



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

## Meeting Agenda - Final

### ABAG POWER Board of Directors

*Chair, Doug Williams, City of Santa Rosa*  
*Vice Chair, Vacant*

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Thursday, October 26, 2023

11:00 AM

Yerba Buena - 1st Floor

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#### ABAG Publicly Owned Energy Resources Board of Directors Meeting No. 2023-01

Meeting attendees may opt to attend in person for public comment and observation at 375 Beale Street, Yerba Buena Conference Room (1st Floor). In-person attendees must adhere to posted public health protocols while in the building. The meeting webcast will be available at <https://abag.ca.gov/meetings>. Members of the public are encouraged to participate remotely via Zoom at the following link or phone number.

Members of the public participating by Zoom wishing to speak should use the "raise hand" feature or dial \*9. When called upon, unmute yourself or dial \*6. In order to get the full Zoom experience, please make sure your application is up to date.

Attendee Link: <https://bayareametro.zoom.us/j/86966900909>

iPhone One-Tap: US: +13462487799,,86966900909# US

Join by Telephone (for higher quality, dial a number based on your current location) US:  
888 788 0099 US (Toll Free) or 833 548 0276 US (Toll Free)

Webinar ID: 869 6690 0909

International numbers available: <https://bayareametro.zoom.us/j/kdRbvjL9ak>

Detailed instructions on participating via Zoom are available at:  
<https://mtc.ca.gov/meetings-events/how-provide-public-comment-board-meeting>

Members of the public may participate by phone or Zoom or may submit comments by email at [info@bayareametro.gov](mailto:info@bayareametro.gov) by 5:00 p.m. the day before the scheduled meeting date. Please include the committee or board meeting name and agenda item number in the subject line. Due to the current circumstances there may be limited opportunity to address comments during the meeting. All comments received will be submitted into the record. Agenda and roster are available at <https://abag.ca.gov/our-work/energy-infrastructure/power>. For information, contact Clerk of the Committee at (415) 820-7973.

**Roster**

**Erin Smith, City of Alameda**  
**Sean Prevette, Alameda Housing Authority**  
**Mark Hurley, City of Albany**  
**George Rodericks, Town of Atherton**  
**Kyle Ochendusko, City of Benicia**  
**Brendan Havenar-Daughton, County of Contra Costa**  
**Victoria Morin, City of Cupertino**  
**Dan Schoenholz, City of Fremont**  
**Jennifer Mennucci, GGBHTD**  
**Carmen Gil, City of Gonzales**  
**Matthew Chidester, City of Half Moon Bay**  
**Mike Robers, City of Hercules**  
**Gabe Engeland, City of Los Altos**  
**Trevor Atashkarian, City of Mill Valley**  
**Sam Bautista, City of Millbrae**  
**Elaine Marshall, City of Milpitas**  
**Steve Leonardis, City of Monte Sereno**  
**Annie To, Town of Moraga**  
**Steve Lederer, County of Napa**  
**Daniel Hamilton, City of Oakland**  
**David Biggs, City of Orinda**  
**Yulia Carter, City of Pacifica**  
**Patrick Carter, City of Petaluma**  
**Becky Hopkins, City of Pleasanton**  
**Samantha Carr, City of Richmond**  
**Brian Frus, City of Salinas**  
**Steven Machida, City of San Carlos**  
**April Miller, City of San Rafael**  
**Gary Behrens, County of San Mateo**  
**Brad Vance, County of Santa Clara**  
**Doug Williams, City of Santa Rosa**  
**Thomas Scott, City of Saratoga**  
**Bob Calderon, City of Union City**  
**Melissa Morton, Vallejo Sanitation and Flood Control District**  
**Oscar Alcantar, City of Vallejo**  
**Gabriel Gordo, City of Watsonville**  
**Kathleen Tropa, City of Winters**

- 1. Welcome and Call to Order - Doug Williams, Chair, City of Santa Rosa**
- 2. Roll Call / Confirm Quorum - Cindy Chen, Clerk, ABAG/MTC**

*Quorum: a quorum of this meeting body shall be 40% of its regular voting members (37).*

- 3. Public Comment**

*The public is encouraged to provide comment at Committee meetings. This public comment period is intended for items not agendaized.*

#### 4. Consent Calendar

- 4a. [23-1143](#) Approval of Minutes from May 25, 2023 Board of Directors Special Meeting.
- Action:** Approval
- Presenter:** Ryan Jacoby, Program Manager, ABAG/MTC
- Attachments:** [4.a. - Approval of Minutes from May 25, 2023 Board of Directors Special Mtg](#)

#### 5. Approval

- 5a. [23-1144](#) ABAG POWER Audited Financial Statements and Reports for Fiscal Year 2022-23.
- Staff will present for Board acceptance audited financial statements and reports for Fiscal Year 2022-23.
- Action:** Approval
- Presenter:** Grace Martinez, Director, Fin. Reporting & Ops. Accounting, ABAG/MTC  
Kathy Lai, Lead Engagement Partner, Crowe, LLP
- Attachments:** [5.a.1. – FY 22-23 Audit Results and Required Communications Presentation](#)  
[5.a.2. – Summary Sheet FY 22-23 Audited Financial Statements & Reports](#)  
[5.a.3. – FY 22-23 Financial Reports and Year End Audit Results](#)  
[5.a.4. – ABAG POWER FY 22-23 Financial Statements](#)
- 5b. [23-1262](#) Adoption of Resolution 23-05 to Admit Current Members of the School Project for Utility Rate Reduction, a Joint Powers Authority, as New Members of ABAG POWER, Provided They Meet the Requirements Set Forth in the ABAG POWER Joint Powers Agreement and Bylaws.
- Staff will provide an overview of the School Project for Utility Rate Reduction's (SPURR), a joint powers authority, Request for Qualifications and Proposals, and present for approval Resolution 23-05 to admit current members of SPURR to join ABAG POWER, provided they meet the requirements set forth in the ABAG POWER Joint Powers Agreement and Bylaws.
- Action:** Approval
- Presenter:** Ryan Jacoby, Program Manager, ABAG/MTC
- Attachments:** [5.b.1. – Overview of SPURR RFQP Presentation](#)  
[5.b.2. – Summary Sheet Admittance of SPURR Members Resolution 23-05](#)  
[5.b.3. – Resolution 23-05](#)  
[5.b.4. – List of Current SPURR Natural Gas Program Participants](#)

- 5c. [23-1145](#) Election of Chair and Vice Chair and Approval of the Executive Committee for Calendar Year 2024.

Board of Directors to elect the Chair and Vice Chair and approve the ABAG POWER Executive Committee for Calendar Year 2024.

**Action:** Approval

**Presenter:** Doug Williams, Chair, City of Santa Rosa

**Attachments:** [5.c. – Election of Chair & Vice & Approval of Exec Comm. for CY 2024](#)

- 5d. [23-1146](#) Adoption of Resolution 23-06, A Modification to the Working Capital Deposit Policy.

Staff will present a recommendation to modify the current working capital deposit policy for the natural gas program to increase working capital deposits from 2.0 months to 3.0 months of estimated expenses, and to collect the additional deposits over a 24-month period beginning July 1, 2024.

**Action:** Approval

**Presenter:** Oscar Quintanilla Lopez, Asst. Director, Budgets & Fin. Plan & Analysis;  
Ryan Jacoby, Program Manager, ABAG/MTC

**Attachments:** [5.d.1. – Working Capital Deposits Policy Modification](#)

[5.d.2. – Current Working Capital Deposits by Member \(informational\)](#)

[5.d.3. – Resolution 23-06 Working Capital Deposits Policy](#)

## 6. Information

- 6a. [23-1147](#) ABAG-MTC Agency and Local Government Services Update.

Staff will provide an update on the Association of Bay Area Governments (ABAG) and Metropolitan Transportation Commission's (MTC) governance and the Local Government Services section.

**Action:** Information

**Presenter:** Brad Paul, Deputy Executive Director, Local Govt Svc, ABAG/MTC

**Attachments:** [6.a.1. – ABAG-MTC Governance and LGS Update Presentation](#)

[6.a.2. – ABAG-MTC Governance and LGS Update](#)

- 6b. [23-1148](#) Staff Report and Review of Natural Gas and Renewable Natural Gas Programs.

Staff will provide an update of actions taken since the Renewable Natural Gas Program's establishment on May 25, 2023, and report the results of the Natural Gas Program for Fiscal Year 2022-23.

**Action:** Information

**Presenter:** Ryan Jacoby, Program Manager, ABAG/MTC

**Attachments:** [6.b.1. – Staff Report on Natural Gas & RNG Programs Presentation](#)  
[6.b.2. – Staff Report on Natural Gas & RNG Programs](#)

- 6c. [23-1149](#) The City of Pleasanton's Use of Renewable Natural Gas for Emissions Reduction and Senate Bill 1383 Compliance.

The City of Pleasanton and Rincon Consultants will provide an overview of the City's greenhouse gas analysis for replacing natural gas with renewable natural gas (RNG), and using RNG to meet Senate Bill 1383's jurisdictional procurement requirements.

**Action:** Information

**Presenter:** Becky Hopkins, City of Pleasanton;  
Joanna Thelen, Rincon Consultants

**Attachments:** [6.c.1. – ABAG POWER SB 1383 Procurement Cost Benefit Analysis](#)  
[6.c.2. – City of Pleasanton CC Procurement of SB 1383 compliant RNG](#)

## 7. Other Business

*Committee to provide update on items within member agencies relevant to ABAG POWER and/or the ABAG/MTC energy programs.*

## 8. Adjournment / Next Meeting

**The next meeting is the ABAG POWER Executive Committee Meeting scheduled to be held on December 14, 2023.**

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

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

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

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

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

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

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

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



# Metropolitan Transportation Commission Meeting Minutes 3 - Draft

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

## ABAG POWER Board of Directors

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Thursday, May 25, 2023

11:00 AM

Yerba Buena - 1st Floor

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### ABAG Publicly Owned Energy Resources Board of Directors

Special Meeting No. 2023-01

Teleconference Locations:

Gonzales City Hall, City Manager's Office, 147 4th Street, Gonzales, CA 93926  
Los Altos City Hall, City Manager's Office, 1 N. San Antonio Road, Los Altos, CA 94022  
Milpitas City Hall, 455 East Calaveras Blvd, Milpitas, CA 95035  
Moraga Administrative Office, 329 Rheem Boulevard, Moraga, CA 94556  
Petaluma City Hall, City Manager's Office, 11 English St, Petaluma, CA 94952

Chair, Vacant

Vice Chair, Doug Williams, City of Santa Rosa

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

For information, contact Clerk of the Committee at (415) 820-7973.

#### Committee Representative Roster:

Erin Smith, City of Alameda  
Sean Prevette, Alameda Housing Authority  
Mark Hurley, City of Albany  
George Rodericks, Town of Atherton  
Kyle Ochendusko, City of Benicia  
Diana Oyler, County of Contra Costa  
Andre Duurvoort, City of Cupertino  
Dan Schoenholz, City of Fremont  
Jennifer Mennucci, GGBHTD  
Trevin Barber, City of Gonzales  
Matthew Chidester, City of Half Moon Bay  
Mike Robers, City of Hercules  
Gabe Engeland, City of Los Altos  
Trevor Atashkarian, City of Mill Valley  
Sam Bautista, City of Millbrae  
Elaine Marshall, City of Milpitas  
Steve Leonardis, City of Monte Sereno  
Annie To, Town of Moraga  
Steve Lederer, County of Napa  
Daniel Hamilton, City of Oakland  
David Biggs, City of Orinda

**Yulia Carter, City of Pacifica**  
**Patrick Carter, City of Petaluma**  
**Becky Hopkins, City of Pleasanton**  
**Samantha Carr, City of Richmond**  
**Adam Spaulding, City of Salinas**  
**Steven Machida, City of San Carlos**  
**April Miller, City of San Rafael**  
**Gary Behrens, County of San Mateo**  
**Brad Vance, County of Santa Clara**  
**Doug Williams, City of Santa Rosa**  
**Thomas Scott, City of Saratoga**  
**Bob Calderon, City of Union City**  
**Melissa Morton, Vallejo Sanitation and Flood Control District**  
**Oscar Alcantar, City of Vallejo**  
**Gabriel Gordo, City of Watsonville**  
**Kathleen Trepas, City of Winters**

**Staff Roster:**

**Brad Paul**  
**Matthew Lavrinets**  
**Jennifer Berg**  
**Ryan Jacoby**  
**Fera Chandra**  
**Cindy Chen (Clerk)**

## 1. Welcome and Introductions

Vice Chair Williams called the meeting to order at 11:05 a.m. Quorum was present.

Call to Order.

Doug Williams, ABAG POWER Executive Committee Vice Chair, City of Santa Rosa

Roll Call / Confirm Quorum.

Cindy Chen, Energy Programs Coordinator, ABAG/MTC

**Present:** 16 - Board Member Pevette, Board Member Rodericks, Board Member Oyler, Board Member Mennucci, Board Member Barber, Board Member Engeland, Board Member Bautista, Board Member Marshall, Board Member To, Board Member Lederer, Board Member Hamilton, Board Member Carter, Board Member Hopkins, (Alternate) Vance, Board Member Williams, and Board Member Gordo

**Absent:** 21 - Board Member Smith, Board Member Hurley, Board Member Ochendusko, Board Member Duurvoort, Board Member Schoelholz, Board Member Chidester, Board Member Robers, Board Member Atashkarian, Board Member Leonardis, Board Member Biggs, Board Member Carter, Board Member Carr, Board Member Spaulding, Board Member Machida, Board Member Miller, Board Member Behrens, Board Member Scott, Board Member Calderon, Board Member Morton, Board Member Alcantar, and Board Member Trepas

Carmen Gill acted as a delegate and voting member of the Board in place of Trevin Barber, City of Gonzales.



## 2. Public Comment

Vice Chair Williams invited any member of the public in attendance to provide public comment on items not on the agenda. None was provided.

## 3. Consent Calendar

[23-0698](#) Approval of Minutes from October 20, 2022 Board of Directors Meeting.

**Attachments:** [3.a- Approval of Minutes from 10202022 Board of Directors Meeting](#)

**Motion was made by Board Member Hopkins and seconded by Board Member Oyler to approve the Consent Calendar, consisting of the Meeting Minutes of October 20, 2022. The Motion passed by the following vote:**

- Aye:** 12 - Board Member Prevette, Board Member Rodericks, Board Member Oyler, Board Member Mennucci, Board Member Barber, Board Member Engeland, Board Member To, Board Member Lederer, Board Member Carter, Board Member Hopkins, Board Member Williams, and Board Member Gordo
- Absent:** 21 - Board Member Smith, Board Member Hurley, Board Member Ochendusko, Board Member Duurvoort, Board Member Schoelholz, Board Member Chidester, Board Member Robers, Board Member Atashkarian, Board Member Leonardis, Board Member Biggs, Board Member Carter, Board Member Carr, Board Member Spaulding, Board Member Machida, Board Member Miller, Board Member Behrens, Board Member Scott, Board Member Calderon, Board Member Morton, Board Member Alcantar, and Board Member Trepia
- Abstain:** 4 - Board Member Bautista, Board Member Marshall, Board Member Hamilton, and (Alternate) Vance

## 4. Election of Chair and Vice Chair and Ratification of the Executive Committee for Calendar Year 2023

[23-0699](#) Board of Directors to elect the Chair and Vice Chair and ratify the ABAG POWER Executive Committee for Calendar Year 2023.

**Attachments:** [4.a- ABAG POWER Calendar Year 2023 Executive Committee](#)

**Motion was made by Board Member Hamilton and seconded by Board Member Hopkins to approve the calendar year 2023 Executive Committee, including the election of Chair and Vice Chair. The motion passed by the following vote:**

- Aye:** 16 - Board Member Prevette, Board Member Rodericks, Board Member Oyler, Board Member Mennucci, Board Member Barber, Board Member Engeland, Board Member Bautista, Board Member Marshall, Board Member To, Board Member Lederer, Board Member Hamilton, Board Member Carter, Board Member Hopkins, (Alternate) Vance, Board Member Williams, and Board Member Gordo
- Absent:** 21 - Board Member Smith, Board Member Hurley, Board Member Ochendusko, Board Member Duurvoort, Board Member Schoelholz, Board Member Chidester, Board Member Robers, Board Member Atashkarian, Board Member Leonardis, Board Member Biggs, Board Member Carter, Board Member Carr, Board Member Spaulding, Board Member Machida, Board Member Miller, Board Member Behrens, Board Member Scott, Board Member Calderon, Board Member Morton, Board Member Alcantar, and Board Member Trepia

## 5. Establishment of Renewable Natural Gas Program

Kelly Schoonmaker provided an overview of Senate Bill 1383's jurisdictional procurement requirements. Ryan Jacoby provided an overview of renewable natural gas, potential benefits of a renewable natural gas program, and a potential structure for member agreements. Shayne Petkiewicz provided an overview of Anaergia's public-private partnership to convert organics into renewable natural gas at the Victor Valley Wastewater Reclamation Authority.

### [23-0700](#)

Adoption of Resolution No. 23-04, which 1) amends Sections 7A.1 Programs and 7.A.3 Program Committees of the Bylaws to create a Renewable Natural Gas Program and to have the Executive Committee serve as the Program Committee to the Renewable Natural Gas Program; 2) authorizes the Executive Director (or designee) of the Metropolitan Transportation Commission a) to negotiate and execute agreements with current ABAG POWER members to allow them to participate in the Renewable Natural Gas Program, and suppliers to provide renewable natural gas as part of the Renewable Natural Gas Program and b) to take actions incidental or necessary to establish and implement the Renewable Natural Gas Program, and 3) finds that the actions taken are exempt from environmental review pursuant to California Environmental Quality Act Guideline 15308, Actions by Regulatory Agencies for Protection of the Environment.

**Attachments:** [5.a- SB 1383 Regulations Procurement Overview](#)

[5.b- Proposed Renewable Natural Gas Program](#)

[5.c- Anaergia Overview](#)

[5.d.- Summary Sheet – Establishment of Renewable Natural Gas Program](#)

[5.e.- Resolution 23-04 Establishment of Renewable Natural Gas Program](#)

[5.f.- PublicComment DaleRoberts](#)

**Motion was made by Board Member Lederer and seconded by Board Member Bautista to adopt Resolution No. 23-04, which 1) amends Sections 7A.1 Programs and 7.A.3 Program Committees of the Bylaws to create a Renewable Natural Gas Program and to have the Executive Committee serve as the Program Committee to the Renewable Natural Gas Program; 2) authorizes the Executive Director (or designee) of the Metropolitan Transportation Commission a) to negotiate and execute agreements with current ABAG POWER members to allow them to participate in the Renewable Natural Gas Program, and suppliers to provide renewable natural gas as part of the Renewable Natural Gas Program and b) to take actions incidental or necessary to establish and implement the Renewable Natural Gas Program, and 3) finds that the actions taken are exempt from environmental review pursuant to California Environmental Quality Act Guideline 15308, Actions by Regulatory Agencies for Protection of the Environment. The motion passed by the following vote:**

**Aye:** 15 - Board Member Prevette, Board Member Rodericks, Board Member Oyler, Board Member Mennucci, Board Member Barber, Board Member Engeland, Board Member Bautista, Board Member Marshall, Board Member Lederer, Board Member Hamilton, Board Member Carter, Board Member Hopkins, (Alternate) Vance, Board Member Williams, and Board Member Gordo

**Absent:** 21 - Board Member Smith, Board Member Hurley, Board Member Ochendusko, Board Member Duurvoort, Board Member Schoelholz, Board Member Chidester, Board Member Robers, Board Member Atashkarian, Board Member Leonardis, Board Member Biggs, Board Member Carter, Board Member Carr, Board Member Spaulding, Board Member Machida, Board Member Miller, Board Member Behrens, Board Member Scott, Board Member Calderon, Board Member Morton, Board Member Alcantar, and Board Member Trepia

**Abstain:** 1 - Board Member To

## 6. Adjournment / Next Meeting

The next meeting of the ABAG POWER Executive Committee is on June 16, 2023.



1

## Client Service Team

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 <b>Rich Perilloux</b> IT Audit Partner	 <b>John Weber</b> Concurring Review Partner	 <b>Kathy Lai</b> Lead Engagement Partner	 <b>Brad Schelle</b> Audit Partner	 <b>Scott Nickerson</b> Audit Partner
 <b>Michelle Buss</b> Senior Manager	 <b>Cassandra Taylor</b> IT Audit Senior Manager	 <b>Joseph Widjaja</b> Senior Manager	 <b>Erika Alvarez</b> Senior Manager	 <b>Cory Lee</b> Manager
<b>Tony Boras</b> GASB Technical Reviewer	<b>Bert Nuehring</b> Consulting Partner	<b>Chris Moore</b> Derivatives Partner		
<b>Brian Archambeault</b> Uniform Guidance Technical Reviewer	<b>Erik Nylund</b> Consulting Managing Director	<b>Matt Geerdes</b> Accounting Advisory		

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2

**Agenda**

- 1**  
Audit Objectives
- 2**  
Audit Results
- 3**  
Required Communications

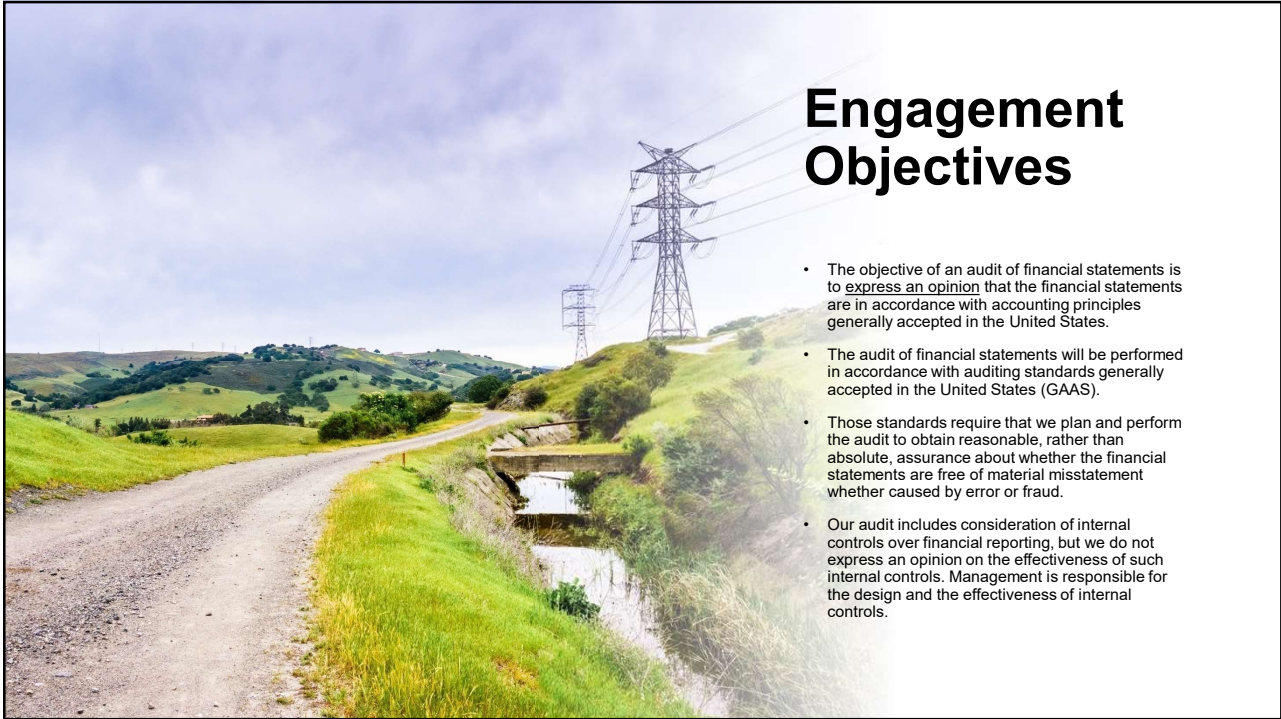
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**Audit Objectives**

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4



# Engagement Objectives

- The objective of an audit of financial statements is to express an opinion that the financial statements are in accordance with accounting principles generally accepted in the United States.
- The audit of financial statements will be performed in accordance with auditing standards generally accepted in the United States (GAAS).
- Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud.
- Our audit includes consideration of internal controls over financial reporting, but we do not express an opinion on the effectiveness of such internal controls. Management is responsible for the design and the effectiveness of internal controls.

