in part to a nationwide high in gas in storage, and an expectation of a warmer winter for much of the nation. California, however, is expected to experience a somewhat harsher than normal winter due to El Nino effects, and thus local prices may experience volatility due to weather issues. 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.

¹ Prices based on gas delivered to PG&E's distribution system ('PG&E Citygate').

Other ABAG Energy/Sustainability Initiatives

The following are energy related initiatives in which the contract for work is held by ABAG; however these programs are in the interest of POWER and its members.

BayREN. The California Public Utilities Commission (CPUC) approved an annual budget of \$12.8 million for on-going implementation of the BayREN program. 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. The BayREN program consists of four primary energy efficiency subprograms that are designed to address key cost, process, work force and other market barriers to energy efficiency upgrades:

- Single-family energy efficiency retrofit program
- Multi-family energy efficiency retrofit program
- Codes and standards compliance and enforcement
- Financing for energy efficiency projects

Electric Vehicles (EV). ABAG remains active in the Bay Area EV Coordinating 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 POSITION
JUNE 30, 2015

	<u>Natural Gas Pool</u>
ASSETS	
Cash and Cash Equivalents (Note 2)	\$3,907,913
Receivable from Members and Others	278,130
Interest Receivable	1,561
Natural Gas Inventory (Note 1E)	<u>252,740</u>
Total Assets	<u>4,440,344</u>
LIABILITIES	
Accounts Payable	249,045
Payable to Members	2,000,785
Unearned Revenue	<u>2,190,514</u>
Total Liabilities	<u>4,440,344</u>
NET POSITION	<u><u> </u></u>

See accompanying notes to basic financial statements

ABAG
PUBLICLY OWNED ENERGY RESOURCES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Natural Gas Pool
OPERATING REVENUES	
Sale of natural gas	\$6,201,397
OPERATING EXPENSES	
Cost of natural gas sold	5,821,010
Gross margin	380,387
GENERAL AND ADMINISTRATIVE EXPENSES	
Metering and billing agent fees	10,623
Management and administration (Note 1)	375,241
Total general and administrative expenses	385,864
OPERATING LOSS	(5,477)
NONOPERATING INCOME	
Interest income	5,477
CHANGE IN NET POSITION	
BEGINNING NET POSITION	
ENDING NET POSITION	

See accompanying notes to basic financial statements

ABAG
PUBLICLY OWNED ENERGY RESOURCES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Natural Gas Pool</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from members	\$7,510,874
Payments to suppliers	(6,142,987)
Payments for management and administration	(375,241)
Payments for agent and legal fees	<u>(10,623)</u>
Cash Flows from Operating Activities	<u>982,023</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest collections	<u>5,117</u>
Cash Flows from Investing Activities	<u>5,117</u>
Net increase in cash and cash equivalents	987,140
Cash and cash equivalents at beginning of period	<u>2,920,773</u>
Cash and cash equivalents at end of period	<u><u>\$3,907,913</u></u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:	
Operating Loss	(\$5,477)
Change in assets and liabilities:	
Receivables	121,812
Natural gas inventory	(74,658)
Accounts payable	(247,319)
Unearned revenue	<u>1,187,665</u>
Cash Flows from Operating Activities	<u><u>\$982,023</u></u>

See accompanying notes to basic financial statements

**ABAG
PUBLICLY OWNED ENERGY RESOURCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

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. On behalf of POWER, ABAG incurred \$359,441 for these services and \$5,800, for contract services in the fiscal year ended June 30, 2015.

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, 2015**

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, 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 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.

D. Estimates

POWER's management has made a number of estimates and assumptions relating to the reporting of assets, deferred outflows/inflows of resources 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.

NOTE 2 – CASH AND CASH EQUIVALENTS

A. Carrying Amount and Fair Value

Cash and investments comprised the following at June 30, 2015:

	Fair Value
Local Agency Investment Fund (LAIF)	\$2,898,142
Cash in Banks	1,009,771
Total Cash and Cash Equivalents	\$3,907,913

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 239 days.

**ABAG
PUBLICLY OWNED ENERGY RESOURCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

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.

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 \$696,706 as of June 30, 2015.

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

FOR THE YEAR ENDED
JUNE 30, 2015**

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

For the Year Ended June 30, 2015

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MEMORANDUM ON INTERNAL CONTROL

To the Executive Committee
ABAG Publicly Owned Energy Resources
Oakland, California

In planning and performing our audit of the basic financial statements of ABAG Publicly Owned Energy Resources (POWER) as of and for the year ended June 30, 2015, 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 audit procedures that are appropriate in the circumstances 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 control. Accordingly, we do not express an opinion on the effectiveness of POWER's internal control.

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.

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 material weaknesses. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Executive Committee, others within the organization, and agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
December 30, 2015

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MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect next fiscal year 2015-2016. We have cited them here to keep you abreast of developments:

2015-01: GASB 72 – Fair Value Measurement and Application

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Fair Value Measurement

Fair value is described as an exit price. Fair value measurements assume a transaction takes place in a government's principal market, or a government's most advantageous market in the absence of a principal market. The fair value also should be measured assuming that general market participants would act in their economic best interest. Fair value should not be adjusted for transaction costs.

This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

Fair Value Application

This Statement generally requires investments to be measured at fair value. An *investment* is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment.

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

Fair Value Disclosures

This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

How the Changes in This Statement Improve Financial Reporting

The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

Management Response:

We will implement the new pronouncement in FY 15-16.

