



**ABAG POWER Executive Committee Meeting No. 2017-01
February 15, 2017 (11:00 a.m. - 1:00 p.m.)
Association of Bay Area Governments
375 Beale Street, Conference Room 7102 – Tamalpais (7th Floor)
San Francisco, CA 94105**

AGENDA*

- 1. Welcome and Introductions**
- 2. Public Comments**
- 3. Approve Summary Minutes of Executive Committee Meeting**
Action:
ATTACHMENT 3A – SUMMARY MINUTES OF DECEMBER 14, 2016
- 4. ABAG/MTC Staff Consolidation**
Information: Staff will provide an update on the ABAG-MTC staff consolidation, and potential impacts to ABAG POWER.
ATTACHMENT 4A – ABAG – MTC STAFF CONSOLIDATION OVERVIEW MEMO
ATTACHMENT 4B – UNDERSTANDING THE CONSOLIDATION PRESENTATION
- 5. Report on Natural Gas Program**
Information: Staff will review recent gas operations, including gas purchases; the program's long-term hedge position; gas imbalances; and other miscellaneous program items.
ATTACHMENT 5A – MONTHLY SUMMARY OF OPERATIONS FY 2016-17
ATTACHMENT 5B – GAS HEDGE CHART
ATTACHMENT 5C – MARKET PRICE CHART
ATTACHMENT 5D – BUDGET TO ACTUAL GRAPH
- 6. FY 2015-16 Audited Financial Statements**
Action: Staff will present for approval the audited financial statements for the year ending June 30, 2016. Staff will include a discussion of ABAG fiscal controls.
ATTACHMENT 6A – ABAG POWER BASIC FINANCIAL STATEMENTS
ATTACHMENT 6B – ABAG POWER MEMORANDUM OF INTERNAL CONTROL
- 7. Natural Gas Scheduling Agent RFP**
Information/**Action:** Staff will discuss the potential Request for Proposals for Gas Scheduling Services.
ATTACHMENT 7A – DRAFT RFP
- 8. Energy Programs Update**
Information: Staff will provide members with an update of various ABAG energy programs and initiatives.
- 9. Other Business**
- 10. Adjournment**

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



SUMMARY MINUTES

**ABAG POWER Executive Committee
Regular Meeting 2016-06
December 14, 2016**

Conference Room 7102 - Tamalpais
375 Beale Street, San Francisco, CA 94105

WELCOME AND INTRODUCTIONS

Chair Julie Bueren opened the meeting with introductions at 12:13 PM.

Committee Representatives

Dave Brees	City of Los Altos
Julie Bueren (Chair)	County of Contra Costa
Melissa Morton	Vallejo Sanitation & Flood Control District
Mintze Cheng	City of Union City
Tonya Gilmore (Vice Chair)	City of Orinda

Jurisdiction/Agency

Absent Representatives

Angela Walton	City of Richmond
Chris Schroeder	City of Milpitas

Staff Present

Jerry Lahr	ABAG POWER
Ryan Jacoby	ABAG POWER
Courtney Ruby	ABAG
Ken Moy	ABAG

PUBLIC COMMENTS & ANNOUNCEMENTS

There were no public comments.



APPROVAL OF SUMMARY MINUTES OF AUGUST 24, 2016.

Motion was made by Brees/S/Gilmore/C/3:0:0 to approve the Summary Minutes of the August 24, 2016 Executive Committee meeting.

The aye votes were: Brees, Bueren, Gilmore.

The nay votes were: None.

Abstentions were: None.

Absentees were: Cheng, Schroeder, Walton.

EXECUTIVE COMMITTEE MEMBERSHIP & MEETING SCHEDULE

Fiscal Year 2016-17 Executive Committee

Chair Julie Bueren appointed Melissa Morton, District Manager, Vallejo Sanitation & Flood Control District, to the ABAG POWER Executive Committee. With this addition, the committee is now comprised of Chair, Vice Chair, and five members.