5



# Audit Results

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6

6

## Financial Statement Audit Report



- Independent Auditor's Report on the financial statements as of and for the year ending June 30, 2023.

Entity	Opinion
ABAG POWER	Unmodified

- We did not identify any significant deficiencies or material weaknesses during our audit.

7

# Required Communications

8

## Required Communications - 1

- Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Management has disclosed the summary of significant accounting policies in footnote 1 of each report.
- Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments.

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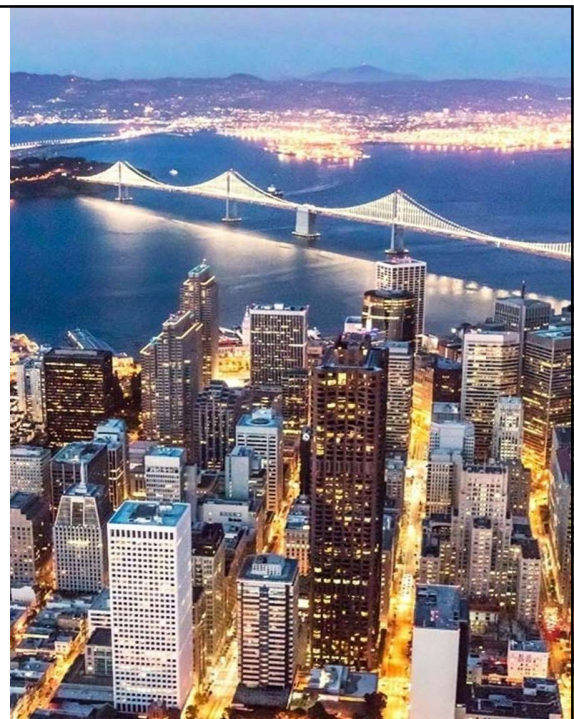


9

## Required Communications - 2

- Adoption of New Accounting Standards:
  - Conduit Debt (**GASB 91**)
  - Public-private and Public-public Partnership Arrangements and Availability Payment Arrangements (**GASB 94**)
  - Subscription-based Information Technology Arrangements (**GASB 96**)
  - Omnibus 2022 (**GASB 99, paragraphs 26-32**)
  - Implementation Guide 2020-1 (**Update 2020, Certain Questions**)
  - Implementation Guide 2021-1 (**Update 2021, Question 4.22**)

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10



### Required Communications - 3

- Corrected Misstatements: We did not note any material corrected misstatements that were brought to the attention of management as a result of our audit procedures.
- Uncorrected Misstatements: We did not note any uncorrected misstatements that were brought to the attention of management as a result of our audit procedures.

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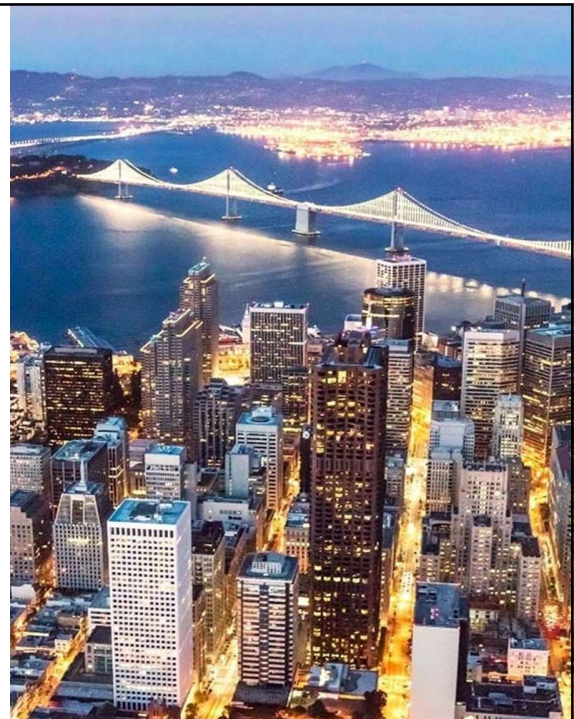
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### Required Communications - 4

We did not note:

- Significant Accounting Policies in Controversial or Emerging Areas
- Significant Unusual Transactions
- Significant Difficulties Encountered during the Audit
- Disagreements with Management
- Consultations with Other Accountants
- Significant Related Party Findings and Issues
- Independence matters

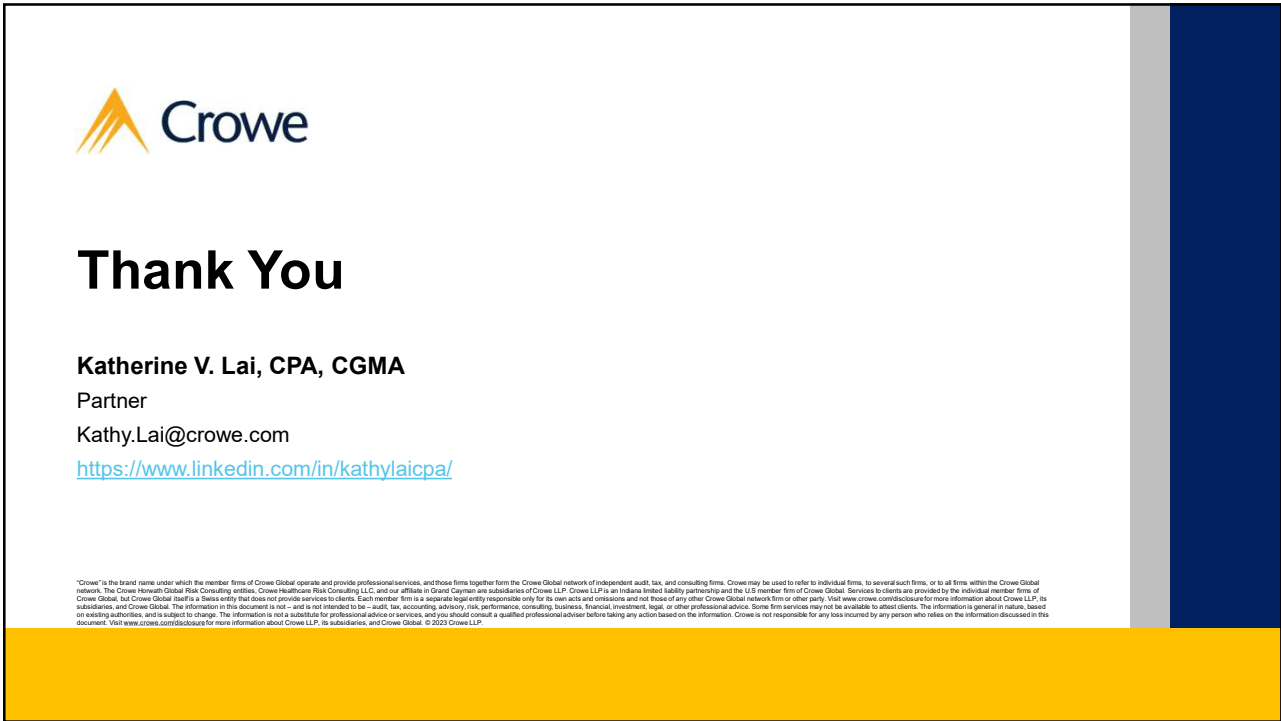
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12



13



14

**Association of Bay Area Governments Publicly Owned Energy Resources**

**ABAG POWER**

**Board of Directors**

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October 26, 2023

Agenda Item 5.a.2.

ABAG POWER Audited Financial Statements and Reports for Fiscal Year 2022-23

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**Subject:**

Fiscal Year (FY) 2022-23 ABAG Publicly Owned Energy Resources (ABAG POWER) Audited Financial Statements and Reports

**Background:**

Pursuant to ABAG POWER's Bylaws and State law, an independent audit firm performs an annual financial audit and issues an opinion on POWER's financial position as of June 30 of each year. The Financial Statements are for the period ended June 30, 2023. POWER received an unmodified opinion, which means there are no significant deficiency or material weakness in financial controls.

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

**1. Independent Auditor's Report – page 1**

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

**2. Management's Discussion and Analysis – page 3**

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

**3. Basic Financial Statements – page 8**

This section includes actual financial statements and note disclosures.

**Issues:**

None.

**Recommended Action:**

The ABAG POWER Board of Directors will receive a presentation from Grace Martinez, Section Director, Financial Reporting and Operational Accounting, on the ABAG POWER Audited Financial Statements for FY 2022-23 and accept as presented the financial statements and

**Agenda Item 5.a.2. – ABAG POWER Audited Financial Statements and Reports for FY 22-23**

October 26, 2023

Page 2 of 2

accompanying reports.

**Attachments:**

- ABAG POWER FY 2022-23 Financial Statements and Reports
- ABAG POWER FY 2022-23 Financial Reports and Year-end Audit Results

**Reviewed:**

DocuSigned by:  
  
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Brad Paul



Association of  
Bay Area Governments



**FY 2022-23 ABAG POWER FINANCIAL REPORTS  
AND YEAR END AUDIT RESULTS**

1

## ABAG PUBLICLY OWNER ENERGY RESOURCES (POWER)

Highlights of the FY 2023 ABAG POWER financial statements:

- In May 2023, the Board established the Renewable Natural Gas Program. Related revenue and expenses are anticipated to begin in fiscal year 2023-24.
- Total gas usage during fiscal year 2023 was approximately 7.0 million therm, increased by 0.3 million therm in comparison to FY2021-22.
- In December 2022, the Executive Committee provided authority until June 30, 2023, to enter into fixed priced purchase contracts valued at less than \$1 million and for a term not to exceed four months. In February 2023, staff entered into a four-month fixed-price contract.
- POWER serves a total of 749 core accounts and three non-core accounts as of June 30, 2023.

2

ABAG Publicly Owned Energy Resources	
Statement of Net Position	
June 30, 2023	
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 388,331
Accounts receivable	2,396,515
Interest receivable	31
Prepaid items	3,968
Natural gas inventory	83,355
<b>TOTAL ASSETS</b>	<b>2,872,200</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	666,327
Due to other government	217,414
<b>Total current liabilities</b>	<b>883,741</b>
Non-current liabilities:	
Deposits from members	1,988,459
<b>Total non-current liabilities</b>	<b>1,988,459</b>
<b>TOTAL LIABILITIES</b>	<b>2,872,200</b>
<b>NET POSITION</b>	<b>\$ -</b>

See accompanying notes to financial statements

8

- Cash and cash equivalents decreased by \$1 million from FY 2021-22 (page 4). This is primarily the result of a significant increase in natural gas market prices and more quantity of natural gas purchased due to prolonged inclement weather.
- Receivables increased to \$2.4 million. It's primarily due to the true-up adjustment billings of \$2.1 million at year-end.
- 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, 2023.

3

ABAG Publicly Owned Energy Resources	
Statement of Revenue, Expenses and Changes in Net Position	
For the Year Ended June 30, 2023	
<b>OPERATING REVENUE</b>	
Sale of natural gas	\$ 14,925,264
Other operating revenues	8,994
<b>TOTAL OPERATING REVENUE</b>	<b>14,934,258</b>
<b>OPERATING EXPENSES</b>	
Cost of natural gas	7,915,682
PG&E passthrough	6,388,458
Contracted salaries and benefits	268,325
Professional fees	213,091
Overhead	130,540
Other	25,349
<b>TOTAL OPERATING EXPENSES</b>	<b>14,941,345</b>
<b>OPERATING LOSS</b>	<b>(7,087)</b>
<b>NONOPERATING REVENUE</b>	
Interest income	7,087
<b>TOTAL NONOPERATING REVENUE</b>	<b>7,087</b>
<b>CHANGE IN NET POSITION</b>	<b>-</b>
<b>TOTAL NET POSITION - BEGINNING</b>	<b>-</b>
<b>TOTAL NET POSITION - ENDING</b>	<b>\$ -</b>

See accompanying notes to financial statements

9

- In comparison to the prior year, operating revenues increased by \$4.4 million, as a result of an increase in the sale of natural gas to members due to higher gas prices.
- Operating expenses increased by \$4.4 million, mainly due to increased market prices for natural gas and higher PG&E transmission and distribution rates considered pass-through costs.
- POWER paid MTC \$398,865 for administrative support services in accordance with the ABAG-MTC Contract for Services for the fiscal year ended June 30, 2023.
- In FY 2022-23, prior to year-end adjustments, there was an excess of expenses over revenues in the amount of \$2,067,984, which will be billed to the members as true-up adjustments during the next fiscal year.

4

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

**Financial Statements**  
**For the Year Ended June 30, 2023**

**ABAG Publicly Owned Energy Resources**  
**Table of Contents**  
**For the Year Ended June 30, 2023**

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	<i>Page</i>
<b>Independent Auditor's Report</b>	1 - 2
<b>Management's Discussion and Analysis</b>	3 - 7
<b>Basic Financial Statements</b>	
Statement of Net Position	8
Statement of Revenue, Expenses and Changes in Net Position	9
Statement of Cash Flow	10
Notes to the Financial Statements	
Summary of Significant Accounting Policies	11 - 15
Net Position	15
Cash and cash equivalents	15 - 16
Purchase Commitments	16
Risk Management	16



## INDEPENDENT AUDITOR'S REPORT

Members of the Executive Committee of  
ABAG Publicly Owned Energy Resources  
San Francisco, California

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the ABAG Publicly Owned Energy Resources ("POWER"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the POWER basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the POWER, as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the POWER, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the POWER's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 the POWER's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the POWER's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.



Crowe LLP

San Francisco, California  
October 18, 2023

# **ABAG Publicly Owned Energy Resources**

## **Financial Statements for the year ended June 30, 2023**

### **Management's Discussion and Analysis (unaudited)**

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#### **Management's Discussion and Analysis**

ABAG Publicly Owned Energy Resources (POWER) has prepared its financial report for the fiscal year ending June 30, 2023. 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. In May 2023, POWER's Board of Directors established the Renewable Natural Gas Program to achieve reductions in greenhouse gas emissions, realize cost savings enabled by aggregated purchasing, address the recycling of organic waste, and assist participants with the promotion and use of low carbon fuels. The program is anticipated to begin recording revenue and expenses in fiscal year 2023-24.
2. Total gas usage during fiscal year 2023 was approximately 7.0 million therms.
3. POWER's general strategy for purchasing natural gas consists exclusively of short-term, index-based purchases at three market locations. However, in December 2022, the Executive Committee provided staff authority until June 30, 2023, to enter fixed-priced purchase contracts valued at less than \$1 million and for a term not to exceed four months. In February 2023, staff entered into a four-month fixed-price contract.
4. POWER serves a total of 749 core accounts and three non-core accounts as of June 30, 2023.

#### **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* consists of operating revenues and expenses and non-operating revenues and expenses. The *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 8 – 10 of this report.

**ABAG Publicly Owned Energy Resources**  
**Financial Statements for the year ended June 30, 2023**  
**Management's Discussion and Analysis (unaudited)**

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**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:

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 388,331	\$ 1,383,704
Receivables	2,396,546	1,063,636
Prepaid items	3,968	24,368
Natural gas inventory	83,355	137,603
Total assets	<u>2,872,200</u>	<u>2,609,311</u>
<b>Liabilities</b>		
Current liabilities	883,741	620,852
Noncurrent liabilities	<u>1,988,459</u>	<u>1,988,459</u>
Total liabilities	<u>2,872,200</u>	<u>2,609,311</u>
<b>Net position</b>	<u>\$ -</u>	<u>\$ -</u>

Total assets increased by \$262,889 due to higher sales of natural gas receivable. However, the total cash and cash equivalents decreased by \$995,373 during fiscal year 2023. The decrease in cash and cash equivalents is mainly due to significant increase in natural gas market prices and prolonged inclement weather, causing POWER to purchase an increased quantity of natural gas at higher market prices. Also, a significant increase in accounts receivable is primarily from the true-up adjustment billings, which corresponds to the increase in actual expenses in FY 2023. Refer to the "*Statement of Revenues, Expenses, and Changes in Net Position*" for more details.

Compared to fiscal year 2022, total liabilities increased by \$262,889 mainly due to the timing of vendor invoice payments and higher overall prices, as noted above.

POWER's financial reporting model reflects all surpluses and deficits as liabilities to or receivables from its members. Therefore, the net position remains zero at year end.

**ABAG Publicly Owned Energy Resources**  
**Financial Statements for the year ended June 30, 2023**  
**Management's Discussion and Analysis (unaudited)**

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

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

	2023	2022
<b>Operating revenue</b>		
Sale of natural gas & other revenue	\$ 14,934,258	\$ 10,493,118
Total operating revenue	<u>14,934,258</u>	<u>10,493,118</u>
<b>Operating expenses</b>		
Cost of natural gas & PG&E passthrough	14,304,140	9,810,631
Contracted salaries and benefits	268,325	265,496
Professional fees	213,091	268,754
Other expenses	<u>155,789</u>	<u>150,381</u>
Total operating expenses	<u>14,941,345</u>	<u>10,495,262</u>
<b>Operating income (loss)</b>	<u>(7,087)</u>	<u>(2,144)</u>
<b>Nonoperating revenue</b>		
Interest income	<u>7,087</u>	<u>2,144</u>
Total nonoperating revenue	<u>7,087</u>	<u>2,144</u>
<b>Change in net position</b>	<u>-</u>	<u>-</u>
<b>Net position - beginning</b>	<u>-</u>	<u>-</u>
<b>Net position - ending</b>	<u>\$ -</u>	<u>\$ -</u>

Before the year-end adjustment, ABAG POWER showed a net deficit of \$2,067,984 at the end of fiscal year 2023. The year-end adjustment distributes the year-end surpluses or deficits among gas program members, in accordance with the true-up process outlined in members' agreements, therefore, the net position has zero balance at fiscal year-end 2023.

Total operating revenues increased by \$4,441,140 in fiscal year 2023 because of an increase from the sale of natural gas due to higher gas prices compared to fiscal year 2022.

Total operating expenses increased by \$4,446,083 in fiscal year 2023 compared to fiscal year 2022. The primary contributors to the overall increase in operating expenses were comparatively high market prices for natural gas and substantial increases in Pacific Gas and Electric Company (PG&E) transmission and distribution rates, which are considered pass-through costs.

**ABAG Publicly Owned Energy Resources**  
**Financial Statements for the year ended June 30, 2023**  
**Management's Discussion and Analysis (unaudited)**

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**D. Notes to the Financial Statements**

The notes to the financial statements, beginning on page 11, provide additional information essential to a full understanding of the data provided in this MD&A and the financial statements that follow.

**E. Economic Factors and Program Outlook for Fiscal Year 2024**

POWER generally expects gas prices for futures contracts to remain in the \$4.00 - \$8.00/Dth range for the next couple of years. The expectations reflect a market environment where domestic gas supply exceeds demand, but production is relatively stagnant, and competing end-uses contribute to upward price pressure that lifts commodity prices higher than historical norms. A multitude of factors have exacerbated supply deficit, causing extreme volatility in the overall natural gas markets throughout fiscal year 2022- 2023. These factors are expected to continue during fiscal year 2023 -2024, specifically:

- Worldwide production limits imposed by the Organization of Petroleum Exporting Countries (OPEC) in an attempt to balance chaotic supply and demand patterns.
- Record-level national liquefied natural gas (LNG) exports, low national storage inventories and significant storage restrictions within California, and strong weather-driven demand have all contributed to elevated domestic pricing.
- Geopolitical tensions caused by the war in Ukraine have intensified and resulted in subsequent commitments by the U.S. to increase exports of LNG to certain Asian and European countries to supplant Russian gas supply.

In addition, an increased focus on recent 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. These market forces and policy decisions have begun to chart the State on a long-term transition away from natural gas as electricity generation and space and water heating fuel, but there remain many complex challenges to implement the necessary utility infrastructure and customer rate changes. While these challenges are considered, infrastructure costs continue to rise as utilities implement resilience measures in an attempt to mitigate damage from devastating wildfires and other natural disasters. These costs are ultimately passed through to participants in POWER, and ratepayers in general.

The nature of POWER operations does not lend itself to economic swings. POWER is a self-funding enterprise where all participants pay for only what they use. Annual purchases are based on estimated use that is billed to participants on annualized monthly basis. Any residual over/under billing is reconciled and carried as a payable or receivable at year end. This structure insulates POWER's members from most short-term (intra-year) volatility.

**ABAG Publicly Owned Energy Resources**  
**Financial Statements for the year ended June 30, 2023**  
**Management's Discussion and Analysis (unaudited)**

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**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, 2023**

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**ASSETS**

Current assets:

Cash and cash equivalents	\$ 388,331
Accounts receivable	2,396,515
Interest receivable	31
Prepaid items	3,968
Natural gas inventory	<u>83,355</u>
<b>TOTAL ASSETS</b>	<u>2,872,200</u>

**LIABILITIES**

Current liabilities:

Accounts payable	666,327
Due to other government	<u>217,414</u>
Total current liabilities	<u>883,741</u>

Non-current liabilities:

Deposits from members	<u>1,988,459</u>
Total non-current liabilities	<u>1,988,459</u>
<b>TOTAL LIABILITIES</b>	<u>2,872,200</u>

<b>NET POSITION</b>	<u><u>\$ -</u></u>
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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, 2023**

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**OPERATING REVENUE**

Sale of natural gas \$ 14,925,264

Other operating revenues 8,994

**TOTAL OPERATING REVENUE** 14,934,258

**OPERATING EXPENSES**

Cost of natural gas 7,915,682

PG&E passthrough 6,388,458

Contracted salaries and benefits 268,325

Professional fees 213,091

Overhead 130,540

Other 25,249

**TOTAL OPERATING EXPENSES** 14,941,345

**OPERATING LOSS** (7,087)

**NONOPERATING REVENUE**

Interest income 7,087

**TOTAL NONOPERATING REVENUE** 7,087

**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, 2023**

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**Cash flows from operating activities**

Cash receipts from customers and others	\$ 13,601,353
Cash payments to suppliers and contractors for goods and services	<u>(14,603,808)</u>
<b>Net cash used for operating activities</b>	<u><u>(1,002,455)</u></u>

**Cash flows from investing activities**

Interest received	<u>7,082</u>
<b>Net cash provided by investing activities</b>	<u><u>7,082</u></u>

<b>Net decrease in cash</b>	(995,373)
<b>Balances- beginning of year</b>	<u>1,383,704</u>
<b>Balances - end of year</b>	<u><u>\$ 388,331</u></u>

**Reconciliation of operating loss to net cash used for operating activities**

Operating loss	\$ (7,087)
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**Adjustments to reconcile operating net cash provided by operating activities:**

**Net effect of changes in:**

Accounts receivable	(1,332,905)
Natural gas inventory	54,248
Prepaid items	20,400
Accounts payable	80,533
Due to other government	<u>182,356</u>

<b>Net cash used for operating activities</b>	<u><u>\$ (1,002,455)</u></u>
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See accompanying notes to financial statements

**ABAG Publicly Owned Energy Resources**  
**Financial Statements for the year ended June 30, 2023**  
**Notes to Financial Statements**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity and Operations**

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

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

POWER is an "Energy Service Provider (ESP)," and currently offers two voluntary programs for public agencies:

- A natural gas program which aggregates the natural gas requirements of its members as allowed by the California Public Utilities Commission. POWER then purchases gas directly from natural gas producers that offer competitive prices and reliable supply. POWER arranges for delivery of the purchased gas to the PG&E system for distribution. The goal of POWER's Natural Gas Program is to provide both cost savings and price stability.
- A renewable natural gas (RNG) program which conducts purchasing of RNG and related fuels to achieve reductions in greenhouse gas emissions, address the recycling of organic waste, and assist participants with the promotion and use of low carbon fuels.

