ABAG POWER
Publicly Owned Energy Resources

Financial Statements
For the Year Ended June 30, 2019

ABAG Publicly Owned Energy Resources
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For the Year Ended June 30, 2019

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Report of Independent Auditors

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

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

Other Matter

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
October 29, 2019

Management's Discussion and Analysis

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

A. Financial Highlights

1. Total gas usage during fiscal year 2018-19 was approximately 6.74 million therms, which was a decrease of approximately 0.2 million therms compared to fiscal year 2017-18.

2. POWER's current strategy for purchasing natural gas, revised in fiscal year 2017-18, consists exclusively of short-term, index-based purchases at three market locations.

3. POWER serves a total of 768 core accounts and three non-core accounts as of June 30, 2019

4. In fiscal year 2019 there was an excess of revenues over expenses in the amount of $83,503, which will be returnted to the members as true-up adjustments in billings during the next fiscal year.

B. Overview of the POWER Financial Statements

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

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

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

C. Financial Analysis

Statement of Net Position

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

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

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

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

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

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

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

Statement of Revenues, Expenses, and Changes in Net Position

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

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

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

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

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

D. Notes to the Financial Statements

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

E. Economic Factor and Program Outlook for Fiscal Year 2020

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

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

Request for Information

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

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

ASSETS	
Current assets:	
Cash	$ 540,581
Investments	1,510,482
Accounts receivable	384,395
Interest receivable	11,174
Prepaid items	4,389
Natural gas inventory	37,344
TOTAL ASSETS	2,488,365
LIABILITIES	
Current liabilities:	
Accounts payable	375,086
Due to other government	28,991
Unearned revenue	83,503
Total current liabilities	487,580
Non-current liabilities:	
Deposits from members	2,000,785
Total non-current liabilities	2,000,785
TOTAL LIABILITIES	2,488,365
NET POSITION	$ -

See accompanying notes to financial statements

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

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

See accompanying notes to financial statements

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

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

See accompanying notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Operations

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

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

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

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

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

POWER's Operation

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

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

B. Basis of Presentation

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

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

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

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

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

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

New Accounting Pronouncement

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

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

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

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

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

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

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

D. Cash and Investments

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

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

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

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

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

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

E. Natural Gas Inventory

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

F. Unearned Revenue

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

G. Due to Other Government

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

H. Operating and Nonoperating Revenues and Expense

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

I. Use of Estimates

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

2. NET POSITION

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

3. CASH AND INVESTMENTS

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

Cash	$ 540,581
Investments	1,510,482
Total Cash and Investments	$ 2,051,063

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

Cash

Cash at banks	$ 540,581
Total Cash	$ 540,581

Investments

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

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

Level 2: Inputs to the valuation methodology include:

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

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

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

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

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

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

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

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

C. Deposit and Investment Risk Factors

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

i.) Credit Risk

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

ii.) Custodial Credit Risk

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

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

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

iii.) Concentration of Credit Risk

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

iv.) Interest Rate Risk

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

4. PURCHASE COMMITMENTS

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

5. SUBSEQUENT EVENTS

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