2015-02: GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

Issued in June 2015, the objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

How the Changes in This Statement Improve Financial Reporting

The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

Management Response:

We will implement the new pronouncement in FY 15-16.



REQUIRED COMMUNICATIONS

To the Executive Committee
ABAG Publicly Owned Energy Resources
Oakland, California

We have audited the basic financial statements of the ABAG Publicly Owned Energy Resources (POWER) for the year ended June 30, 2015. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by POWER are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

GASB Statement No. 68 – Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27

GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68

The pronouncements became effective, but did not have a material effect on the financial statements.

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by POWER during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on POWER's financial reporting process.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated December 30, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to POWER's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as POWER's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Maze & Associates

Pleasant Hill, California
December 30, 2015



DT: February 5, 2016
TO: ABAG POWER Executive Committee
FM: Gerald Lahr, Energy Programs Manager, ABAG
RE: Upcoming One-Time Bill Credit/Check Disbursement from PG&E

Summary

In April 2015, the California Public Utilities Commission (CPUC) issued PG&E a \$1.6 billion penalty for the San Bruno pipeline explosion. Of this total, \$850 million is to be used for gas system safety improvements, and \$400 million is to be refunded to gas customers.¹ In June 2016, gas customers will receive either a bill credit or a check for their allotment of PG&E's \$400 million disallowance adopted in this ruling.

The amount of the disallowance disbursed for each individual customer will be based on uniform rates per therm for respective core and non-core customers. This rate is multiplied by the account's average gas consumption during the applicable period shown below:

<u>Customer Classification</u>	<u>Gas Consumption Period</u>
Core	December 2015 – January 2016
Non-core	February 2015 – January 2016

For all non-core customers, and for ABAG POWER core customers where the apportioned amount is over \$30.00, PG&E will issue a check to the customer in lieu of a bill credit in order to avoid billing complications. For core customers where the allocation is less than \$30, a credit will be given as an offset to PG&E transportation costs.

Using calculation methodology provided by PG&E in its initial proposal, this disbursement is estimated to represent approximately \$423,000 for ABAG POWER gas pool members.²

Prior to the bill credit in June 2016, staff will issue an updated memo to inform gas pool members regarding the status, calculation methodology, and other relevant factors of the disbursement.

¹ California Public Utilities Commission D.15-04-024

² Pacific Gas & Electric Company Advice Letter 3597-G, Illustrative Example using 2014 Recorded Data

Senate Bill 000
Water Bill Savings Act: As proposed to be introduced
Senator McGuire

Summary

Despite the rainfall and snow the state is seeing this winter from the effects of El Niño, California's historic drought will continue to persist. The drought has severely impacted local governments' ability to balance water supplies with customer needs, whether those needs are for residents, businesses or agriculture operations. In addition, two major factors will continue to contribute to our State's ongoing drought conditions: Groundwater supplies are anticipated to take decades to replenish and many reservoirs will require years of above average rainfall to hit pre-drought levels.

SB XX will provide local governments and disadvantaged communities the necessary tools to fund water efficiency projects for customers who voluntarily participate, thus helping the state achieve its continued goals of reducing water use.

Background

On April 1, 2015, the Governor signed executive order B 29-15 mandating historic mandatory water conservation measures statewide. One section in particular calls for regional collaboration to address some of the negative effects produced by California's ongoing drought, i.e.:

"WHEREAS the magnitude of the severe drought conditions continues to present threats beyond the control of the services, personnel, equipment, and facilities of any single local government and require the combined forces of a mutual aid region or regions to combat."

Water conservation efforts are the core way in which local governments can respond aggressively to the Governor's executive orders urging adaptation to California's ongoing drought.

Problem

The upfront costs of installing water efficiency improvements are a barrier that often prevents property owners and low income residents from making water efficiency improvements. Furthermore, municipal utilities and local governments lack a suitable mechanism to meet the challenge of creating and

funding large scale and rapidly deployable programs to facilitate widespread adoption of customer-side water efficiency projects.

Solution

SB XX will allow residents to finance drought tolerant landscapes, upgrade hot water systems, gray water systems, high efficiency toilets and high efficiency shower heads on their water utility bills.

This bill will create a broad scale regional response to California's water supply issues by adding Section 6588 of the California Government Code to extend existing Marks Roos Local Bond Pooling Act authority used by JPAs to fund utility projects to voluntary customer water efficiency projects installed on private property and paid for by participants.

The legislation would enable JPAs to fund project installation with pooled revenue bonds, with debt service provided through meter charges aggregated from participating properties rather than all ratepayers. Just like a charge for water service, individual meter charges are tied to the specific efficiency services delivered at the meter location. Meter charges designed to be less than the estimated utility bill savings delivered by the associated project create immediate net cost savings at a participating property.

Pay As You Save (PAYS) pilots established by the Bay Area Regional Energy Network (BayREN) have already demonstrated the potential for this water efficiency model, saving 20-33% of participating customers' water use. SB XX seeks to build upon these successes to allow Local Governments the option to: 1) Pool JPA Member Utilities into a single entity able to raise capital; 2) Deliver centralized administration and operation services to Member Utilities and their customers, and; 3) Allow Member Utilities to aggregate customer on-bill surcharges to repay the program for services received.

Contact

Matthew Montgomery, Legislative Director
Phone: 916-651-4002
matthew.montgomery@sen.ca.gov

Support

Pending