The 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 Operations**

The area served by POWER is encompassed by Pacific Gas & Electric Company (PG&E) service territory. POWER has contracted with a number of vendors for natural gas purchases. As required by the natural gas suppliers, the amount of gas POWER purchases each month must be nominated to PG&E's transmission and/or 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 by allocation to a future month's use.

In July 2017 ABAG staff were 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 \$398,865 for these services in the fiscal year ended June 30, 2023. On the *Statement of Revenues, Expenses, and Changes in Net Position*, this amount is reflected as contracted salaries and benefits and overhead costs.

# **ABAG Publicly Owned Energy Resources**

## **Financial Statements for the year ended June 30, 2023**

### **Notes to Financial Statements**

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#### **B. Basis of Presentation**

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

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

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

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

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

#### **New Accounting Pronouncements**

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations. This statement achieves 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 commitments 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, 2021. POWER adopted this standard for fiscal year ended June 30, 2023. The adoption of the standard has no impact on POWER's financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*, establishes standards of accounting and financial reporting for PPPs and APAs for governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. POWER adopted this standard for fiscal year ended June 30, 2023. The adoption of the standard has no impact on POWER's financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, establishes standards of accounting and financial reporting for SBITAs by a government end user (a government). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. POWER adopted this standard for fiscal year ended June 30, 2023. The adoption of the standard has no impact on POWER's financial statements.

GASB Statement No. 99, *Omnibus 2022*, enhances comparability in accounting and financial reporting and to improves consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and

# **ABAG Publicly Owned Energy Resources**

## **Financial Statements for the year ended June 30, 2023**

### **Notes to Financial Statements**

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financial reporting for financial guarantees. The requirements of this statement are effective as follows: (a) The requirements in paragraphs 26-32 related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by the pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. (b) The requirements in paragraphs 11-25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. (c) The requirements in paragraphs 4-10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. POWER adopted paragraphs 26-32 of this statement in fiscal year 2022, and paragraphs 11-25 in fiscal year 2023. The adoption of the above requirements has no impact on POWER's financial statements. Management is currently evaluating the effect of the remaining paragraphs of this statement on POWER's financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for accounting changes and errors corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Management is currently evaluating the effect of this statement on POWER's financial statements.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences and associated salary-related payments by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management is currently evaluating the effect of this statement on POWER's financial statements.

#### **D. Cash and cash equivalents**

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 POWER's 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"

# **ABAG Publicly Owned Energy Resources**

## **Financial Statements for the year ended June 30, 2023**

### **Notes to Financial Statements**

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- 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. POWER reports its money market securities and short-term investments at cost. Net increases or decreases in the fair value of investments are shown in the *Statement of Revenues, Expenses and Changes in Net Position* as interest income.

POWER considers all balances in demand deposit accounts and the Local Agency Investment Fund (LAIF) to be cash, and classifies all other highly liquid short-term investments as cash equivalents. Cash equivalents that meet the following definitions are as follows:

- 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. Accounts Receivable**

The accounts receivable consists of member billings not yet collected and gas imbalance as of June 30, 2023. Any excess or deficit of actual cost compared to member billings is also recorded as a receivable and will be included as true-up adjustments in billings in fiscal year 2024. As of June 30, 2023, there was a true-up adjustment of \$2,067,984 that will be collected in the next fiscal year, which made up majority of the total receivable balance of \$2,396,515.

#### **F. Prepaid Items**

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items based on the consumptions method.

#### **G. Natural Gas Inventory**

Any excess of natural gas purchased is recorded as natural gas inventory and is accounted at the Lower of Cost or Market Basis (LCM).

#### **H. Due to Other Government**

The due to other government consists of the amount due to MTC for services provided in fiscal year 2023.

#### **I. Deposits from Members**

POWER maintains three member agreements that govern participation in the two programs. The natural gas aggregation program contains core (i.e. small usage) and non-core (i.e. large usage) agreements. The RNG program is governed by a single agreement. In all cases, upon execution of the relevant agreement, the joining member is required to provide a working capital deposit to POWER prior to the transference of utility accounts to the POWER program. The member agreements provide POWER the right to increase working capital deposits. This deposit is refundable when the member leaves the program and all liabilities to POWER have been satisfied. The currently approved working capital deposit is calculated as

**ABAG Publicly Owned Energy Resources**  
**Financial Statements for the year ended June 30, 2023**  
**Notes to Financial Statements**

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follows:

Two times the average load (therms) times the current applicable rate (\$/therm)

**J. Operating and Nonoperating Revenues and Expenses**

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.

**K. Accounts Payable**

Accounts payable consists of amounts due to vendors at the end of the fiscal year.

**L. Use of Estimates**

POWER's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, 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, 2023. POWER's financial reporting model reflects all surpluses and deficits as liabilities to or receivables from its members.

**3. CASH AND CASH EQUIVALENTS**

**A. The composition of cash and cash equivalents at June 30, 2023 is as follows:**

Cash at banks	\$ 383,685
Government Pools	
Local Agency Investment Fund	<u>4,646</u>
Total Cash and cash equivalents	<u>\$ 388,331</u>

The California State Local Agency Investment Fund (LAIF) is a program created by state statute as an investment alternative for California's local governments and special districts. Deposits in LAIF are presented as cash as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is minimal risk to principal. LAIF is unrated.

**B. Deposit Risk Factors**

Custodial credit risk can affect the value of deposits. 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

**ABAG Publicly Owned Energy Resources**  
**Financial Statements for the year ended June 30, 2023**  
**Notes to Financial Statements**

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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 posted as collateral with its agent having a fair value of 110% to 150% of POWER's cash on deposit.

**4. PURCHASE COMMITMENTS**

During the fiscal year, POWER entered into two agreements with various energy suppliers to facilitate the sale and purchase of natural gas for a delivery period extending to October 31, 2023. The agreements constituted an estimated combined purchase commitment of \$634,712.

**5. RISK MANAGEMENT**

POWER is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. POWER transfers its risks by purchasing commercial insurance through an insurance broker, who obtains the appropriate insurance coverage needed by POWER from insurance companies. No settlement amounts have exceeded commercial insurance coverage for the past three years. Insurance coverage is subject to market volatility. Therefore, where it makes financial sense, POWER retains part or all of its risk but only after diligent executive review of any risk retention decision.



# Adoption of Resolution 23-5 to Admit Current Members of SPURR as New Members of ABAG POWER

Board of Directors Meeting  
October 26, 2023



1

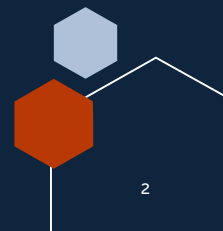
## SPURR Joint Powers Authority (JPA)

- Established 1989, per Joint Exercise of Powers Act
- Public K-12s, COEs, and CCDs may join SPURR as members
- Membership is separate than program participation
- No fees or obligations to join
- Over 300 current members
- MIG-1 credit rating on SPURR bonds



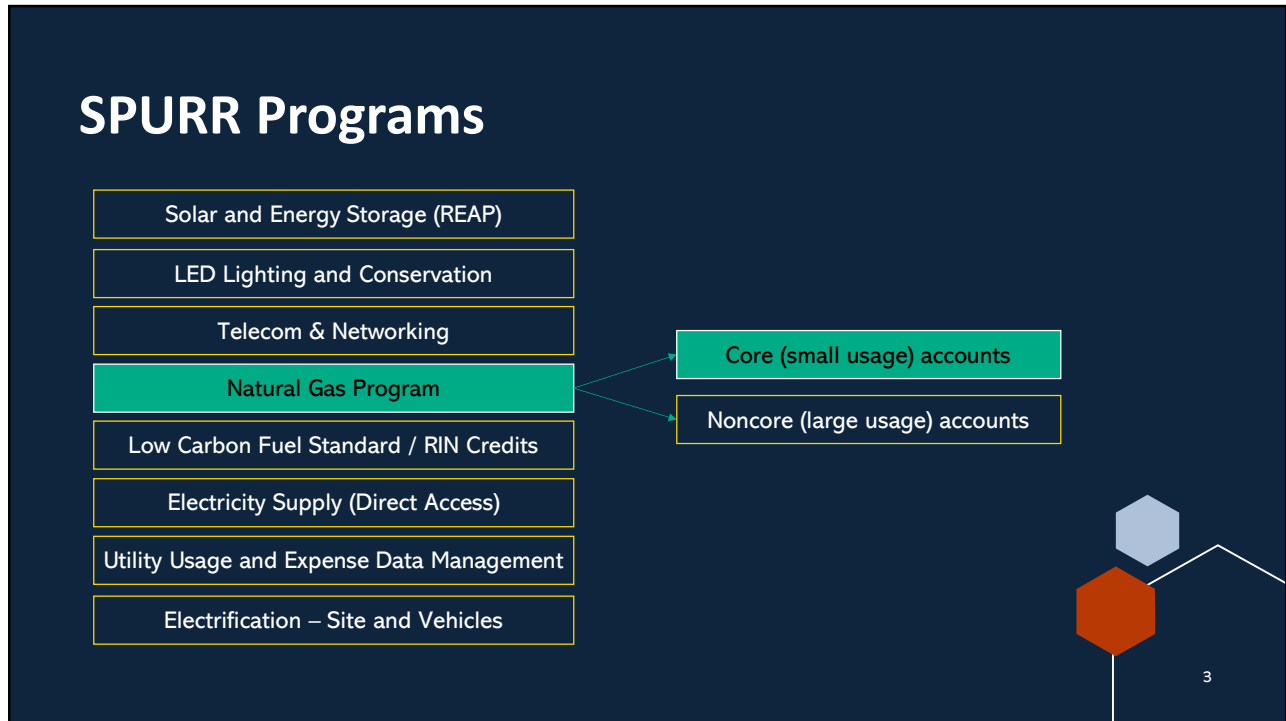
### Benefits of Participation

- Simplifies procurement
- Competitively-sourced pricing, terms, and conditions
- Advocate for customer choice
- Transparent process, results, and documentation



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## SPURR's **Core** Natural Gas Program





- Provides retail energy supply to more than 220 participant agencies at more than 3,500 locations
  - Primarily core accounts
- Screens Pacific Gas and Electric Company (PG&E) billing data for inconsistencies and seeks corrections
- Provides customer service and reports
- Provides market, regulatory, budgeting updates, and advice
- Passes through local transportation charges on a consolidated bill

For various reasons, SPURR will cease to provide natural gas service to core accounts on or about June 30, 2024.

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## SPURR's Request for Qualifications and Proposals (RFQP)

-  In the summer of 2023, SPURR conducted the RFQP seeking qualified vendors to provide retail natural gas commodity service for core and noncore accounts
-  SPURR evaluated responses and recommended ABAG POWER for the award of core accounts only, subject to execution of a SPURR Master Contract between SPURR and ABAG POWER
-  Based on the RFQP, SPURR recommends that current SPURR Natural Gas Program Participants with core accounts engage with ABAG POWER regarding their natural gas offering
-  As in all SPURR programs, it is up to the Participant to determine for itself whether a particular program meets its supply needs and procurement rules

5

5

## Recommended Action:

Adopt Resolution 23-05 to admit current members of SPURR as new members of ABAG POWER, provided they meet the requirements set forth in the ABAG POWER JPA and Bylaws.

6

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# Thank you

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



## Association of Bay Area Governments Publicly Owned Energy Resources

### ABAG POWER

#### Board of Directors

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October 26, 2023

Agenda Item 5.b.2.

Adoption of Resolution 23-05 to Admit Current Members of the School Project for Utility Rate Reduction (SPURR), a Joint Powers Authority, as New Members of ABAG POWER

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#### Subject:

Adoption of Resolution 23-05 to admit current members of SPURR as New Members of ABAG POWER, provided they meet the requirements set forth in the ABAG POWER Joint Powers Agreement and Bylaws.

#### Background:

The School Project for Utility Rate Reduction (SPURR) is a California Joint Powers Authority (JPA) formed to seek reduction and control of utility costs on behalf of its members. SPURR has acted as a natural gas energy service provider for approximately 30 years, with a membership open to all California public K-12 school districts, county offices of education, and community college districts. SPURR's membership also includes a small number of universities, tribes, and county governments. In total, the membership consists of over 300 member organizations, for whom it aggregates purchasing power and expertise. SPURR also offers other aggregated purchasing programs, including solar and energy storage, LED lighting and conservation, telecom and networking, electricity supply, and other related services.

While the primary participant types in each JPA differ – schools for SPURR, and cities and counties for ABAG POWER – many of the core services and benefits are similar, and result in aligned interests between ABAG POWER and SPURR. In fact, ABAG POWER and SPURR are the only known non-utility gas suppliers (known as “core transport agents”) in Pacific Gas and Electric Company (PG&E) service territory offering Core Transport Agent (CTA) Consolidated Billing, meaning that the CTA consolidates all applicable charges and presents program participants with a single bill that includes PG&E's charges. For these reasons, both organizations and other CTAs have occasionally joined a “CTA Consortium” that participates in regulatory proceedings and other avenues to advocate for the interests of CTAs.

On June 16, 2023, SPURR released a Request for Qualifications and Proposals (RFQP) seeking qualified vendors to provide retail natural gas commodity service for “core” (small usage) and “noncore” (large usage) accounts. The RFQP stated:

1. SPURR's decision to terminate its core natural gas program on or about June 30, 2024.
2. The RFQP would result in SPURR's recommendation that current SPURR natural gas program participants transition to an awarded vendor, if any.

**Agenda Item 5.b.2. – Approval of Resolution 23-05 to Admit Current Members of SPURR as New Members of ABAG POWER**

October 26, 2023

Page 2 of 3

3. An award issued pursuant to the RFQP did represent an obligation of SPURR's members to purchase services through the RFQP, nor a guarantee of any particular level of service.

SPURR evaluated responses and recommended ABAG POWER for award for the core accounts only, subject to execution of a SPURR Master Contract (SMC) between SPURR and ABAG POWER. The award is scheduled for consideration and approval by the SPURR Board of Directors on October 26, 2023. In anticipation of the award's approval, ABAG POWER and SPURR have initiated routine weekly meetings to plan for required actions, coordinate several joint outreach events, and negotiate the SMC.

While the award does not represent a guarantee regarding any particular level of service, SPURR has over 220 participants in its core natural gas program, and an annual gas usage of approximately 3.8 million MMBtu – about five times greater than the current annual gas usage of ABAG POWER's portfolio. A list of SPURR's natural gas program participants is attached to this memorandum. An increase in ABAG POWER's membership is beneficial for multiple reasons:

- An increase in gas usage allows fixed expenses to be allocated over a larger usage pool, resulting in a lower rate for participants and a greater likelihood of providing cost savings.
- An increase in the number of members results in a:
  - larger financial reserve due to the working capital deposit requirement, which results in a greater ability to weather extreme volatility.
  - broader range of participants on the ABAG POWER Board of Directors and Executive Committee which bring expertise and perspective to the programs.
  - greater likelihood of attracting additional members and serving as an attractive option for grant funding opportunities.

The ABAG POWER JPA, Bylaws, and member agreements each establish eligibility and enrollment requirements, which provide that a new member must be a member or cooperating member of ABAG at the time they join ABAG POWER. Members of SPURR – public agencies and non-profits – are eligible to join ABAG POWER and may join by adopting a resolution approving entry into ABAG POWER, designating a voting director, authorizing execution of the JPA, and acknowledging the Bylaws.

**Issues:**

A significant increase in ABAG POWER's membership as a result of the SPURR RFQP poses several potential challenges dependent upon the number of entities choosing to enroll. These challenges may include:

- Processing up to 220 additional member contracts.
- Performing initial account set up including entering site (addresses, account numbers, facility details, etc.) and billing (bill to addresses, subaccount grouping, etc.) information.
- Performing recurring actions related to invoice generation, payment application, usage and cost validation, and account management.

**Agenda Item 5.b.2. – Approval of Resolution 23-05 to Admit Current Members of SPURR as New Members of ABAG POWER**

October 26, 2023

Page 3 of 3

To identify areas of concern, staff have met with representatives of each ABAG/MTC section expected to be impacted by the above challenges. In general, the majority of identified challenges will result in a need for increased support provided by program staff in coordination with the contracts, legal, and finance teams. Financial support for these positions may be included in a future budget proposal, with revenue from the program to cover additional staff costs. Although this may result in an increase in staff cost, the net result of increasing the program's membership is expected to result in a lower rate charged for administrative services.

**Recommended Action:**

The ABAG POWER Board of Directors is requested to adopt Resolution 23-05 to admit current members of the School Project for Utility Rate Reduction (SPURR) as new members of ABAG POWER, pursuant to the SPURR Request for Qualifications and Proposals (RFQP) and SPURR Master Contract, and provided they meet the requirements set forth in the ABAG POWER Joint Powers Agreement and Bylaws.

**Attachments:**

- Overview of SPURR RFQP Presentation
- Resolution 23-05
- SPURR Natural Gas Program Participants as of July 31, 2022

**Reviewed:**

DocuSigned by:  
*Brad Paul*  
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Brad Paul

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

**BOARD OF DIRECTORS**

**RESOLUTION NO. 23-05**

**RESOLUTION ADMITTING CURRENT MEMBERS OF THE SCHOOL PROJECT FOR UTILITY RATE REDUCTION (SPURR) AS NEW MEMBERS OF ABAG PUBLICLY OWNED ENERGY RESOURCES (ABAG POWER), PROVIDED THEY MEET THE REQUIREMENTS SET FORTH IN THE ABAG POWER JOINT POWERS AGREEMENT (JPA) AND BYLAWS**

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

**WHEREAS**, ABAG is the appointed administrative member of ABAG POWER, and pursuant to a Contract for Services dated May 30, 2017, between the Metropolitan Transportation Commission (MTC) and ABAG (Contract for Services), MTC provides staffing services to ABAG and its Local Government Programs, which includes ABAG POWER, and in providing such staffing services applies MTC rules; and

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

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

**WHEREAS**, ABAG POWER, through its “core” (small usage accounts) and “noncore” (large usage accounts) natural gas aggregation offerings, currently aggregates the natural gas needs of 37 public agencies voluntarily participating in the Natural Gas Aggregation Program; and

**WHEREAS**, the SPURR is a California Joint Powers Authority formed to seek reduction and control of utility costs on behalf of its members; and

**WHEREAS**, SPURR membership is open to all California public K-12 school districts, county offices of education, and community college districts (collectively, public agencies); and

**WHEREAS**, SPURR has acted as a natural gas energy service provider for approximately thirty years and through its natural gas program provides services to approximately 220 “core” (small usage account) participants; and



**WHEREAS**, on June 16, 2023, SPURR released a Request for Qualifications and Proposals inviting qualified retail natural gas energy service providers to submit responsive proposals to serve either core or noncore accounts, or both types of accounts, and announcing 1) its decision to terminate its core natural gas program on or about June 30, 2024, and 2) that SPURR would recommend that current SPURR natural gas program participants transition to an awarded energy service provider, if any, under the terms and conditions obtained through the RFQP; and

**WHEREAS**, SPURR's RFQP does not represent an obligation by SPURR, or by any other entity, to purchase services through the RFQP, in that each current SPURR participant may decide for itself whether to enter into an agreement for services with an awarded provider; and

**WHEREAS**, on July 26, 2023, ABAG POWER submitted a timely proposal in response to SPURR's RFQP; and

**WHEREAS**, SPURR evaluated responses to the RFQP and recommended ABAG POWER for the award for core accounts, subject to execution of a SPURR Master Contract between SPURR and ABAG POWER; and

**WHEREAS**, Pursuant to the RFQP, SPURR intends to recommend current participants engage with ABAG POWER regarding its natural gas service offerings; and

**WHEREAS**, the public agencies and non-profits that are members of SPURR are eligible to join ABAG POWER, provided they meet the enrollment requirements established by the JPA and Bylaws which require adoption of a resolution approving entry into ABAG POWER, designating a voting director, authorizing execution of the JPA, and acknowledging the Bylaws.

**WHEREAS**, the admittance of a new member to the ABAG POWER requires a two-thirds vote of a quorum of the Board of Directors; and

**WHEREAS**, the admittance of new members is in the best interest of current members because an increase in membership is likely to result in lower rates through increased purchasing power and the allocation of fixed expenses amongst a larger usage pool, larger financial reserves, a broader range of participants on the ABAG POWER Board of Directors and Executive Committee, and a greater likelihood of attracting additional members and serving as an attractive option for grant funding opportunities.

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Directors of ABAG POWER, hereby finds the foregoing recitals are true and correct and approves the admission of the attached list of current members of the School Project for Utility Rate Reduction, provided they meet the requirements of ABAG POWER's JPA and Bylaws at the time of application. .

; and

**BE IT FURTHER RESOLVED**, the Executive Director of MTC or designee (ED), acting pursuant to the Contract for Services, is authorized to negotiate and execute agreements with current members of SPURR and other Eligible Entities, as defined by the SPURR Master Contract, to effectuate the purpose of joining as a new member of the ABAG POWER JPA and participating in any of its programs.

This foregoing was adopted by the Board of Directors at its meeting on this 26<sup>th</sup> day of October, 2023.

By: \_\_\_\_\_  
Doug Williams, Chair

Certification of Board of Directors Approval

I, the undersigned, the appointed and qualified Secretary of the ABAG Publicly Owned Energy Resources (ABAG POWER), do hereby certify that the foregoing resolution was adopted by the Board of Directors of ABAG POWER at a duly called meeting held on the 26<sup>th</sup> day of October, 2023.

\_\_\_\_\_  
Jane Elias, Secretary  
ABAG POWER

# SPURR Natural Gas Program Participants, as of July 31, 2022

Ackerman Charter School District  
Alameda County Office of Education  
Alameda Unified School District  
Albany Unified School District  
Alum Rock Elementary School District  
Amador County Unified School District  
Arcata School District  
Associated Students of UC Davis, Unitrans  
Atwater Elementary School District  
Bakersfield City School District  
Bellevue Union School District  
Berkeley Unified School District  
Berryessa Union School District  
Brentwood Union School District  
Burlingame School District  
Butte County Office of Education  
Butte-Glenn Community College  
Byron Union School District  
Cabrillo Unified School District  
Calaveras Unified School District  
California State University Maritime Academy  
Campbell Union High School District  
Campbell Union School District  
Carmel Unified School District  
Castro Valley Unified School District  
Center Joint Unified School District  
Central Marin Sanitation Agency  
Central Unified School District  
Ceres Unified School District  
Chabot-Los Positas Community College  
Chowchilla Union High School District  
Chualar Union Elementary School District  
Cinnabar Elementary School District  
City of Stockton  
Clayton Valley Charter High School  
Clovis Unified School District  
Colusa Unified School District  
Contra Costa Community College District  
Correctional Training Facility  
County of Sonoma  
Cupertino Union School District  
Delhi School District  
Department of Motor Vehicles, Northern CA  
Dixon Unified School District  
Dos Palos Oro Loma Joint Unified School  
Dry Creek Joint Elementary School District  
Dublin Unified School District  
East Side Union High School District  
Empire Union School District  
Enterprise Elementary School District  
Escalon Unified School District  
Eureka City Schools  
Eureka Union School District  
Evergreen School District  
Fairfax School District  
Fairfield-Suisun Unified School District  
Firebaugh-Las Deltas Unified School District  
Folsom Cordova Unified School District  
Foothill DeAnza Community College District  
Fortuna Elementary School District  
Fortuna Union High School District  
Fowler Unified School District  
Fremont Unified School District  
Fremont Union High School District  
Fresno Unified School District  
Geyserville Unified School District  
Golden Plains Unified School District  
Gonzales Unified School District  
Hayward Unified School District  
Hillsborough City School District  
Humboldt County Office of Education  
Humboldt State University  
Hydesville Elementary School District  
Jacoby Creek School District  
Jefferson Elementary School District  
Kentfield Elementary School District  
Kern Community College District  
Kern County Superintendent of Schools  
Kern High School District  
King City Union School District  
Lakeside Union School District  
Liberty Union High School District  
Lincoln Unified School District  
Linden Unified School District  
Live Oak School District  
Livermore Valley Joint Unified School District  
Lodi Unified School District  
Loleta Union School District  
Loomis Union School District  
Los Banos Unified School District  
Los Gatos-Saratoga Union High School District  
Los Gatos Union School District  
Los Rios Community College District  
Madera County Superintendent of Schools  
Marin Community College District  
Marin County Office of Education  
Maxwell Unified School District  
Mc Gee Correctional Training Facility  
Mckinleyville Union School District  
Mendocino Lake Community College  
Merced City School District  
Merced County Office of Education  
Merced Union High School District  
Metropolitan Education District  
Midway School District  
Mill Valley School District  
Millbrae School District  
Miller Creek Elementary School District  
Milpitas Unified School District  
Modesto City Schools  
Monterey County Office of Education  
Monterey Peninsula Unified School District  
Morgan Hill Unified School District  
Mt. Diablo Unified School District  
Mt. Pleasant Elem School District  
Napa Valley College  
Napa Valley Unified School District  
Natomas Unified School District  
Nevada Joint Union High School District  
New Haven Unified School District  
Newark Unified School District  
Northern Humboldt Recreation & Parks District  
Northern Humboldt Union High School District  
Novato Unified School District  
Oak Grove School District  
Oak Grove Union School District  
Oakdale Joint Unified School District  
Ohlone Community College  
Oroville City Elementary School District  
Oroville Union High School District  
Pacific Grove Unified School District  
Pajaro Valley Unified School District  
Patterson Joint Unified School District  
Peralta Community College  
Petaluma City Joint Union School District  
Pittsburg Unified School District  
Placer County Office of Education  
Placer Union High School District  
Red Bluff Joint Union High School District  
Redwood City School District  
Redwoods Community College District  
Ripon Unified School District  
River Delta Unified School District  
Riverbank School District  
Rocklin Unified School District  
Roseland School District  
Roseville City School District  
Roseville Joint Union High School District  
Sacramento Unified School District  
Salinas City Elementary School District  
Sanger Unified School District  
San Bruno Park School District  
San Francisco Unified School District  
San Jose Unified School District  
San Leandro Unified School District  
San Lorenzo Valley Unified School District  
San Mateo County Community College District  
San Mateo-Foster City School District  
San Mateo Union High School District  
San Rafael City Schools  
San Rafael Elementary District  
San Ramon Valley Unified School District  
Santa Clara Unified School District  
Santa Cruz City Schools  
Santa Cruz County Office of Education  
Santa Rita Union School District  
Scotts Valley Unified School District  
Selma Unified School District  
Shandon Unified School District  
Shanél Valley Academy  
Shasta County Office of Education  
Sierra Community College  
Solano Community College  
Solano County Office of Education  
Sonoma County Junior College District  
Sonoma County Office of Education  
Sonoma Valley Unified School District  
South Bay Union School District  
St. Francis of Assisi  
St. Helena Unified School District  
St. Ignatius College Prep  
Standard School District  
Stanislaus Union School District  
State Center Community College  
Stockton Unified School District  
Sylvan Union School District  
Taft City School District  
Tamalpais Union High School District  
The California Medical Facility  
Tracy Unified School District  
Trona Joint Unified School District  
Turlock Unified School District  
Twin Rivers Unified School District  
Ukiah Unified School District  
Union School District  
University Corporation of Monterey Bay  
University of California, Berkeley  
University of California, Berkeley-Housing  
University of California, Davis-Campus  
University of California, San Francisco  
Vacaville Unified School District  
Washington Colony School District  
Washington Unified School District  
West Contra Costa Unified School District  
West County Transportation Agency  
West Kern Community College  
Wheatland School District  
Williams Unified School District  
Willits Unified School District  
Windsor Unified School District  
Winton Elementary School District  
Wright Elementary School District  
Yolo County Office of Education  
Yosemite Community College District

**Association of Bay Area Governments Publicly Owned Energy Resources**

**ABAG POWER**

**Board of Directors**

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October 26, 2023

Agenda Item 5.c.

Election of Chair and Vice Chair and Approval of Executive Committee

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**Subject:**

Election of Chair and Vice Chair and Approval of Executive Committee for Calendar Year 2024

**Background:**

The ABAG POWER Bylaws provide that the Executive Committee shall be comprised of the Chair and Vice Chair, who are elected by the members, and three to nine members entitled to cast a vote (Article 7.1). During calendar year 2023, three vacancies were caused by retirements and resignations. Currently, three members serve on the Executive Committee. The Vice Chair position is currently vacant.

It is proposed that the Board re-elect Doug Williams as Chair, elect Becky Hopkins as Vice Chair, and approve the Executive Committee as follows:

Chair: Doug Williams, City of Santa Rosa

Vice Chair: Becky Hopkins, City of Pleasanton

Committee members:

- Brendan Havenar-Daughton, County of Contra Costa
- Elaine Marshall, City of Milpitas

**Issues:**

With only four members, there will still be at least one seat vacant on the Executive Committee per Article 7.1. Staff will continue to work with the Chair to recruit members to serve on the Executive Committee.

**Recommended Action:**

The ABAG POWER Board of Directors is requested to elect the proposed Chair and Vice Chair and approve the Executive Committee for Calendar Year 2024.

**Attachments:**

None.

**Agenda Item 5.c. – Election of Chair and Vice Chair and Approval of Executive Committee**

October 26, 2023

Page 2 of 2

**Reviewed:**

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*Brad Paul*  
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Brad Paul

## Association of Bay Area Governments Publicly Owned Energy Resources

### ABAG POWER

#### Board of Directors

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October 26, 2023

Agenda Item 5.d.1.

#### Natural Gas Program Working Capital Deposits

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#### Subject:

Adoption of Resolution 23-06 to increase the working capital deposit for the natural gas program from 2.0 to 3.0 months of estimated expenses, and to collect the additional deposits for existing members over a 24-month period beginning July 1, 2024.

#### Background:

In mid-2018, in an effort to maximize cost savings, a significant programmatic change was recommended by staff and approved by the Executive Committee, resulting in a general gas purchasing strategy that emphasized short-term, index-based purchases, with fixed-price purchases made only by exception and with Committee approval.

This strategy aimed to capitalize on low prices relative to historical norms that generally persisted from about 2013 to 2019. Since then, natural gas market prices have experienced extreme volatility. The causes are varied, and generally accepted to be initially caused by supply and demand mismatches due to Covid-19, but since then, a number of ongoing factors have contributed to heightened volatility – and therefore risk: geopolitical tensions, pipeline maintenance, extreme weather patterns, changes to storage assets, and rising global demand for liquefied natural gas (LNG). This confluence of factors during fiscal year 2022-23 resulted in the highest prices seen since December 2000.

During the last two fiscal years, as a response to market conditions, and at times, an inability to obtain index-based pricing, staff have thrice requested and received temporary authority to enter fixed-priced purchases. In a forward-looking basis, futures prices indicate continued volatility, with average prices in the \$5 to \$8 range per million British Thermal Units (MMBtu) for fiscal year 2023-24, compared to the historical average of \$3 to \$5 per MMBtu from 2010 to 2019. ABAG POWER's weighted average cost of gas (WACOG) during fiscal year 2022-23 was approximately \$11.60 per MMBtu. PG&E's procurement rate ranged from \$1.52 to \$13.47 per MMBtu, with an unweighted average of \$7.48 per MMBtu.

In addition to the price-based risk, extreme fluctuations in short-term markets have presented a cash flow challenge caused by elevated pricing during a sustained period (i.e., more than three months). This issue is exacerbated by ABAG POWER's levelized billing structure, which invoices participants only for the estimated average monthly expense. This structure temporarily insulates members from market fluctuations, which for many is a significant benefit of the program. The program reserves the right to modify levelized charges mid-year; however, this modification can cause confusion amongst members, disrupt otherwise predictable expense

**Agenda Item 5.d.1. – Working Capital Deposits Policy**

October 26, 2023

Page 2 of 3

budgeting, and can be difficult to implement in an expedited manner. These aspects work against the value proposition of insulating members from market fluctuations.

Perhaps most importantly, recent extreme volatility has exposed ABAG POWER to the risk of not having sufficient capital to cover recurring expenses. In fact, expenses were higher than revenue during six of the twelve months throughout fiscal year 2022-23, contributing to a deficit of about \$2 million during the fiscal year.

Although market prices and volatility have increased substantially over the last decade, total working capital deposits are unchanged since fiscal year 2008-09, totaling approximately \$2 million. A listing of current working capital deposits by member is attached; the current policy is to maintain 2.0 months of estimated expenses based on the adopted operating budget. Current deposits amount to 1.9 months of estimated expenses, a deficit of about \$70 thousand compared to the adopted policy. Due to the cash flow deficit from fiscal year 2022-23, it is unlikely that the program can fully replenish the working capital balance prior to the upcoming winter, when volatility is typically most extreme.

While natural gas prices have declined and are expected to remain lower than last fiscal year, the sustained volatility in recent years has been extreme, and as a buyer in the short-term markets, the program is exposed to this risk. To address the inherent risk of purchasing primarily based on short-term, index-based transactions, and to react effectively to changes in market trends staff have analyzed and are recommending multiple strategies to mitigate price uncertainty, including increasing working capital deposits, leveraging natural gas storage assets to a greater degree, and procuring fixed-price supply contracts to hedge against volatility.

Given this context, the Executive Committee met on June 15 and August 17, 2023, to discuss, among other things, modifying working capital deposits in a manner that minimized the upfront impact to member jurisdictions, and provided sufficient advance notice to align with the majority of members' fiscal year budgeting process. These discussions have resulted in a recommendation for the Board's consideration to:

- Increase the overall working capital deposits from two months to three months of estimated expenses for the core and non-core programs.
- Maintain the existing requirement of two months of estimated expenses for the renewable natural gas (RNG) program.
- For existing members, collect the deposit from existing members over a two-year period beginning July 1, 2024 and ending June 30, 2026. working capital deposits will be collected through a separate line item in each monthly member invoice. The rate used to determine the amount of working capital will be based on the fiscal year 2024-25 operating budget.
- For new members, maintain the existing requirement to collect the full deposit upon approval of the core or noncore gas sales and aggregation agreement.

Staff recommends modifying the working capital deposit requirement for the core and non-core programs but not the RNG program based on the difference in purchase structures likely to occur in each program. Given the current market for RNG supply, purchases are more likely to be structured as fixed-price transactions, particularly for Senate Bill 1383 compliance, therefore

**Agenda Item 5.d.1. – Working Capital Deposits Policy**

October 26, 2023

Page 3 of 3

there is no risk of volatility. Furthermore, a working capital deposit is only required in certain situations and is intended to satisfy expedited payment terms likely to be required by suppliers. This structure fulfills a different need than the core and non-core programs, where the programs are subjected to a greater degree of volatility. As RNG supply becomes more widely available on 'spot' (short-term, widely available, generally same day) markets, staff will assess whether to bring a similar recommendation to the Board.

**Issues:**

Increasing the amount of working capital required to be provided at the time of joining ABAG POWER's core and noncore natural gas programs presents a potential barrier to participation for new members that, if this modification is approved, will be required to provide three months of estimated expenses in a lump sum payment.

**Recommended Action:**

The ABAG POWER Board of Directors is requested to authorize an increase to the natural gas program's core and non-core working capital deposit requirement from two months to three months of estimated expenses, and for existing members, to collect the additional deposits over a 24-month period beginning July 1, 2024 and ending June 30, 2026.

**Attachments:**

- Current Working Capital Deposits by Member (Informational)
- Resolution 23-06 Modification of Working Capital Deposits Requirement to Increase Deposits from Two Months to Three Months of Estimated Expenses

**Reviewed:**

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Brad Paul



**ABAG POWER Natural Gas Program Working Deposits**

Member	Current Master Account	Current Member Balance	FY 23-24 Estimated Expense for 1 Month	FY 23-24 Estimated Expense for 2 Months	FY 23-24 Estimated Expense for 3 Months	Current Working Capital Deposit Surplus/Deficit Relative to Estimated Expenses for 3 Months	Monthly Surplus/Deficit Amortization Period over 24 Months
Alameda, City	Various	\$ 44,931	\$ 7,860.00	\$ 15,720.00	\$ 23,580.00	\$ (21,351.19)	\$ (889.63)
Alameda, City Housing Authority	ALAACPC003	\$ 5,892	\$ 4,860.00	\$ 9,720.00	\$ 14,580.00	\$ 8,688.00	\$ 362.00
Albany, City	ALBACPC001	\$ 4,905	\$ 1,800.00	\$ 3,600.00	\$ 5,400.00	\$ 495.33	\$ 20.64
Atherton, Town	ATHACPT001	\$ 1,409	\$ 550.00	\$ 1,100.00	\$ 1,650.00	\$ 240.90	\$ 10.04
Benicia, City	BENACPC001	\$ 17,508	\$ 12,460.00	\$ 24,920.00	\$ 37,380.00	\$ 19,871.87	\$ 827.99
Contra Costa County GSD	CONACPN001	\$ 303,882	\$ 226,280.00	\$ 452,560.00	\$ 678,840.00	\$ 374,957.79	\$ 15,623.24
Cupertino, City	CUPACPC001	\$ 11,915	\$ 6,460.00	\$ 12,920.00	\$ 19,380.00	\$ 7,464.61	\$ 311.03
Fremont, City	FREACPC001	\$ 42,167	\$ 35,760.00	\$ 71,520.00	\$ 107,280.00	\$ 65,113.46	\$ 2,713.06
Golden Gate Bridge	GOLACP001	\$ 16,544	\$ 11,540.00	\$ 23,080.00	\$ 34,620.00	\$ 18,076.32	\$ 753.18
Gonzales, City	GONACPC001	\$ 3,167	\$ 2,110.00	\$ 4,220.00	\$ 6,330.00	\$ 3,163.10	\$ 131.80
Half Moon Bay, City	HALACPC001	\$ 803	\$ 460.00	\$ 920.00	\$ 1,380.00	\$ 576.69	\$ 24.03
Hercules, City	HERACPC001	\$ 8,140	\$ 17,310.00	\$ 34,620.00	\$ 51,930.00	\$ 43,790.38	\$ 1,824.60
Los Altos, City	LOSACPC001	\$ 7,216	\$ 2,780.00	\$ 5,560.00	\$ 8,340.00	\$ 1,124.41	\$ 46.85
Mill Valley, City	MILACPC001	\$ 18,204	\$ 17,750.00	\$ 35,500.00	\$ 53,250.00	\$ 35,045.67	\$ 1,460.24
Millbrae, City	MILACPC003	\$ 8,089	\$ 2,370.00	\$ 4,740.00	\$ 7,110.00	\$ (978.90)	\$ (40.79)
Millbrae, City WWTP	MILACPC004	\$ 13,668	\$ 80.00	\$ 160.00	\$ 240.00	\$ (13,427.84)	\$ (559.49)
Milpitas, City	MILACPC002	\$ 38,041	\$ 18,860.00	\$ 37,720.00	\$ 56,580.00	\$ 18,539.42	\$ 772.48
Monte-Sereno, City	MONACPC001	\$ 242	\$ 180.00	\$ 360.00	\$ 540.00	\$ 298.39	\$ 12.43
Moraga, Town	MORACPT001	\$ 1,706	\$ 1,040.00	\$ 2,080.00	\$ 3,120.00	\$ 1,413.71	\$ 58.90
Napa County #1	NAPACPN005	\$ 30,071	\$ 19,470.00	\$ 38,940.00	\$ 58,410.00	\$ 28,338.54	\$ 1,180.77
Oakland, City	OAKACPC001	\$ 166,643	\$ 126,100.00	\$ 252,200.00	\$ 378,300.00	\$ 211,657.37	\$ 8,819.06
East Bay Zoological	OAKACPC002	\$ 3,349	\$ 2,280.00	\$ 4,560.00	\$ 6,840.00	\$ 3,490.95	\$ 145.46
Orinda, City	ORACPC001	\$ 1,502	\$ 4,630.00	\$ 9,260.00	\$ 13,890.00	\$ 12,388.45	\$ 516.19
Pacifica, City	PACACPC001	\$ 6,377	\$ 4,330.00	\$ 8,660.00	\$ 12,990.00	\$ 6,613.21	\$ 275.55
Petaluma, City	PETACPC001	\$ 5,273	\$ 3,730.00	\$ 7,460.00	\$ 11,190.00	\$ 5,916.91	\$ 246.54
Pleasanton, City	PLEACPC001	\$ 44,783	\$ 23,500.00	\$ 47,000.00	\$ 70,500.00	\$ 25,716.59	\$ 1,071.52
Richmond, City	RICACPC001	\$ 58,805	\$ 59,080.00	\$ 118,160.00	\$ 177,240.00	\$ 118,434.73	\$ 4,934.78
Salinas, City	SALACPC001	\$ 47,860	\$ 22,610.00	\$ 45,220.00	\$ 67,830.00	\$ 19,970.37	\$ 832.10
San Carlos, City	SANACPC003	\$ 13,305	\$ 4,790.00	\$ 9,580.00	\$ 14,370.00	\$ 1,065.07	\$ 44.38
San Mateo County	Various	\$ 414,501	\$ 119,110.00	\$ 238,220.00	\$ 357,330.00	\$ (57,170.75)	\$ (2,382.11)
San Rafael, City	SANACPC001	\$ 15,688	\$ 11,970.00	\$ 23,940.00	\$ 35,910.00	\$ 20,222.07	\$ 842.59
Santa Clara County	SANACPN001	\$ 223,098	\$ 132,720.00	\$ 265,440.00	\$ 398,160.00	\$ 175,062.22	\$ 7,294.26
Santa Rosa, City	SANACPC005	\$ 61,660	\$ 51,750.00	\$ 103,500.00	\$ 155,250.00	\$ 93,589.55	\$ 3,899.56
Santa Rosa, Non-Core	SANACPC012	\$ 169,872	\$ 19,870.00	\$ 39,740.00	\$ 59,610.00	\$ (110,262.19)	\$ (4,594.26)
Saratoga, City	SARACPC001	\$ 2,692	\$ 1,570.00	\$ 3,140.00	\$ 4,710.00	\$ 2,018.43	\$ 84.10
Union City	UNIACPC001	\$ 4,436	\$ 1,690.00	\$ 3,380.00	\$ 5,070.00	\$ 633.55	\$ 26.40
Vallejo, City	VALACPC001	\$ 105,830	\$ 8,590.00	\$ 17,180.00	\$ 25,770.00	\$ (80,059.91)	\$ (3,335.83)
Vallejo Sani.& Flood Control District	VALACPD001	\$ 4,425	\$ 25,470.00	\$ 50,940.00	\$ 76,410.00	\$ 71,985.38	\$ 2,999.39
Watsonville, City	WATACPC001	\$ 16,738	\$ 12,030.00	\$ 24,060.00	\$ 36,090.00	\$ 19,352.18	\$ 806.34
Watsonville, City, Non-Core	WATACPC002	\$ 42,398	\$ 3,100.00	\$ 6,200.00	\$ 9,300.00	\$ (33,098.48)	\$ (1,379.10)
Winters, City	WINACPC001	\$ 726	\$ 570.00	\$ 1,140.00	\$ 1,710.00	\$ 984.19	\$ 41.01
<b>Subtotal:</b>		\$ 1,988,459	\$ 1,029,470	\$ 2,058,940	\$ 3,088,410	\$ 1,099,951	\$ 45,831
<b>Difference from Current Balance:</b>		\$ -	\$ 958,989	\$ (70,481)	\$ (1,099,951)		

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

**BOARD OF DIRECTORS**

**RESOLUTION NO. 23-06**

**RESOLUTION INCREASING THE WORKING CAPITAL DEPOSIT FOR THE NATURAL GAS PROGRAM FROM TWO MONTHS TO THREE MONTHS OF ESTIMATED EXPENSES, AND ESTABLISHING A TWO-YEAR AMORTIZATION PERIOD FOR EXISTING MEMBERS BEGINNING JULY 1, 2024**

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

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

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

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

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

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

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

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

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

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

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

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Directors of ABAG POWER hereby finds the foregoing recitals true and correct and modifies the working capital deposit for the natural gas program's core and noncore participants from two months to three months of estimated expenses, effective October 26, 2023.

; and

**BE IT FURTHER RESOLVED**, that the Board of Directors of ABAG POWER hereby establishes a two-year amortization period, beginning July 1, 2024, and ending June 30, 2026, over which time each existing member as of the date of this Resolution – with the exception of those members pending withdrawal – will receive a monthly credit or charge equal to 1/24<sup>th</sup> of the member's total adjustment, with the total adjustment being calculated as the difference between the member's current working capital deposit and three months of estimated expenses using the fiscal year 2024-2025 operating budget.

This foregoing was adopted by the Board of Directors at its meeting on this 26<sup>th</sup> day of October, 2023.

By: \_\_\_\_\_  
Doug Williams, Chair

Certification of Board of Directors Approval

I, the undersigned, the appointed and qualified Secretary of the ABAG Publicly OWned Energy Resources (ABAG POWER), do hereby certify that the foregoing resolution was adopted by the Board of Directors of ABAG POWER at a duly called meeting held on the 26<sup>th</sup> day of October, 2023.

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Jane Elias, Secretary  
ABAG POWER



## ABAG Regional Plans, Programs, and Funding

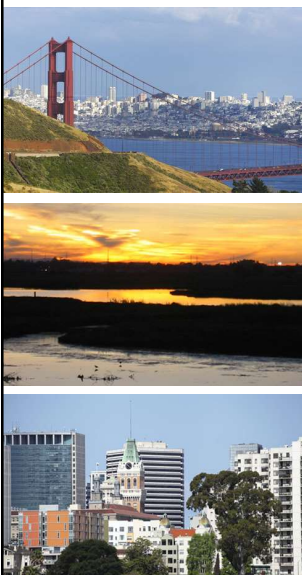
Presentation for ABAG POWER Board of Directors

Brad Paul, Deputy Executive Director,  
Local Government Programs, MTC/ABAG

October 26, 2023

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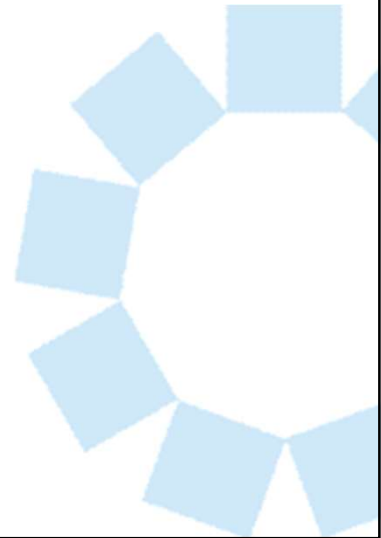
## ABAG Formation and History



- **ABAG** established in **1961** as **joint powers authority (JPA)** to address common regional issues and challenges
- **MTC** created in **1970** as regional transportation planner and coordinator distributing over **\$1 billion** a year in local, state and federal funds to transportation projects and services
- **May 2016** ABAG and MTC governing boards voted to support full staff consolidation through an **MOU**
- **July 2017** ABAG and MTC created single staff to serve both agencies and their separate responsibilities

2

# Spotlight on Local Government Services



3

## ABAG POWER: Natural Gas program



### About

- 25<sup>th</sup> Year of Operation
- Local Gov't Leadership in Energy Procurement / Management
- Natural Gas Purchasing & Transportation
- 37 Participating Members



### Program Goals

- Cost Savings
- Price Stability
- Services to Communities
- Environmental Sustainability



4

## BayREN's Regional Impacts and Accomplishments

Serving 9 Counties, 101 Cities

**156 million**  
tons of carbon avoided

**64 thousand**  
housing units upgraded

ACHIEVEMENTS TO DATE

**12,777**  
new jobs created

**\$66 million**  
incentives awarded

- **Six Programs Focused On:**
  - Energy efficiency upgrades
  - Electrification upgrades
  - Raising awareness among real estate and contractor industry
  - Energy code compliance
  - Water Upgrades Save program

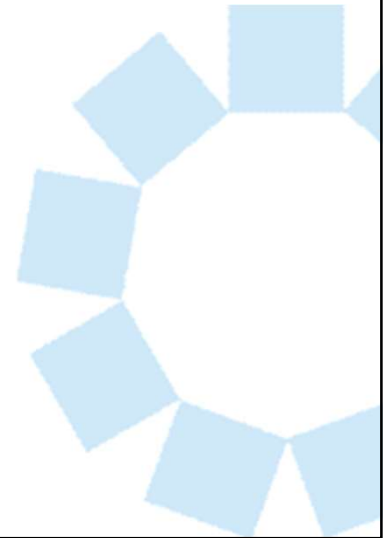
5

## BayREN's 2024-2027 Portfolio – \$161M for 10 Programs

Home+ Single Family Program	Green Labeling Program	Refrigerant Replacement Program	Integrated Energy Services	<p><b>New Programs in 2024</b></p> <ul style="list-style-type: none"> <li>• <b>BayREN Refrigerant Replacement Program</b> Replace refrigerants with environmentally friendly alternatives in the food-service sector.</li> <li>• <b>Climate Careers</b> Expansion of a pilot into a workforce development program for youth.</li> <li>• <b>Integrated Energy Services</b> Build, enable, and maintain demand for integrated building energy upgrades.</li> <li>• <b>Targeted Decarbonization Services</b> Build the market for decarb equipment.</li> </ul>
Business Program	Water Upgrades Save Program	Climate Careers Program	Targeted Decarbonization Services	
Multifamily Program	Codes & Standards Program			

6

# Spotlight on Regional Policy Initiatives



7

## Plan Bay Area 2050

WHAT IS  
THE PLAN?

*Long-range 30-year plan to ensure by 2050 Bay Area is **affordable, connected, diverse, healthy** and **vibrant for all**.*

FOUR  
ELEMENTS OF  
THE PLAN



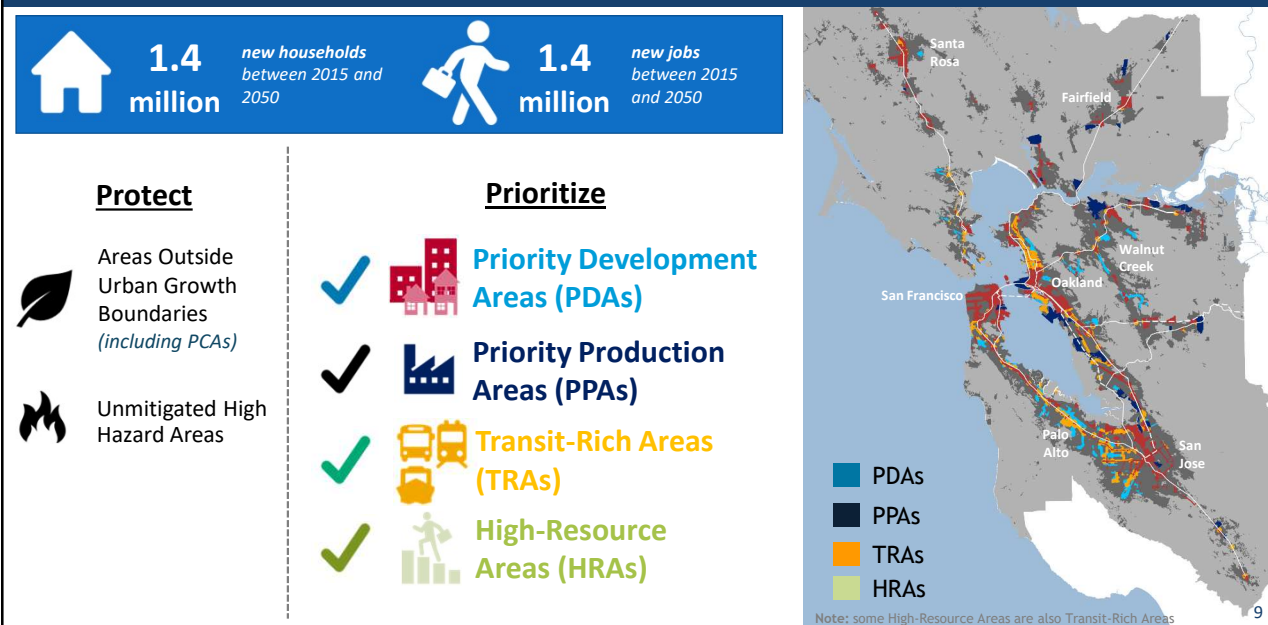
- **Transportation** Strategies
- **Housing** Geographies & Strategies
- **Economic** Geographies & Strategies
- **Environmental** Strategies

8

8



## Plan Bay Area 2050 Growth Geographies



9

## BAHFA is a Key Part of the Solution

- BAHFA was created by state legislation in 2019 to address the region’s housing challenges across the **3Ps – Production, Preservation, and Protections**.
- BAHFA can **raise revenue for housing** through regional ballot measures.
- BAHFA collaborates with cities/counties, 80% of bond revenue returns to counties.
- ABAG Executive Board and BAHFA board (MTC Commissioners) must agree on **ballot language, revenue source, timing of ballot measure** and regional **expenditure plans**.

10

10

## Potential 2024 Measures

1

Advocate-led **statewide constitutional amendment** to enable affordable housing general obligation bonds be approved by clear majority (55%) of voters instead of current two thirds [State Legislature just put on ballot]

Would allow bond proceeds used for rental assistance reserves, tenant services, and more.

2

A **BAHFA General Obligation Bond** to raise **\$10-\$20 billion** – which could provide between 35,000 and 80,000 new homes across nine-county region.

11

11

## Significant funding to every community

County & Direct City Allocations	\$10B GO Bond	\$20B GO Bond
Alameda County (excluding Oakland)	\$984 M	\$2.0 B
Oakland	\$383 M	\$765 M
Contra Costa County	\$925 M	\$1.9 B
Marin County	\$352 M	\$704 M
Napa County (excluding City of Napa)	\$100 M	\$200 M
City of Napa	\$79 M	\$158 M
San Francisco	\$1.2 B	\$2.4 B
San Mateo County	\$1.0 B	\$2.1 B
Santa Clara County (excluding San Jose)	\$1.2 B	\$2.4 B
San Jose	\$1.0 B	\$2.1 B
Solano County	\$248 M	\$497 M
Sonoma County (excluding Santa Rosa)	\$282 M	\$564 M
Santa Rosa	\$121 M	\$242 M
BAHFA	\$2.0 B	\$4.0 B

12

12

## 5 Pilot Programs

1. **Doorway:** Online platform to connect residents to affordable housing opportunities
2. **Affordable Housing Pipeline:** Database to track the production and preservation of affordable homes
3. **Preservation Strategy:** Financing and technical assistance to support and scale preservation efforts
4. **Anti-Displacement Services Network:** Coordination and best practices for deployment of rental assistance and tenant protection services
5. **Homelessness Prevention System:** Integrated resources and services to keep people housed



13

13

## Transit Transformation and Regional Network Management

Making Bay Area transit more **connected, efficient** and **customer-focused** so residents and visitors can travel with:

- Speed
- Safety
- Convenience

**27-point Transit Transformation Action Plan** (adopted 2021) includes:

- Fare Coordination
- Uniform Mapping & Wayfinding
- Transit Priority on streets and highways
- Transit Network Management Committee comprised of MTC and transit agency staff



Everyone wants the same things:

An overwhelming majority of Bay Area residents think these features are important:

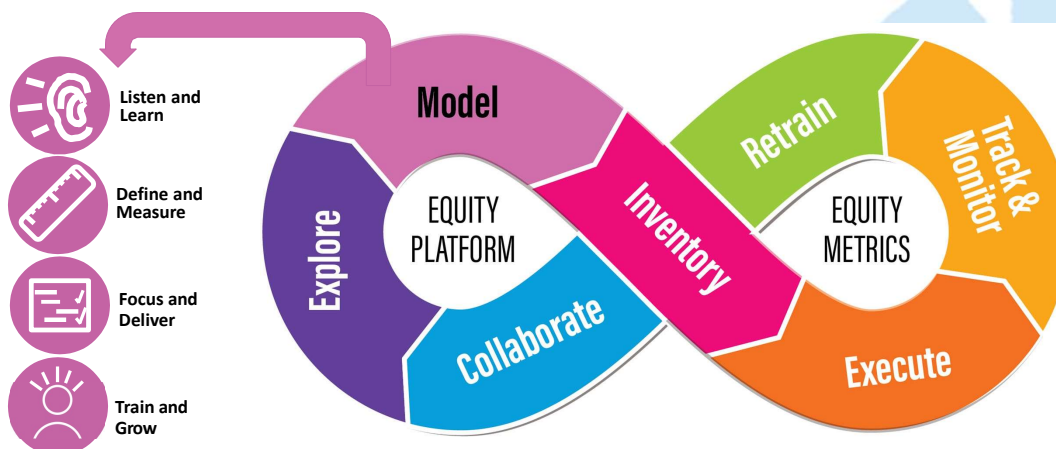
92%	Real-time information on wait times and vehicle locations
91%	More direct service, fewer transfers, and shorter wait times
88%	A regional network that can set fares, align routes and schedules, and standardize information
92%	Easy to use and uniform maps and signage
90%	A single mobile app for planning, schedules, and information
89%	A single set of fares, passes, discounts, and transfer policies
80%	Dedicated travel lanes along key transit routes for buses and tools

Transit Recovery Task Force Public Opinion

14

## ABAG/MTC Equity Platform

Adopted in January 2023, the Equity Platform helps ABAG/MTC set policies and deliver programs, hold ourselves accountable to data-backed results, and encourage a Bay Area where everyone can thrive.



15

## Local Government Services Examples

- **BayREN:** lower utility costs for low- and moderate-income homeowners
- **BayREN:** lowering operating costs for multi-family affordable housing owned by nonprofit developers
- **SFEP:** piloting natural horizontal levees in Richmond, CA
- **BAHFA:** creating and sustaining new programs that move the needle on 3 Ps: *Production, Preservation and Protection*

16



## Questions and Comments



ASSOCIATION OF BAY AREA GOVERNMENTS  
METROPOLITAN TRANSPORTATION COMMISSION

## Association of Bay Area Governments Publicly Owned Energy Resources

### ABAG POWER

#### Board of Directors

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October 26, 2023

Agenda Item 6.a.2.

ABAG-MTC Local Government Services Update

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#### Subject:

Association of Bay Area Governments (ABAG) and Metropolitan Transportation Commission (MTC) Local Government Services (LGS) Update

#### Background:

ABAG's programs and services have supported Bay Area local governments for more than 55 years, providing a forum to discuss and work together to solve regional issues.

In 2017, there was a consolidation of ABAG and MTC staff which were reorganized under three divisions: Planning, Operations, and Local Government Services. The Energy Section, which includes ABAG POWER and the Bay Area Regional Energy Network (BayREN), is part of Local Government Services.

Staff will provide an overview of the history and recent activities of these agencies.

#### Issues:

None.

#### Recommended Action:

None.

#### Attachments:



- ABAG-MTC Local Government Services Update (Presentation)

#### Reviewed:

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Brad Paul


# Staff Report on Natural Gas and Renewable Natural Gas Programs

Board of Directors Meeting  
October 26, 2023



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## ABAG AND ABAG POWER

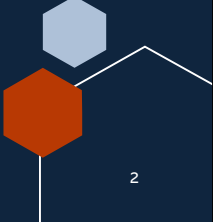


ASSOCIATION OF BAY AREA GOVERNMENTS

ABAG supports regional planning and cooperation among the cities and counties of the San Francisco Bay Area.

[abag.ca.gov](http://abag.ca.gov)

- ABAG POWER was **formed in 1998** by the Association of Bay Area Governments (ABAG) and local governments to provide **aggregated electricity and natural gas procurement for municipal facilities**.
- ABAG is the program administrator of ABAG POWER.
- Current offerings include a natural gas aggregation program and renewable natural gas program.
- Goals of price stability and cost savings.



2

## ABAG POWER JPA

### Membership and Governance

#### 37 Participating Entities

Each public agency assigns a voting delegate to the Board of Directors which meets annually

#### 4-member Executive Committee

Meets bi-monthly to oversee

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



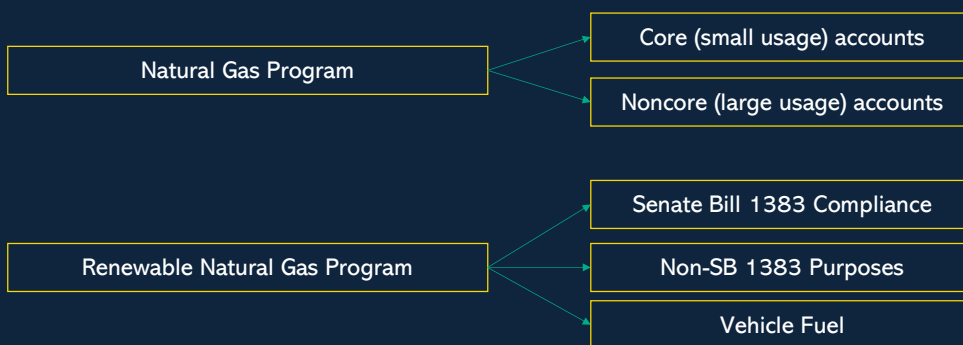
Bay Area Metro Center  
375 Beale Street  
San Francisco, CA 94105



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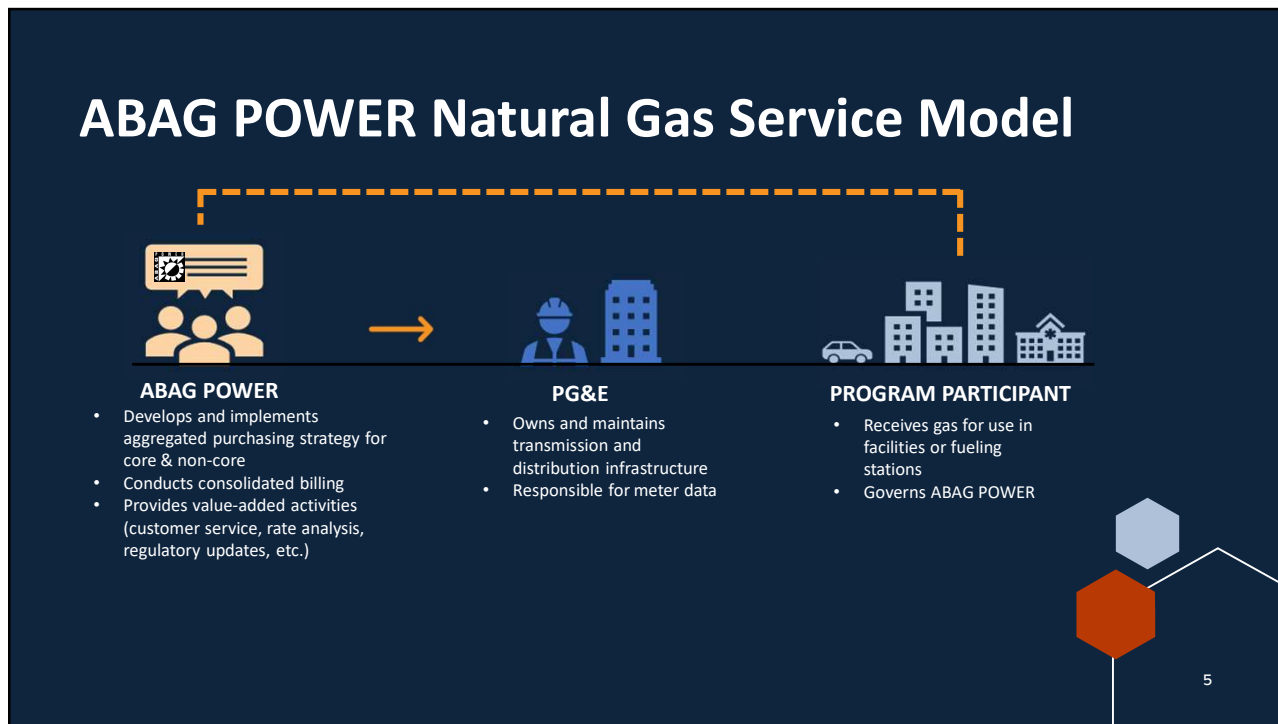
## ABAG POWER Programs



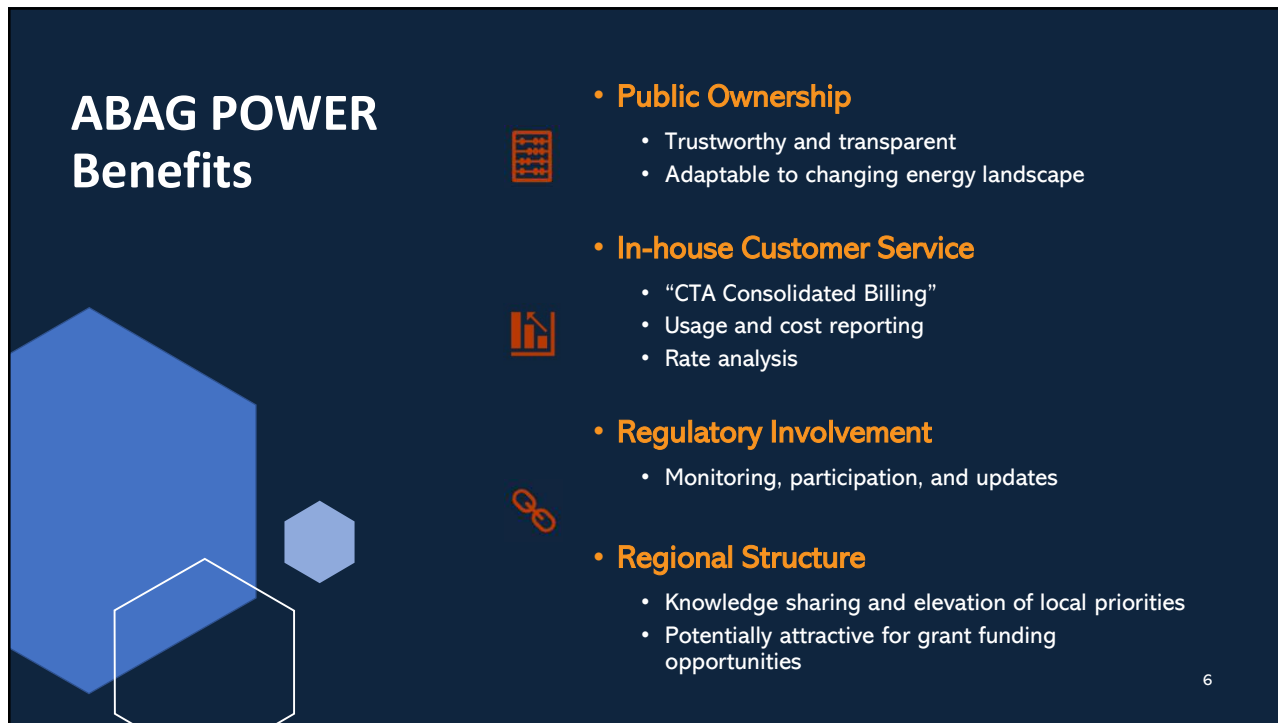
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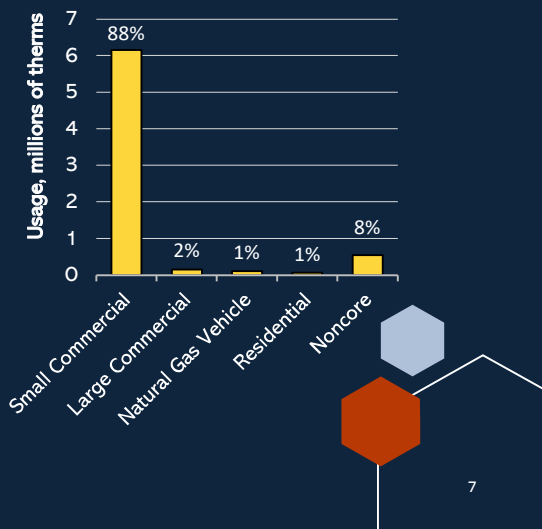
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## Gas Program Year-on-Year Comparison

Metric	Fiscal Year (FY) 2022-23	FY 2021-22 Comparison
Member Agencies	37	No change
Core Accounts	749	-0%
Noncore Accounts	3	No change
Total Usage (therms)	7.0 million	+4%
Core Usage	6.5 million	+7%
Noncore Usage	0.5 million	-10%



7

## Fiscal Year 2022-23 Priorities

- Implementation of ABAG POWER's Strategic Implementation Roadmap which identifies the following focus areas:
  - Quantification of Emissions and Management of Carbon Offsets/Reduction Activities
  - Renewable Natural Gas (RNG)
  - Transitional Electrification Incentives
  - Transparent and Socially Responsible Supply
- Managing extraordinary market volatility
- Responding to the School Project for Utility Rate Reduction's (SPURR) Request for Proposals



8

8

## Recent Successes

- ✓ April 2023-ongoing: Development of a Proposed Framework to Quantify Carbon Emissions
- ✓ May 2023: Establishment of a Renewable Natural Gas (RNG) program to provide:
  - Senate Bill 1383-compliant RNG supply
  - RNG for other purposes
  - Vehicle fuel for California's Low Carbon Fuel Standard (LCFS)
- ✓ Sep. 2023: Notification of pending award resulting in SPURR's recommendation to their current core membership to transition to ABAG POWER

9

9

## Fiscal Year 2022-23 Challenges

- Extraordinary market volatility
  - Highest prices in nearly 25 years
  - State investigation ordered to identify causes
- Rates were 17% higher relative to PG&E
  - Primarily due to short-term purchases made during the winter

10

10

## Addressing Volatility & Managing Risk

### Near-term actions

- More frequent re-incorporation of fixed-price purchases to hedge against price risk
- Contracting for more gas storage capacity and injecting more gas into storage
- Evaluating adjustments to working capital deposits



11

11

## Renewable Natural Gas (RNG) Program

- Established by vote of the Board at a Special Meeting on May 25, 2023

### What is it?

- RNG is a pipeline-quality biogas produced by the breakdown of raw materials such as agricultural or municipal waste, manure, sewage, food waste, etc.

### Why now?

- Recent legislation (SB 1383 & 1440) either requires RNG procurement or aids market development.



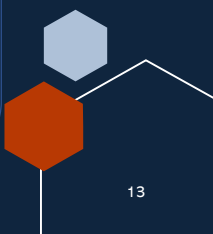
Bottom left: BioCycle, Annapolis, Maryland | Bottom right: New York City Department of Environmental Protection

12

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## RNG Program Scope of Products

1. RNG and/or Compliance Credits that qualify for SB 1383 procurement requirements		2. RNG and/or Compliance Credits for purposes other than SB 1383 compliance (e.g., Climate Action Plans, LCFS, etc.)
<ul style="list-style-type: none"><li>✓ California</li><li>✗ Out of State</li></ul>	<i>Production Location</i>	<ul style="list-style-type: none"><li>✓ California</li><li>✓ Out of State</li></ul>
<ul style="list-style-type: none"><li>✓ Organic waste diverted from landfill</li><li>✗ Other sources</li></ul>	<i>Production Source</i>	<ul style="list-style-type: none"><li>✓ Organic waste diverted from landfill</li><li>✓ Other sources (dairies, landfills, wastewater treatment, etc.)</li></ul>



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13



## Questions & Comments

14

# Thank you

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



## Association of Bay Area Governments Publicly Owned Energy Resources

### ABAG POWER

#### Board of Directors

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October 26, 2023

Agenda Item 6.b.2

#### Natural Gas Aggregation Program

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#### **Subject:**

Staff Report on Fiscal Year (FY) 2022-23 Natural Gas and Renewable Natural Gas Programs

#### **Background:**

Since 2002, ABAG POWER has operated with the dual – and often competing – goals of cost savings and price stability. In practice, this means providing natural gas at a rate competitive with, or less than, the default provider (Pacific Gas and Electric Company; PG&E), while at the same time providing a rate that is stable and predictable. ABAG POWER is also committed to supporting the climate goals of the customers and communities we serve.

#### **Strategic Implementation Roadmap**

As part of this commitment, in 2021, staff hosted a significant series of outreach events to discuss the State's climate action goals driving an anticipated decline of natural gas use, and to frame products and programs offered by ABAG POWER to better support a transition to renewable energy resources and reduce greenhouse gas emissions. This process resulted in the adoption of ABAG POWER's Strategic Implementation Road, approved on December 16, 2021 by the ABAG POWER Executive Committee.

The Strategic Implementation Roadmap (Roadmap) focuses on the development and implementation of near-term priorities that allow the program to be a partner to local governments seeking to achieve climate-related goals. Specifically:

1. Considering transitioning POWER's default product to fossil-based natural gas bundled with certified carbon offsets.
2. Participating in State and Federal vehicle fuel programs that incentivize the use of compressed natural gas as a low-carbon transportation fuel. Credits from these programs can be used to effectively offset cost premiums for other programs.
3. Pursuing Senate Bill (SB) 1383-Compliant Renewable Natural Gas (RNG) supply
4. We will offer a financial incentive to transitional electrification incentives.

During FY 2022-23, significant progress was made in implementing these initiatives:

- In April 2023, the ABAG POWER received a presentation describing a proposed framework for quantifying lifecycle carbon dioxide-equivalent emissions associated with

**Agenda Item 6.b.2 – Staff Report on FY 22-23 Natural Gas Program**

October 26, 2023

Page 2 of 3

the fossil-based natural gas produced, transported, and consumed in the natural gas program. The framework is pending approval.

- In May 2023, a special meeting of the Board of Directors was called to consider establishing a RNG program to provide supply for SB 1383 compliance and other purposes, including Climate Action Plan greenhouse gas emissions reductions and participation in the Low Carbon Fuel Standard and other vehicle fuel programs. The Board voted to approve the establishment of the RNG program, resulting in ABAG POWER's first new program since the joint powers authority's (JPA) formation in 1998.

**Other Notable Achievements**

In June 2023, the School Project for Utility Rate Reduction (SPURR), a JPA formed to seek reduction and control of utility costs on behalf of its 300 member organizations, released a Request for Qualifications and Proposals (RFQP) seeking vendors to serve as a successor agency to SPURR by providing retail natural gas commodity services to its core (small usage) and noncore (large usage) accounts. In July 2023, ABAG POWER submitted a timely response to the RFQP, and thereafter, SPURR evaluated responses and recommended ABAG POWER for award for the core accounts only, subject to the execution of a SPURR Master Contract between ABAG POWER and SPURR. While the award does not represent a guarantee regarding any particular level of service, SPURR has over 220 participants in its core natural gas program, and an annual usage of approximately 3.8 million MMBtu – about five times greater than the current annual gas usage of ABAG POWER's portfolio.

**Market Price Comparison**

Gas purchases were made in California (19%), Canada (42%), and Oregon (39%) using a combination of index-based and fixed-price transactions. This blend of short-term gas purchases resulted in a weighted average cost of gas (WACOG) of \$10.06 per dekatherm (Dth), an increase of 71% from the prior year, due to a multitude of external factors that caused extreme volatility in the overall natural gas markets nationally, including:

- Record-level liquefied natural gas (LNG) exports
- Low national storage inventories
- Exceptionally cold weather and severe weather-related events
- Modest production gains
- Unanticipated infrastructure (gas pipeline and storage) maintenance

These factors are exacerbated by geopolitical tensions caused by the war in Ukraine and subsequent commitments made by the U.S. to increase exports of LNG to Europe as to supplant Russian gas supply. In addition to regional impacts, these external factors resulted in extreme market volatility worldwide.

This year, the program's total rate was 17% higher than PG&E's small commercial procurement rate – the rate under which most ABAG POWER accounts would be categorized. Due to the leveled billing structure, the program's monthly rates were more stable than those of PG&E. A



## Agenda Item 6.b.2 – Staff Report on FY 22-23 Natural Gas Program

October 26, 2023

Page 3 of 3

leading contributor to this differential is the quantity of natural gas purchased during elevated winter pricing.

### Historical and Anticipated Supply

Since July 1, 2018, the general gas purchasing strategy has been exclusively in the short-term, index-based market.

Gas purchases are currently made on monthly and daily indices at three market locations. Fixed-price purchases are made only by exception and with Executive Committee approval. In December 2022, acknowledging extraordinary volatility, the Executive Committee provided staff authority until June 30, 2023, to enter fixed-price purchase contracts valued at less than \$1 million for a term not to exceed four months. In February 2023, staff entered a four-month fixed-price contract for supply at Malin, Oregon.

### Issues:

None.

### Recommended Action:

None.

### Attachments:

- Staff Report on FY 2022-23 Natural Gas Program (Presentation)

### Reviewed:

DocuSigned by:  
  
8C3380BA165B4D1...  
Brad Paul

# SB 1383 Procurement Cost-Benefit Analysis

ABAG POWER Board Meeting  
October 26, 2023

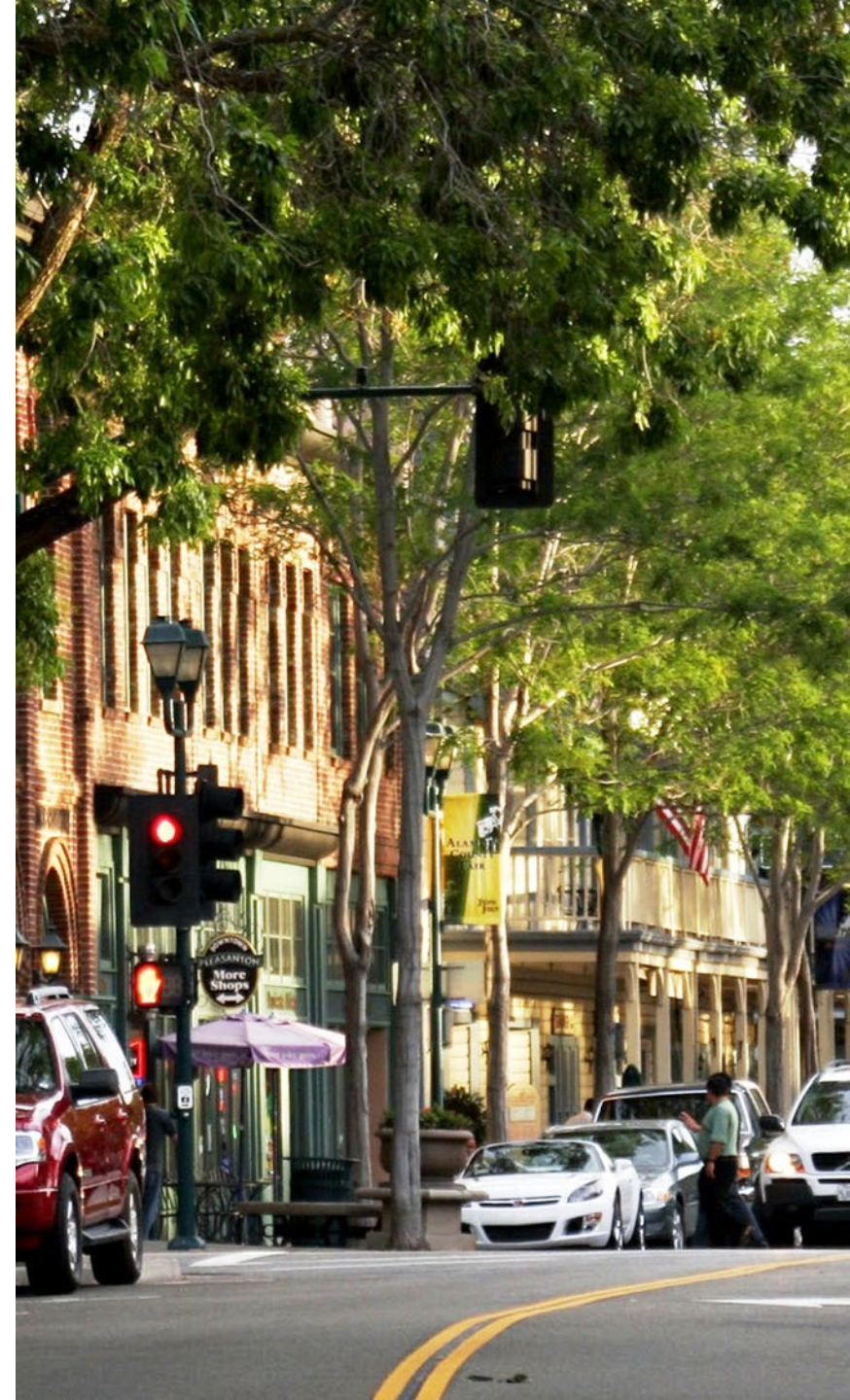


**Rincon Consultants, Inc**

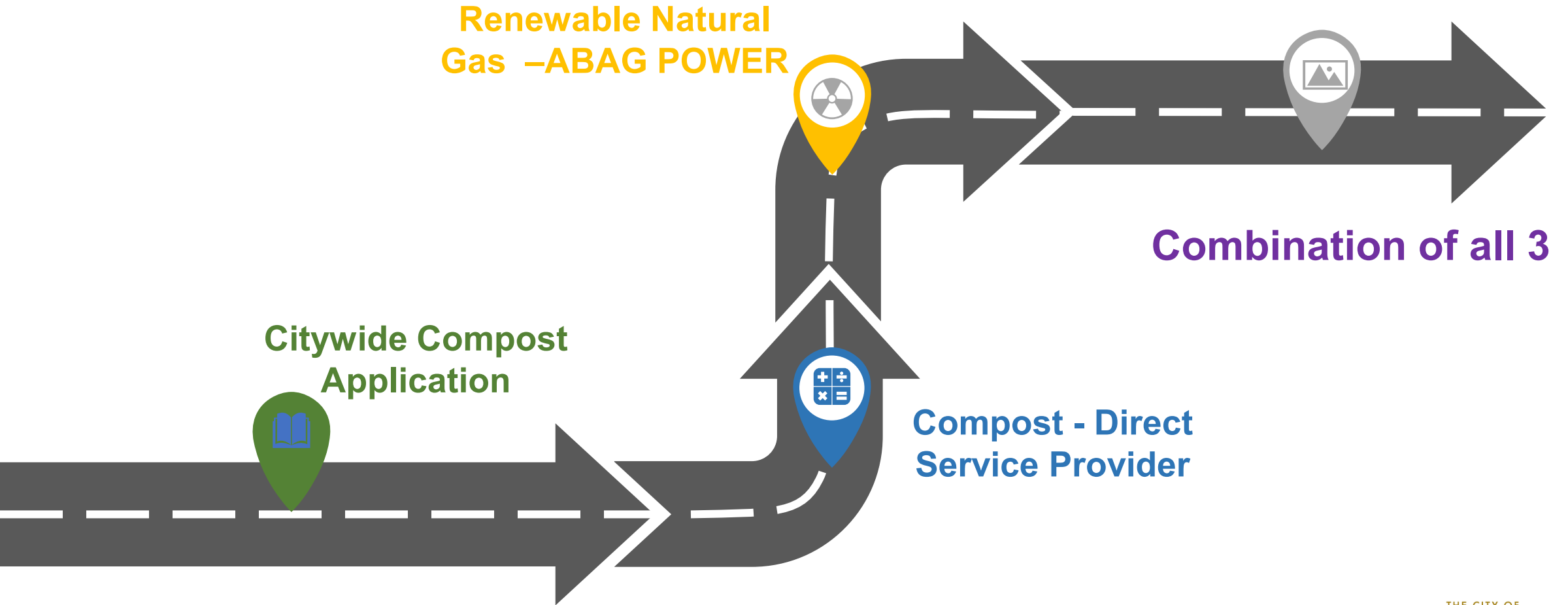


# Background

- SB 1383 requires cities procure 0.08 tons of recovered organic waste products per person annually
- Recovered organic waste products:
  - Compost
  - Mulch
  - Renewable gas (RNG)
  - Electricity from biomass conversion
- City evaluation of procurement options that support CAP reduction targets

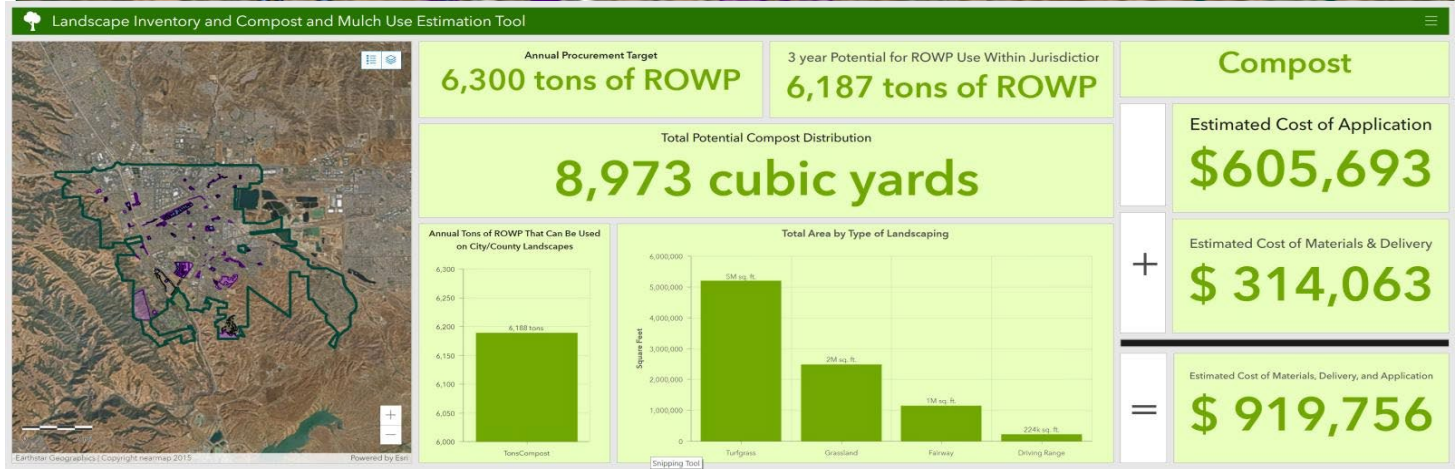
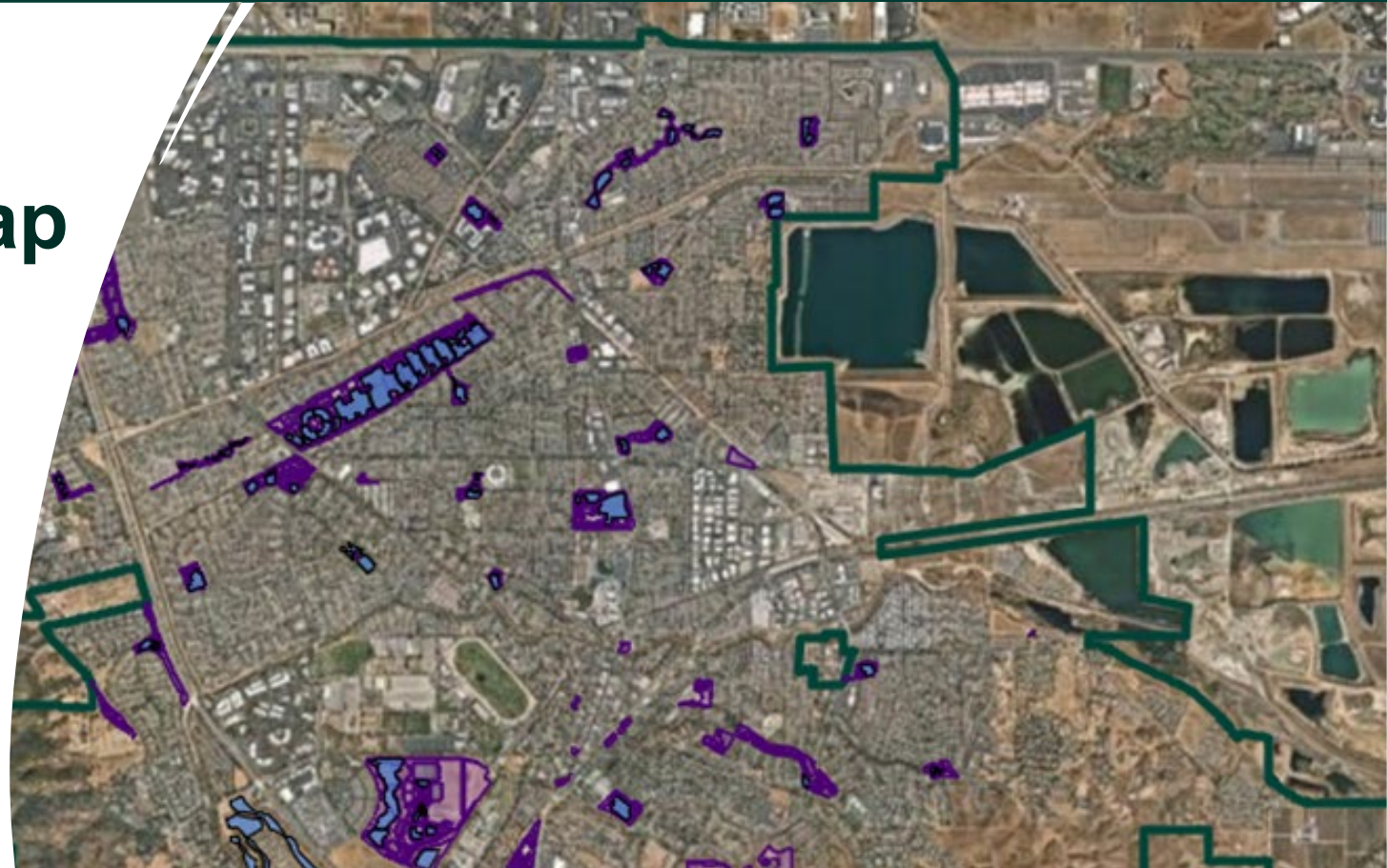


# Approach to SB1383 Implementation



# Compost Application Landscape Inventory Map

- Target is 6270 Tons of ROWP
- StopWaste created the initial GIS mapping tool
- We refined the tool
- This mapping included turfgrass, tree wells, planters, undeveloped open space parcels, and the location of our Compost Hub



# Direct Service Provider - Agromin

## Pleasanton's Impact Visualized

- 1091 tons of organic waste repurposed
- 480 CO2 emissions prevented
- Relative yearly equivalent of removing 94 vehicles off the road.



# RNG: Green House Gas (GHG) Benefit

- RNG is a “drop in” fuel replacement for natural gas
- Combustion of natural gas release CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O
- RNG is biogenic i.e. CO<sub>2</sub> released during combustion does not contribute to atmospheric emissions
- RNG procurement contributed to GHG emission reductions for City CAP

Source	lbs CO <sub>2</sub> /therm <sup>1,3</sup>	CO <sub>2</sub> GWP <sup>3</sup>	lbs CH <sub>4</sub> /therm <sup>2</sup>	CH <sub>4</sub> GWP	lbs N <sub>2</sub> O/therm <sup>2</sup>	N <sub>2</sub> O GWP	MT CO <sub>2</sub> e/therm <sup>3,4</sup>
Natural Gas	1.17E+01	1	2.27E-04	25	4.53E-06	298	5.31E-03
Renewable Natural Gas <sup>3</sup>	1.17E+01	0	2.27E-04	25	4.53E-06	298	3.18E-06

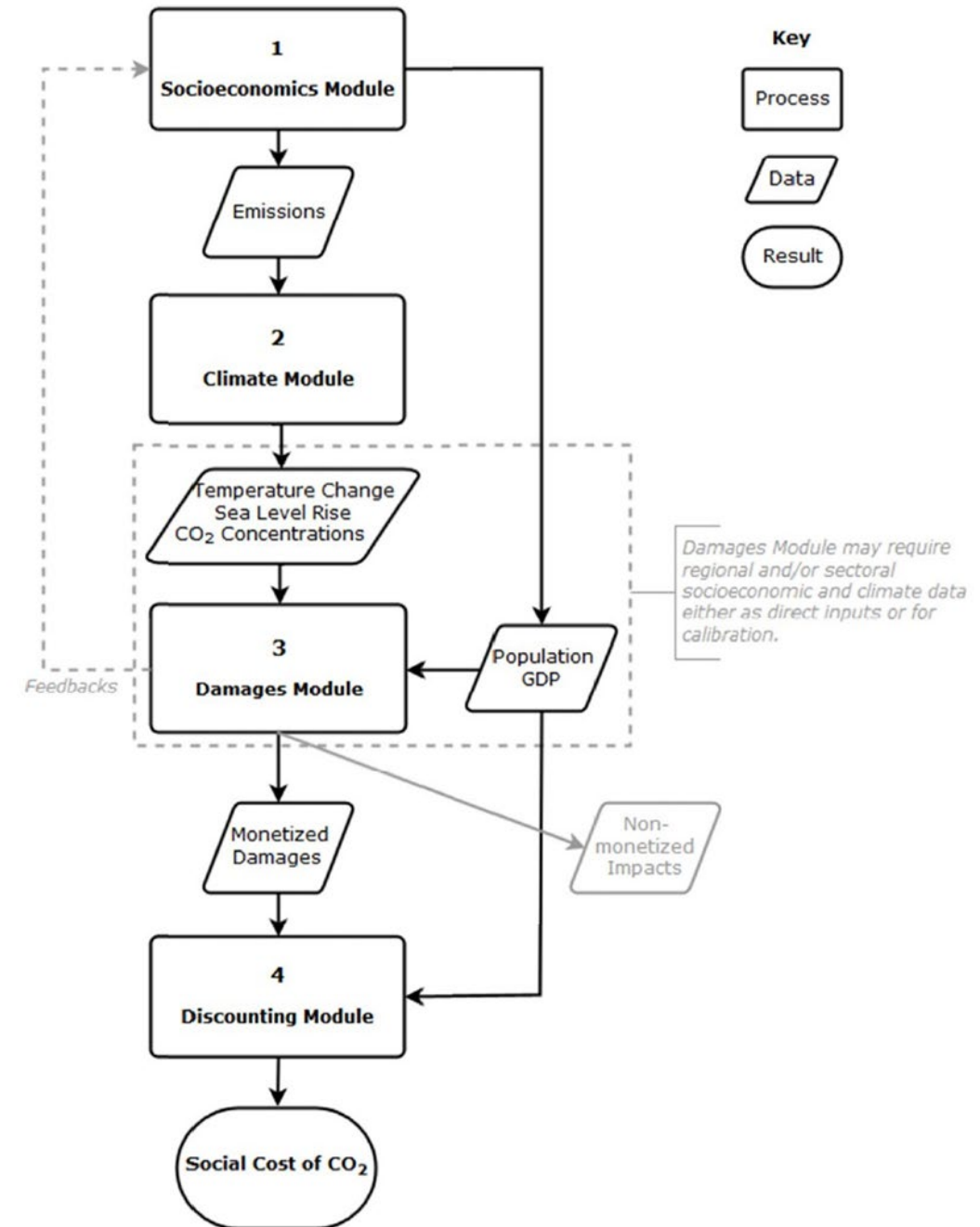
99.9% reduction per therm!

Notes: MT CO<sub>2</sub>e = metric tons carbon dioxide equivalents

1. Reported by PG&E in their data delivery forms and utilized in City of Pleasanton's inventory
2. Obtained from the US Community Protocol and utilized in City of Pleasanton's inventory
3. Combustion of renewable natural gas generates biogenic CO<sub>2</sub> which is considered carbon neutral. The GWP for biogenic CO<sub>2</sub> is considered 0.
4. MT CO<sub>2</sub>e is calculated by multiplying the GHG by the GWP

# Social Cost of Carbon

- The monetary value of net harm/economic damages to society from adding one extra metric ton of CO<sub>2</sub>
- Used in policy/regulatory impact analysis
- Cost of enacting policy now vs cost of climate impact later for no action
- Set by the EPA
- \$51/MT CO<sub>2</sub> to \$190/ MT CO<sub>2</sub>
- Increases related to latest research





# RNG: Cost Considerations

## Cost of NG + Cost of RNG - Social Cost of Carbon

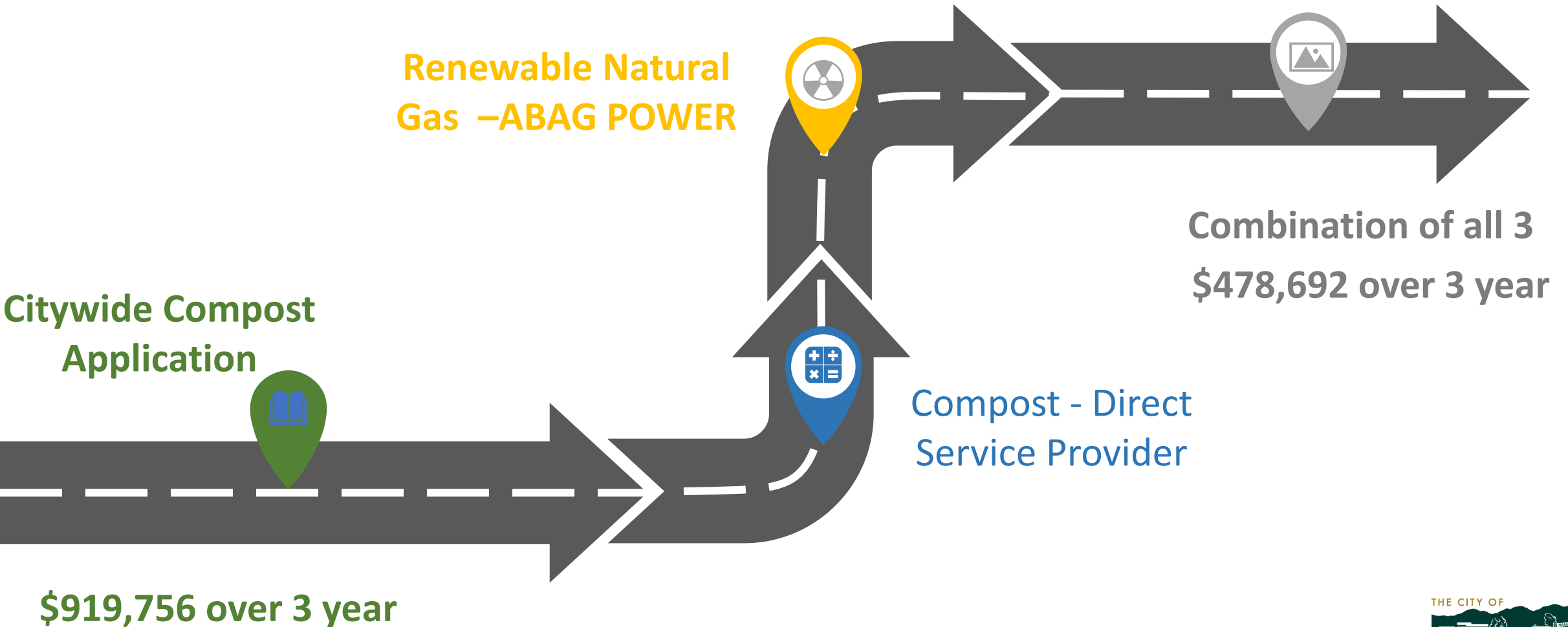
Percent RNG Replacement	Natural Gas Cost <sup>1</sup>	RNG Cost <sup>2</sup>	Social Cost of Avoided Emissions <sup>3</sup>	Total Cost for gas procurement <sup>4</sup>	Cost Difference <sup>5</sup>	Cost of GHG Savings (MTCO <sub>2</sub> ) <sup>6</sup>
100%	\$0	\$425,845	\$122,679	\$303,166	\$86,048	\$133.27
75%	\$54,279	\$319,384	\$92,009	\$281,654	\$64,536	
50%	\$108,559	\$212,923	\$61,340	\$260,142	\$43,024	
25%	\$162,838	\$106,461	\$30,670	\$238,630	\$21,512	

Notes: MT CO<sub>2</sub>e = metric tons carbon dioxide equivalents

1. Cost of natural gas is determined by multiplying the quantity of procured natural gas in Table 2 by the cost for natural gas, \$1.78 per therm.
2. Cost of RNG is determined by multiplying the quantity of procured RNG in Table 2 by the cost for RNG, \$3.50 per therm.
3. The social cost of avoided non-biogenic emissions from natural gas are calculated by multiplying the avoided natural gas CO<sub>2</sub> emissions by the EPA revised social cost of carbon for emissions year 2020, \$190 per MT CO<sub>2</sub>.
4. Total cost for gas procurement is calculated by adding the cost for natural gas and RNG procurement minus the social cost of carbon.
5. The cost difference is calculated by subtracting the current cost for 121,665 therms of natural gas (\$217,118) from the calculated total cost for procurement of different amounts of RNG to replace the natural gas.
6. Cost of GHG savings is calculated as the cost difference divided by the total avoided CO<sub>2</sub> emissions in Table 2.

\*Not considered: cost of violation of SB 1383 procurement requirement, cost comparison of alternative procurement options, cost benefit of reducing GHG emissions as part of CAP

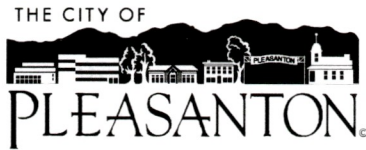
# Save on Staff-Time and Cost



# QUESTIONS?



**Thank You!**



## CITY COUNCIL AGENDA REPORT

August 15, 2023  
City Manager

**TITLE: APPROVE THE RENEWABLE NATURAL GAS PROGRAM MEMBER AGREEMENT BY AND BETWEEN ABAG POWER AND THE CITY OF PLEASANTON TO PROCURE SB 1383 COMPLIANT NATURAL GAS NOT TO EXCEED \$233,780 OVER A THIRTY-FOUR MONTH TERM**

### **SUMMARY**

The City is a member agency of ABAG POWER, an organization that administers a natural gas program that serves cities, counties, and special districts. ABAG POWER aggregates the natural gas needs of members and conducts bulk purchases, arranges distribution, and oversees delivery to provide price stability and cost savings to public agencies who voluntarily join the program.

ABAG POWER recently established a renewable natural gas (RNG) program to procure biomethane renewable natural gas to assist its members in complying with Senate Bill (SB) 1383 requirements. The City has worked with ABAG POWER to draft an agreement to provide for SB 1383 compliant RNG procurement over a thirty-four-month term at a cost not to exceed \$233,780 (Attachment 1). The agreement provides that ABAG POWER will procure the SB 1383 compliant natural gas on behalf of the City, manage the direct contract with supplier, and collect and share with the City the required record keeping documents under the SB 1383 regulations. This agreement is part of the City's overall SB 1383 compliance strategy, which also includes the procurement of compost, both locally and by contract through a direct service provider.

### **RECOMMENDATION**

Approve the Renewable Natural Gas Program Member Agreement by and between ABAG POWER and the City of Pleasanton to procure SB 1383 compliant natural gas not to exceed \$233,780 over a thirty-four-month term.

### **FINANCIAL STATEMENT**

The procurement of SB 1383 compliant RNG is budgeted in various department accounts in the FY 2023/24-FY 2024/25 budget in the amount of \$105,840 in each fiscal year.

Additional costs outlined in the agreement are an annual service fee of \$1,500 to compensate ABAG POWER staff for the time to manage the contract and provide the recordkeeping required by SB 1383 for a total of \$4,500 for the term of the agreement.

ABAG POWER also requires a refundable deposit for Working Capital equal to two months of RNG payments in the amount of \$17,600. These costs are directly related to the SB 1383 procurement requirements and will be paid using the PGS special revenue reserve Fund 171. The refundable Working Capital deposit will be returned to Fund 171 when remitted back to the City.

<b>Expenditure</b>	<b>Cost</b>	<b>Reference to Agreement</b>
SB 1383 compliant renewable natural gas	\$ 211,680	Exhibit C
Service Fee	\$ 4,500	Exhibit B
Refundable deposit for Working Capital	\$ 17,600	Exhibit C
<b>Total Contract Amount</b>	<b>\$ 233,780</b>	

**BACKGROUND**

In September 2016, Governor Brown signed into law SB 1383 (Lara, Chapter 395, Statutes of 2016), establishing methane emissions reduction targets in a statewide effort to reduce emissions of short-lived climate pollutants (SLCP) in various sectors of California's economy. The law codifies the California Air Resources Board's Short-Lived Climate Pollutant Reduction Strategy, established pursuant to SB 605 (Lara, Chapter 523, Statutes of 2014), to achieve reductions in the statewide emissions of short-lived climate pollutants. These actions seek to address the many impacts of climate change on human health and on the environment. Methane emissions resulting from the decomposition of organic waste in landfills are a significant source of greenhouse gas (GHG) emissions contributing to global climate change. Additionally, organic materials including waste that can be readily prevented, recycled, or composted account for a significant portion of California's overall waste stream. All SB 1383 regulations went into effect January 1, 2022.

Under SB 1383, the City is required to procure certain levels of compost, RNG used for transportation fuels, electricity, heating applications, or pipeline injection, or electricity from biomass conversion produced from organic waste. The City's procurement target is established by State regulation, according to population. In 2023, ABAG POWER established an RNG aggregation program to assist members in meeting jurisdictional procurement targets created by SB 1383. Under the program, ABAG POWER conducts pooled purchasing of RNG (i.e., biomethane) and related fuels to achieve reductions in GHG emissions, address the recycling of organic waste, and assist participants with the promotion and use of low carbon fuels. At the request of its member agencies, ABAG POWER issued a Request for Offers (RFO) seeking supplies of SB 1383 compliant biomethane RNG. ABAG POWER has identified a supplier and has negotiated terms on behalf of interested agencies to procure RNG.

**DISCUSSION**

The State issued to the City a procurement target of 6,357 tons per year of recovered organic waste products. The City will meet approximately 30 percent of its SB 1383 procurement target with the purchase of RNG through this agreement with ABAG

POWER. As noted, the balance of the City's procurement requirement will be met through other contracts, primarily through the procurement of compost.

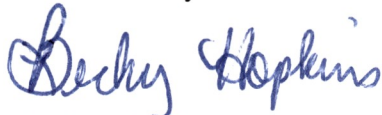
The agreement between ABAG POWER and the City provides that ABAG POWER will procure the SB 1383-compliant RNG on behalf of the City, manage the direct contract with supplier, and collect and share with the City the required record keeping documents under the SB 1383 regulations. The agreement term is thirty-four months, and the cost is not to exceed \$233,780.

Further analysis of the City's consideration of procurement of SB 1383 compliant RNG was conducted by Rincon Consultants, Inc. An analysis of natural gas replacement with the purchase of RNG was completed (Attachment 2) and concluded that the replacement of fossil fuel natural gas with RNG has GHG reduction benefits. The analysis looked at various percentage levels at which the City could reduce natural gas and replace with RNG. Based on available funding, City staff selected to replace approximately 25 percent of the current ABAG POWER natural gas portfolio with RNG avoiding a total of approximately 161.42 metric tons (MT) of CO<sub>2</sub> emissions annually.

Additionally, Rincon Consultants, Inc. conducted a cost-benefit analysis of replacing natural gas with RNG based on the cost of procurement of the product and the social cost of carbon. The social cost of carbon is defined as the monetary value of net harm or economic damages to society from emitting a metric ton of the GHG to the atmosphere each year. The Rincon analysis concluded that replacing natural gas with RNG creates a Social Cost Avoided Emissions value equal to \$30,670 annually.

Approval of this contract will advance a significant component of the City's SB 1383 compliance strategy by procuring RNG to meet 30 percent of the City's State requirement over the next three years. This action also furthers the City's Climate Action Plan 2.0 by reducing GHG emissions and supporting strategies for climate resilience.

Submitted by:



Becky Hopkins  
Assistant to the City Manager

Fiscal Review:



Susan Hsieh  
Director of Finance

Approved by:



Gerry Beaudin  
City Manager

Attachment:

1. Renewable Natural Gas Program Member Agreement by and between ABAG POWER and the City of Pleasanton
2. Letter dated March 15, 2023, from Rincon Consultants, Inc.

**RENEWABLE NATURAL GAS PROGRAM MEMBER AGREEMENT**

**By and Between**

**ABAG POWER**

**and**

**CITY OF PLEASANTON**

## RENEWABLE NATURAL GAS PROGRAM MEMBER AGREEMENT

This Renewable Natural Gas Program Member Agreement (“Agreement”) is made and entered into as of July 1, 2023, by and between the Association of Bay Area Governments Publicly Owned Energy Resources, a California joint powers agency ("ABAG POWER"), and the City of Pleasanton, a general law city ("Pleasanton").

### RECITALS

- A. ABAG and the Metropolitan Transportation Commission (“MTC”) entered into a Contract for Services under which MTC provides administrative and program services to ABAG. Effective July 1, 2017, the staffs of ABAG and MTC were consolidated. MTC staff now serve both the Association of Bay Area Governments and its local collaboration programs, such as ABAG POWER, and the Metropolitan Transportation Commission. As such, all interactions between ABAG POWER and Pleasanton contained within this Agreement shall be conducted by MTC staff on behalf of ABAG POWER.
- B. ABAG POWER was created in 1998 by ABAG and San Francisco Bay Area local governments for the purposes of acquiring energy including, but not limited to, natural gas and electricity, telecommunications services, and such other services and goods as may be necessary or convenient to optimize cost savings and to manage the use or supply of energy or telecommunications services.
- C. ABAG POWER currently conducts a voluntary program for pooled purchasing of natural gas on behalf of local government and special district members to provide cost savings, economies of scale that promote price stability and strategic monitoring and participation in regulatory and legislative proceedings.
- D. California has adopted various policies and regulatory requirements to achieve the State’s goals for reductions in greenhouse gas emissions, including programs and incentives to address the recycling of organic waste pursuant to Senate Bill 1383: Short-lived climate pollutants: methane emissions: dairy and livestock: organic waste: landfills, which was adopted in 2016 (“SB 1383”) and the promotion and use of low carbon fuels pursuant to the low carbon fuel standard (“LCFS”) adopted by the California Air Resource Board (“CARB”).
- E. One of the key elements in the reduction of greenhouse gas emissions is the generation and use of biomethane, which is commonly referred to as renewable natural gas (“RNG”). For the purposes of this Agreement, the definition of RNG will include compliance credits and fuels generated using RNG, as well as alternative fuels that qualify as low carbon under LCFS.
- F. Pursuant to rules and regulations issued by the California Department of Resources Recycling and Recovery (“CalRecycle”) to implement SB 1383, local governments are required to procure products from the recycling of organic waste in accordance with jurisdictional targets established



by CalRecycle (“SB 1383 Procurement Requirements”) and one of the ways to satisfy procurement targets is to purchase RNG that has been generated as a result of such recycling efforts (as permitted pursuant to California Code of Regulations Section 18993.1 - Recovered Organic Waste Product Procurement Target, Article F (14 CCR Section 18993.1(f)).

- G. ABAG POWER established a procurement program for RNG on May 25, 2023 (the “RNG Program”) to allow members to voluntarily pool purchasing of RNG and related products that are delivered into the California gas transmission and/or distribution system or compliance credits which are eligible for use in California to further the objectives of the State and local public agencies to reduce greenhouse gas emissions and assist such agencies with meeting their SB 1383 Procurement Requirements.
- H. Pleasanton desires to participate in the RNG Program pursuant to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the recitals, the covenants, and the terms and conditions of this Agreement, the Parties hereby agree as follows:

## **AGREEMENT**

**1. RNG Program.** Subject to the terms of the RNG Program approved by ABAG POWER and this Agreement, ABAG POWER shall provide directly or, at its option shall, contract to provide coordination services for the purchase and management of the following products on behalf of eligible members: (i) RNG, or its equivalent, that has been generated pursuant to the requirements of CalRecycle for the purpose of satisfying SB 1383 Procurement Requirements; (ii) RNG, or its equivalent, that is generated for purposes other than SB 1383 compliance, such as LCFS or general reductions in greenhouse gas emissions; or (iii) procurement compliance attributes associated with the generation of RNG, or its equivalent, that are recognized by CalRecycle through a credit or certification process that satisfies SB 1383 Procurement Requirements (“Compliance Credits”). Pleasanton shall be a participant in the RNG Program (“Participant”).

**2. Program Eligibility.** The RNG Program is available to members of ABAG for RNG procurement needs within the State of California. Pleasanton appoints ABAG POWER as its agent to coordinate the purchase and management of RNG and Compliance Credits that are purchased on behalf of Pleasanton pursuant to this Agreement.

**3. Services:** ABAG POWER shall deliver, or cause to be delivered, the following services to Pleasanton:

3.1 Analyze and evaluate supply and delivery strategies, including assessment of price and market index analyses, for Participant to use RNG and/or Compliance Credits to lower its greenhouse gas emissions, satisfy SB 1383 Procurement Requirements or comply with other policy or regulatory requirements;

3.2 Negotiate and implement agreements for the purchase and delivery of RNG and/or Compliance Credits for Participants;

3.3 Monitor delivery of RNG and/or Compliance Credits pursuant to procurement contracts, including prompt identification of shortfalls or imbalances;

3.4 Perform reporting of RNG and/or Compliance Credits with PG&E, CalRecycle and any other applicable regulatory authority, as necessary to ensure that purchases of RNG and/or Compliance Credits are properly allocated to Participants to satisfy SB 1383 Procurement Requirements;

3.5 Generate invoices for purchases of RNG and/or Compliance Credits for each Participant, as well as the fees for services payable to ABAG POWER; and

3.6 Such other services as are identified in the RNG Program from time to time, such as regulatory and legislative tracking and analysis.

#### **4. Procurement Commitment.**

4.1 Pleasanton will provide ABAG POWER with a forecast of the procurement needs it desires to fill with RNG and/or Compliance Credits on a rolling three-year basis commencing on the Effective Date (“Procurement Forecast”), including procurement for SB 1383 Procurement Requirements, procurement for non-SB 1383 uses, and alternative fuels that qualify for LCFS. Accordingly, the first Procurement Forecast will be for the fiscal years commencing on July 1, 2023, 2024 and 2025. Each such forecast will provide a range of volumes and prices upon which Pleasanton is willing to enter into transactions confirmations with third party sources of supply. Pleasanton may update its Procurement Forecast at any time upon forty-five (45) days written notice to ABAG POWER but will update its Procurement Forecast on an annual basis no later than June 1 of each year so that there is always a three-year forecast of procurement requirements. The initial Procurement Forecast for Pleasanton is attached hereto as Exhibit “A”.

4.2 ABAG POWER will use the Procurement Forecast of Pleasanton and other participants in the RNG Program to seek out procurement opportunities for Pleasanton and to negotiate prices and terms. ABAG POWER will use the price range identified in Public Agencies’ Procurement Forecasts to attempt to obtain the least cost supply offer(s) for participants. All procurements of RNG and/or Compliance Credits by ABAG POWER will be subject to execution of a transaction confirmation (each a “Transaction Confirmation”). If a Transaction Confirmation solely relates to purchases by Pleasanton, then ABAG POWER will arrange the bilateral transaction between Pleasanton and the provider and such confirmation will be a binding contractual commitment of Pleasanton and the provider. If multiple members will participate in a transaction, then ABAG POWER reserves the right to act as the counterparty with the provider, in which case ABAG POWER will execute the Transaction Confirmation with the provider and will prepare a separate Transaction Confirmation between it and each of the Participants setting for the allocation to each Participant and the Participant’s contractual obligations as a beneficiary of the primary Transaction Confirmation. ABAG POWER will give Pleasanton no less than ten (10) days written notice of each Transaction Confirmation setting forth the volume and pricing terms,

all of which will be consistent with Pleasanton's Procurement Forecast. Pleasanton will give notice to ABAG POWER within such period whether it accepts the Transaction Confirmation if it is a bilateral transaction or desires to participate in an ABAG POWER facilitated Transaction Confirmation. ABAG POWER will propose participation in a particular transaction opportunity based on the Participants that best fit the opportunity in its reasonable judgment and no Participant will have the right to participate in an opportunity without ABAG POWER's consent. Although Pleasanton will have the right of final approval with respect to each Transaction Confirmation, Pleasanton acknowledges that ABAG POWER will be relying on the Procurement Forecast to negotiate and arrange transactions and that if Pleasanton is consistently unwilling to enter into a Transaction Confirmation that meets the criteria set forth in the Procurement Forecast, ABAG POWER reserves the right to terminate Pleasanton's participation in the RNG Program.

4.3 From time to time, ABAG POWER may present Pleasanton with procurement opportunities that have terms outside of the Procurement Forecast, including participation in long term generation projects for RNG. The participation of Pleasanton in such projects will be on a voluntary basis upon mutually acceptable terms between ABAG POWER, Pleasanton, other Participants and the RNG provider.

4.4 Once a Transaction Confirmation has been executed by Pleasanton (either with ABAG POWER or directly with a provider), Pleasanton agrees to comply with its obligations under such Transaction Confirmation, including all payment obligations, whether or not Pleasanton remains as a Participant in the RNG Program. In no event will ABAG POWER be responsible for complying with any obligation of Pleasanton under a Transaction Confirmation.

4.5 Pleasanton will have the right to enter into its own negotiations and transactions for RNG and/or Compliance Credits, provided that such transactions will be in addition to the volumes that Pleasanton has submitted pursuant to any then current Procurement Forecast.

**5. Agency Relationship.** Pleasanton authorizes ABAG POWER to act as its agent for the RNG Program and does hereby constitute and appoint an authorized officer or agent of ABAG POWER to act on its behalf as its lawful agent for the implementation of the RNG Program and the negotiation of Transaction Confirmations, subject to the final approval and execution of Transaction Confirmation pursuant to Section 4.2. This authorization shall include the right to do and perform all acts contemplated in this Agreement, including, but not limited to:

5.1 Aggregating the supplies of RNG and/or Compliance Credits of Pleasanton with those of other Participants pursuant to the terms and conditions of the RNG Program and the Transaction Confirmations to which Pleasanton is a party;

5.2 Making all filings necessary to ensure that Pleasanton is allocated RNG and/or Compliance Credits in accordance with the SB 1383 compliance requirements or other regulatory compliance programs;

5.3 Arranging delivery of RNG and resolving RNG imbalances, gas storage, and all other operational transactions with the appropriate utility or distribution provider for subsequent redelivery to Pleasanton when physical deliveries are contemplated; and

5.4 Arranging for payment of bills by Pleasanton for RNG and/or Compliance Credits, transportation and other utility, distribution provider or credit clearinghouse charges in accordance with the terms of each Transaction Confirmation.

6. **Title.** Title to all RNG and/or Compliance Credits will vest in the name of Pleasanton in accordance with the requirements of each Transaction Confirmation.

7. **Term.** The term of this Agreement shall be for a period of three (3) years, which will automatically be extended on July 1 of each year for one (1) additional year unless earlier terminated in accordance with this Agreement or notice of non-renewal is given by Pleasanton or ABAG POWER no later than May 31 of each year.

8. **Fees.** Participation in the RNG Program will be subject to the payment of annual fees to reimburse ABAG POWER for the cost of providing the RNG Program and the services contemplated herein. Such fees will be set each year by the ABAG POWER Executive Committee and will be invoiced on a monthly basis. The fees for RNG Program for the year following the Effective Date are attached hereto as Exhibit "B" ("Service Fees").

9. **Payment.**

9.1 On a monthly basis, unless otherwise approved by Pleasanton, ABAG POWER will provide, or cause to be provided, to Pleasanton an invoice for amounts payable pursuant to each Transaction Confirmation (unless Pleasanton is required by a bilateral Transaction Confirmation to pay such amounts directly), fees imposed by any utility, distribution provider or credit clearinghouse and any ABAG POWER Service Fees. Invoices will be directed to, and payment is to be made directly by, Pleasanton to the escrow account designated pursuant to Article 10 of this Agreement. Payment is due within thirty (30) days of receipt of the invoice. Late payment charges at the rate of one percent (1.0%) per month calculated daily on the outstanding balance will be imposed commencing on the thirty-first (31st) day after the mailing date of the invoice.

9.2 Upon execution of each Transaction Confirmation, if ABAG POWER will be handling payment and invoicing as the counterparty, then Pleasanton shall pay ABAG POWER a working capital deposit equal to two (2) months of payments for RNG and/or Compliance Credits. This deposit is refundable when a Transaction Confirmation terminates. Attached as "Exhibit C" is the calculation of the working capital deposit based on the projected quantity of compliance credits to be purchased by Pleasanton during the initial term.

9.3 In the event Pleasanton fails to make timely payment of any invoice from ABAG POWER, in addition to any other remedy it may have hereunder and notwithstanding the existence of any late payment penalty, ABAG POWER may declare Pleasanton to be in default and terminate this

agreement. ABAG POWER is further authorized to bill Pleasanton for reasonable charges associated with demands for payment on late accounts pursuant to any Transaction Confirmation as well as reasonable charges associated with suspension and resumption of service hereunder.

10. **Disbursement of Funds.** In order to implement the payment of invoices for Transaction Confirmations where ABAG POWER will make payments on their behalf, Pleasanton agrees to the following:

10.1 A deposit account for the purposes of receiving payments by Participants and making payments to providers of RNG and/or Compliance Credits, and other payees as authorized by ABAG POWER will be established and ABAG POWER will use such account to make payments as required by each Transaction Confirmation until payment of each monthly invoice is received from Pleasanton.

10.2 Only ABAG POWER may authorize release of funds from the deposit account and such releases shall only be to those payees allowed pursuant to this Agreement.

11. **Change of Regulations.** Any future change in law, rule or regulation, or utility practice which prohibits or frustrates ABAG POWER or Pleasanton from carrying out the terms of this Agreement or the RNG Program shall excuse both parties from their obligations, other than the obligation of Pleasanton to make payments due under any Transaction Confirmation. Any funds held in deposit accounts as described in Article 10.1, or otherwise, on behalf of Pleasanton will then be returned.

12. **Termination.**

12.1 Termination by Pleasanton. Pleasanton may cancel the Agreement by giving ABAG POWER written notice by May 31 of its intent to terminate on June 30 of the third year following the date notice was given or such later date as all Transaction Confirmations then in effect shall have terminated. Nothing contained in this Section 12 will allow Pleasanton to terminate a Transaction Confirmation prior to the date specified therein.

12.2 Termination by ABAG POWER: Actions by any utility, clearinghouse, CalRecycle or other regulatory authorities with jurisdiction over the transactions contemplated in this Agreement to develop rules which are in conflict with sound business practices, or impose unnecessary risk on either party to this Agreement, or substantially prevent ABAG POWER from performing its functions under this Agreement may result in the termination of the RNG Program (or a component of the RNG Program) and this Agreement by ABAG POWER. ABAG POWER shall give Pleasanton written notice ninety (90) days prior to such termination and both parties shall work diligently to minimize the negative effects on ABAG POWER and Pleasanton of such termination.

13. **Approvals.** Pleasanton will appoint a representative that is authorized to grant any approval, or give any direction required by this Agreement, in writing or orally. Written approvals or directions may be transmitted physically, by facsimile or electronically. Oral approvals will be confirmed in writing by either party.

14. **Attorneys' Fees.** The prevailing party in any action to enforce the terms of this Agreement shall be entitled to recover reasonable attorneys' fees and costs as determined by the arbitrator.

15. **Indemnity:** Pleasanton shall indemnify and hold harmless MTC, ABAG, ABAG POWER and their respective directors, officers, member agencies, agents, and employees from and against all claims, damages, losses and expenses including attorney's fees arising out of or resulting from the performance or non-performance of the services required by this Agreement, unless such is caused by the negligence of MTC, ABAG, ABAG POWER or their respective directors, officers, member agencies, agents or employees.

16. **Assignment/Security Arrangements:** Pleasanton hereby acknowledges that ABAG POWER may, in order to finance security deposit and cash flow deficits incurred in connection with the operation with the RNG Program, incur short-term debt which may be secured by an assignment, encumbrance or hypothecation of this Agreement and/or payments due hereunder.

17. **Notices:** Notices will be given in writing and will be effective when; (i) personally served; (ii) sent via commercial overnight courier on the date of receipt; or (iii) sent via electronic email, provided, however, that any notice sent via electronic mail will not be effective until acknowledged by the recipient of the electronic email (not by automated response). The following addresses for the giving of notices and billings shall be:

To Pleasanton: \_\_\_\_\_ Attn: City Manager's Office  
City of Pleasanton  
P.O. Box 520/ 123 Main Street  
Pleasanton, CA 94566  
Telephone No: (925) 931-5009  
Email: bhopkins@cityofpleasantonca.gov

To ABAG POWER: Attn: Ryan Jacoby  
ABAG POWER  
San Francisco, CA 94105  
Telephone No: (415) 820-7956  
Email: rjacoby@bayareametro.gov

18. **Severability:** If any provision of this Agreement or the application of any such provision shall be held by a court of competent jurisdiction to be invalid, void, or unenforceable to any extent, the remaining provisions of this Agreement and the application thereof shall remain in full force and effect and shall not be affected, impaired, or invalidated.

19. **Captions:** The captions appearing in this Agreement are inserted as a matter of convenience and in no way define or limit the provisions of this Agreement.

*Signature page follows.*

**IN WITNESS THEREOF**, this Agreement has been executed by the parties hereto as of the day and year first written above.

ABAG Publicly Owned Energy Resources,  
a California joint powers agency

By: \_\_\_\_\_  
Name: Andrew B. Fremier  
Title: Metropolitan Transportation Commission  
Executive Director  
Acting Pursuant to the Contract for Services  
dated May 30, 2017

City of Pleasanton

By: \_\_\_\_\_  
Name: Gerry Beaudin  
Title: City Manager

**EXHIBIT A**

**PROCUREMENT FORECAST**

Product	Renewable Natural Gas, Compliance Credits and similar products that qualify for 1383 Compliance Requirements.		
Period of Delivery	July 1, 2023 – June 30, 2024	July 1, 2024 – June 30, 2025	July 1, 2025 – June 30, 2026
Contract Quantity (dekatherms (Dth))	Up to 3,024	Up to 3,024	Up to 3,024
Contract Price (\$/Dth)	\$0 to \$35	\$0 to \$35	\$0 to \$35

Product	Renewable Natural Gas, Compliance Credits and similar products for non-1383 Compliance Purposes		
Period of Delivery	July 1, 2023 – June 30, 2024	July 1, 2024 – June 30, 2025	July 1, 2025 – June 30, 2026
Contract Quantity (dekatherms (Dth))	0	0	0
Contract Price (\$/Dth)	N/A	N/A	N/A

Product	Alternative fuels that qualify for LCFS credits		
Period of Delivery	July 1, 2023 – June 30, 2023	July 1, 2024 – June 30, 2024	July 1, 2025 – June 30, 2026
Contract Quantity	0	0	0
Contract Price (\$/Dth)	N/A	N/A	N/A



**EXHIBIT B**  
**SERVICE FEES**

<b>Description of Fees</b>	<b>Applicable Period</b>	<b>Cost Not to Exceed</b>
SB 1383 Recordkeeping (Approximately 8 staff hours)	July 1, 2023 – June 30, 2024	\$1,500
SB 1383 Recordkeeping (Approximately 8 staff hours)	July 1, 2024 – June 30, 2025	\$1,500
SB 1383 Recordkeeping (Approximately 8 staff hours)	July 1, 2025 – June 30, 2026	\$1,500

## EXHIBIT C

### CONTRACT QUANTITY, COMPLIANCE PROJECTIONS, AND WORKING CAPITAL DEPOSIT CALCULATION

**TABLE 1: ALLOCATION OF COMPLIANCE CREDITS AND BUDGET**

Time Period	Average Monthly Compliance Credits Delivered (MMBtu)	Firm Total Compliance Credits Delivered (MMBtu)	Monthly Invoice based on Average Monthly Compliance Credits Delivered	Period Total Invoices based on Average Compliance Credits Delivered
September 1, 2023 – December 31, 2023	378	1,512	\$13,230.00	\$52,920.00
January 1, 2024 – June 30, 2024	252	1,512	\$8,820.00	\$52,920.00
July 1, 2024 – December 31, 2024	252	1,512	\$8,820.00	\$52,920.00
January 1, 2025 – June 30, 2025	252	1,512	\$8,820.00	\$52,920.00
July 1, 2025- December 31, 2025	252	1,512	\$8,820.00	\$52,920.00
January 1, 2026- June 30, 2026	252	1,512	\$8,820.00	\$52,920.00
<b>Total</b>	<b>-</b>	<b>9,072</b>	<b>-</b>	<b>\$317,520.00</b>

**TABLE 2: SB 1383 COMPLIANCE PROJECTIONS**

Member	Calendar Year	SB 1383 Unmodified Procurement Requirement (Dth)	AB 1985 Modifier	Effective Procurement Requirement (Dth)	Calendar Year Compliance Credits (Dth)	Projected Effective Compliance Percentage of AB 1985 Requirement
City of Pleasanton	2023	13,794	30%	4,138	1,512	36.5%
	2024	13,794	65%	8,966	3,024	33.7%
	2025	13,794	100%	13,794	1,512	10.9%

**TABLE 3: CALCULATION OF WORKING CAPITAL DEPOSIT**

ABAG POWER will provide payment handling and invoices services, as requested by Pleasanton. Based upon the procurement forecast and Table 1: Allocation of Compliance Credits and Budget, and pursuant to Section 9.2, Pleasanton shall pay ABAG POWER a working capital deposit as calculated below. This deposit is refundable when a Transaction Confirmation terminates.

Average Monthly Payment for Compliance Credits	Payment Months	Total Working Capital Deposit
\$8,800.00	2.0	\$17,600.00

**Rincon Consultants, Inc.**

449 15th Street, Suite 303  
Oakland, California 94612

510 834 4455 OFFICE

info@rinconconsultants.com  
www.rinconconsultants.com

Date: March 15<sup>th</sup>, 2023

Project No: 23-14064

Becky Hopkins, Assistant to the City Manager

City of Pleasanton

123 Main Street

Pleasanton, California 94566

Via email: [BEhopkins@cityofpleasantonca.gov](mailto:BEhopkins@cityofpleasantonca.gov)

**Subject: City of Pleasanton CAP 2.0, Greenhouse Gas Analysis of Natural Gas Replacement with Renewable Natural Gas, Pleasanton, CA 94566**

Dear Ms. Hopkins:

The City of Pleasanton is proposing to purchase Senate Bill (SB) 1383 compliant renewable natural gas (RNG) to replace the use of fossil natural gas in municipal owned buildings. This effort is primarily for the purposes of meeting the procurement target for organic waste set for the City set by SB 1383. The proposed RNG is a product of wastewater and diverted food waste. The project developer is able to comply with the record keeping requirements of SB 1383 for gas produced at a publicly owned treatment works (POTWs) and demonstrate that the produced RNG meets the eligibility requirements for meeting the procurement target as outlined in 14 CCR Section 18993.1 (h). The project generating the RNG is connected to a distribution system in Southern California and therefore would be procured by the City through a contract.

While the purpose of obtaining RNG for municipal owned buildings is to meet the procurement target for the City set by SB 1383, the replacement of fossil natural gas with RNG also has greenhouse gas (GHG) emission reduction benefits. The following sections of this memorandum describe legislation demonstrating how the environmental attributes of RNG may be applied to GHG emission estimates, summarize the GHG emission reductions associated with RNG procurement by the City, and provide a cost-benefit analysis associate with the GHG savings.

## RNG Environmental Attributes

Under California Air Resources Boards (CARB's) Low Carbon Fuel Standard (LCFS) program, the one-to-one replacement of fossil natural gas with pipeline-injected RNG is based on book-and-claim accounting. Book-and-claim accounting refers to the chain-of-custody model in which decoupled environmental attributes (in this case GHG emissions reductions) are used to represent ownership and transfer of the fuel without regard to physical traceability. To ensure that environmental attributes are not double counted, chain-of-custody evidence must demonstrate that the environmental attributes linked to the injected RNG are tied with corresponding quantities of natural gas withdrawn.<sup>1</sup> This can be demonstrated through contracts between the producer and the entity withdrawing the natural gas. For

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<sup>1</sup> [Low Carbon Fuel Standard \(LCFS\) Guidance 19-05](#)



the procured RNG to meet SB 1383 procurement requirements, a contractual agreement will be required to demonstrate that the RNG has been legitimately procured and meets the eligibility requirements to be counted towards the jurisdictions procurement target. In addition to a contract, there must also be documentation demonstrating: 1) that the procurement compliance attribute is being supplied exclusively to the jurisdiction and there are no duplicate sales or double counting of the same RNG; 2) the total quantity of RNG supplied to the gas utility pipeline system and the total quantity procured is not in excess of the actual pipeline supply; and 3) that the total quantity procured does not exceed the amount used for municipal operations.<sup>2</sup> Generally this type of documentation would satisfactorily demonstrates the transfer of environmental attributes to the jurisdiction purchasing RNG through a contract (i.e., book-and-claim accounting). To ensure compliance with SB 1383 procurement eligibility, the City should review the terms of the regulations (14 CCR Section 18993.2).

### GHG Emission Reductions

The combustion of fossil natural gas results primarily in the release of carbon dioxide (CO<sub>2</sub>) as well as some methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O), all of which are considered a release of anthropogenic GHG emissions to the atmosphere. Alternatively, the combustion of RNG releases biogenic CO<sub>2</sub>, as well as some CH<sub>4</sub> and N<sub>2</sub>O. Biogenic CO<sub>2</sub> refers to the carbon in biodegradable materials such as organic waste or wastewater that was originally fixed from the atmosphere by plants. When that same CO<sub>2</sub> is released back to the atmosphere through combustion, the result is a net neutral impact because the CO<sub>2</sub> does not contribute additional carbon dioxide to the atmosphere. However, the CH<sub>4</sub> and N<sub>2</sub>O released during RNG combustion still contribute to atmospheric GHG emission levels due to their increased global warming potentials (GWP) as compared to CO<sub>2</sub>. The GWP refers to the ability of each gas to trap heat in the atmosphere. For example, one pound of CH<sub>4</sub> gas has 25 times more heat capturing potential than one pound of carbon dioxide gas. The GWP of N<sub>2</sub>O is 298.<sup>3</sup>

As such, GHG emission reductions associated with the procurement of RNG in replacement of fossil natural gas are calculated as the difference between combustion of fossil natural gas and RNG where the biogenic CO<sub>2</sub> emissions are considered zero. Table 1 presents the emission factors and GWP applied to the combustion of fossil natural gas versus RNG. The emission factors were obtained from the City’s inventories for consistency.

**Table 1 GHG Emissions Factors**

Source	lbs CO <sub>2</sub> /therm <sup>1,3</sup>	CO <sub>2</sub> GWP <sup>3</sup>	lbs CH <sub>4</sub> /therm <sup>2</sup>	CH <sub>4</sub> GWP	lbs N <sub>2</sub> O/therm <sup>2</sup>	N <sub>2</sub> O GWP	MT CO <sub>2</sub> e/therm <sup>3,4</sup>
Natural Gas	1.17E+01	1	2.27E-04	25	4.53E-06	298	5.31E-03
Renewable Natural Gas <sup>3</sup>	1.17E+01	0	2.27E-04	25	4.53E-06	298	3.18E-06

Notes: MT CO<sub>2</sub>e = metric tons carbon dioxide equivalent

<sup>2</sup> [Procurement Questions and Answers - CalRecycle Home Page](#)

<sup>3</sup> IPCC. AR4 Synthesis Report: Climate Change 2007. Accessed at: <https://www.ipcc.ch/report/ar4/syr/>



1. Reported by PG&E in their data delivery forms and utilized in City of Pleasanton’s inventory
2. Obtained from the US Community Protocol and utilized in City of Pleasanton’s inventory
3. Combustion of renewable natural gas generates biogenic CO<sub>2</sub> which is considered carbon neutral. The GWP for biogenic CO<sub>2</sub> is considered 0.
4. MT CO<sub>2</sub>e is calculated by multiplying the GHG by the GWP

The City consumed 121,665 Therms of natural gas in the 2021-2022 fiscal year. For the purposes of this calculation, the estimated reductions are based on the same anticipated quantity of gas needs. Reductions are calculated as the emissions generated from combusted natural gas and combusted RNG based on the percentage of procurement of each gas subtracted from the emissions currently generated from the consumed natural gas at municipal facilities. With the current rate of consumption of natural gas of 121,665 therms, 646.07 MT CO<sub>2</sub>e was emitted during the 2021-2022 fiscal year. Table 2 demonstrates the potential GHG reductions based on the quantity of RNG procured to replace natural gas. As shown, the City has the potential to reduce emissions up to 645.68 MT CO<sub>2</sub>e annually with 100% replacement of the natural gas with RNG.

**Table 2 GHG Emission Reduction**

Percent RNG Replacement	Natural Gas Quantity (Therms)	Natural Gas Emissions (MT CO <sub>2</sub> e) <sup>1</sup>	RNG Quantity (Therms)	RNG Emissions (MT CO <sub>2</sub> e) <sup>1</sup>	Total Avoided Emissions (MT CO <sub>2</sub> ) <sup>2,3</sup>
100%	0	0.00	121,665	0.39	645.68
75%	30,416	161.52	91,249	0.29	484.26
50%	60,833	323.03	60,833	0.19	322.84
25%	91,249	484.55	30,416	0.10	161.42

- Notes: MT CO<sub>2</sub>e = metric tons carbon dioxide equivalents
1. Emissions are calculated by multiplying the quantity of gas by the corresponding emission actor.
  2. Total emission reductions are calculated by subtracting the sum of natural gas and RNG emissions from the currently emitted emissions of 646.07 MT CO<sub>2</sub>e.
  3. The only emissions generated from use of RNG are CH<sub>4</sub> and N<sub>2</sub>O, therefore the reduction in emissions is associated with the reduction in CO<sub>2</sub>

## Cost Analysis GHG Reductions

The cost-benefit of replacing natural gas with RNG has been evaluated based on cost of procurement of the product and the social cost of carbon. The social cost of carbon is defined as the monetary value of net harm or economic damages to society from emitting a metric ton of that GHG to the atmosphere in a given year.<sup>4</sup> The social cost of carbon is modeled based on socioeconomic predictions, climate

<sup>4</sup> [https://www.epa.gov/system/files/documents/2022-11/epa\\_scghg\\_report\\_draft\\_0.pdf](https://www.epa.gov/system/files/documents/2022-11/epa_scghg_report_draft_0.pdf)



projections, benefits and costs (i.e., climate change impacts on agriculture, energy use, cost of adapting to sea level rise, etc.), and a discount rate (e.g., the rate at which society is willing to trade present benefits for future ones). While the cost to curb GHG emissions today may have immediate economic implications, if GHG emissions are not curbed, society will bear the cost later. Since both routes have economic risk and implications, federal agencies use the social cost of carbon for conducting benefit-cost analyses of policies that affect GHG emissions and determining if the cost and benefits of a proposed policy or action are justified. The current social cost of carbon set by the Environmental Protection Agency (EPA) is \$51 per MT CO<sub>2</sub>. However, the EPA has proposed a price increase to \$190 per MT CO<sub>2</sub> which incorporates recent scientific advances that are more accurate. In anticipation of the price increase, the cost to procure RNG in place of natural gas has been evaluated using the anticipated social cost of carbon. The social cost of CH<sub>4</sub> and N<sub>2</sub>O are not included in this cost assessment as the same quantity of CH<sub>4</sub> and N<sub>2</sub>O will be emitted with the use of pipeline natural gas or pipeline RNG so there is no difference in social cost of CH<sub>4</sub> and N<sub>2</sub>O between the two gas sources.

Table 3 demonstrates procurement cost for natural gas and RNG based on the percent of RNG replacement. The table also includes the social cost of avoided non-biogenic emissions from natural gas combustion. The cost for GHG reduction with this action, or GHG savings, is calculated as the difference in cost between natural gas and RNG procurement with the social cost of carbon included, divided by the emissions avoided. As shown, with the current cost of natural gas, RNG, and social cost of carbon, it costs approximately \$133 per MT CO<sub>2</sub> avoided.

**Table 3 Cost Analysis of GHG Reductions**

Percent RNG Replacement	Natural Gas Cost <sup>1</sup>	RNG Cost <sup>2</sup>	Social Cost of Avoided Emissions <sup>3</sup>	Total Cost for gas procurement <sup>4</sup>	Cost Difference <sup>5</sup>	Cost of GHG Savings (MTCO <sub>2</sub> ) <sup>6</sup>
100%	\$0	\$425,845	\$122,679	\$303,166	\$86,048	\$133.27
75%	\$54,279	\$319,384	\$92,009	\$281,654	\$64,536	
50%	\$108,559	\$212,923	\$61,340	\$260,142	\$43,024	
25%	\$162,838	\$106,461	\$30,670	\$238,630	\$21,512	

Notes: MT CO<sub>2</sub>e = metric tons carbon dioxide equivalents

1. Cost of natural gas is determined by multiplying the quantity of procured natural gas in Table 2 by the cost for natural gas, \$1.78 per therm.
2. Cost of RNG is determined by multiplying the quantity of procured RNG in Table 2 by the cost for RNG, \$3.50 per therm.
3. The social cost of avoided non-biogenic emissions from natural gas are calculated by multiplying the avoided natural gas CO<sub>2</sub> emissions by the EPA revised social cost of carbon for emissions year 2020, \$190 per MT CO<sub>2</sub>.
4. Total cost for gas procurement is calculated by adding the cost for natural gas and RNG procurement minus the social cost of carbon.
5. The cost difference is calculated by subtracting the current cost for 121,665 therms of natural gas (\$217,118) from the calculated total cost for procurement of different amounts of RNG to replace the natural gas.



6. Cost of GHG savings is calculated as the cost difference divided by the total avoided CO<sub>2</sub> emissions in Table 2.

Note that the social cost of carbon increases over time as the impacts of climate change accumulates, increasing the stress on physical and economic systems. In 2050, the social cost of a MT of CO<sub>2</sub> emissions is projected to be \$310/MT CO<sub>2</sub>. Assuming the same quantity of gas needs of 121,665 therms in 2050, the cost of natural gas CO<sub>2</sub> emissions is estimated to be \$200,161 in addition the procurement price of natural gas at that time. As cost of RNG is anticipated to decrease over time as supply increases and the social cost of carbon increases, it will become increasingly more economical to replace natural gas consumption with RNG.

If you have any questions regarding this analysis, please contact Erica Linard, Sustainability Project Manager, at 805-586-3183. Thank you for the opportunity to assist with this assignment.

Sincerely,

**Rincon Consultants, Inc.**

Erica Linard, PhD  
Sustainability Project Manager

Ryan Gardner, MESM, LEED AP, ENV-SP  
Director of Climate Action and Implementation