Proposed Calendar Year 2017 Meeting Schedule

Motion was made by Gilmore/S/Brees/C/4:0:0 to adopt an amended Calendar Year 2017 Meeting Schedule. The changes are as follows:

- Meeting times for all regularly scheduled Executive Committee meetings are changed to 11:00 a.m. thru 1:00 p.m.

The aye votes were: Brees, Bueren, Gilmore, Morton.

The nay votes were: None.

Abstentions were: None.

Absentees were: Cheng, Schroeder, Walton.

ABAG/MTC STAFF CONSOLIDATION

Moy informed members of the status of the ABAG/MTC staff consolidation and apparent impacts to ABAG POWER, including the progress on the Contract for Services, uncertainty regarding the handling of ABAG's treasury functions, and the eventual transition of legal services.

Amended Bylaws – October 19, 2016

Lahr reminded members of the amendments to ABAG POWER's Bylaws enacted by Resolution No. 01-16 at the Board of Directors meeting on October 19, 2016. The amended bylaws were presented to members, including the following changes:



1. The principal office was changed from 101 Eighth Street, Oakland, to 375 Beale Street, San Francisco. (Article 2 – Offices, Section 2.1, Principal Office)
2. The Board of Directors or the Executive Committee between meetings of the Board will appoint a President, Chief Financial Officer and Secretary for ABAG POWER. (Article 8 – Officers, Section 8.1, Officers)

REPORT ON NATURAL GAS PROGRAM

Monthly Summary of Operations FY 2016-17

Lahr provided members with the Monthly Summary of Operations reports for FY 2016-17; members were updated on the percentage savings comparisons with PG&E. Lahr noted that financial statements for October, 2016 indicated a cumulative savings figure of -13.5%.

Gas Hedge Chart

Lahr provided information on the various current long-term gas purchases (contracts which are greater than one month in length).

Market Price Chart

Lahr provided information on gas prices.

Budget-to-Actual Graph

Staff reviewed the current year budget, gas program usage, and the weighted average cost of gas to-date. It was recommended and agreed that no changes were needed to be made to the budget at this time.

Historical Gas Price Comparison

Lahr presented an analysis of historical price indices and operational costs for 2003 to present.

NATURAL GAS AGGREGATION AGREEMENT REVIEW

Staff and committee members reviewed the Core Natural Gas Aggregation Agreement. Discussion among the Executive Committee determined no need to change the three year opt-out term.

FY 2015-16 NATURAL GAS PROGRAM TRUE-UP

Staff reviewed the FY 2015-16 true-up calculation, resulting in \$1.63M returned to members throughout the remainder of FY 2016-17.

ADJOURNMENT

Chair Julie Bueren adjourned the meeting at 2:04 PM.

*Example of a motion – [Member No. 1/S/Member No. 2/roll call vote/C/8:0:0] means Member No.1 motions, seconded by Member No.2, after roll call vote, motion carries, 8 = “yes” votes, 0 = “no” votes and 0 = abstention.



Shaping the future of ABAG

What does the Bay Area need from its Council of Governments?

ABAG SPECIAL GENERAL ASSEMBLY

ABAG – MTC Staff Consolidation Overview

January 30th, 2017

Background

The Association of Bay Area Governments (ABAG) and the Metropolitan Transportation Commission (MTC) have begun the process of consolidating their staffs to increase efficiencies, create new opportunities for collaboration, maximize resources and better serve the San Francisco Bay Area. This report provides an overview of the elements that define this staff consolidation process:

- The Work
- The People
- The Process
- The Agreements

In July 2016, the ABAG Executive Board approved the staff consolidation with an articulation of the agency's guiding principles. They are summarized as follows:

- Negotiate staff consolidation as equal partners
- Preserve ABAG's unique programs and voice as a Council of Governments
- Continue local engagement and participation
- Incorporate a meaningful and transparent public engagement process
- Incorporate ABAG's collaborative and inclusive culture.

ABAG leadership is currently working with MTC staff to conduct required due diligence efforts. In addition, the ABAG Executive Board created a special Ad Hoc Committee to provide feedback to the staff negotiating the consolidation. To successfully consolidate, ABAG and MTC are working on the following documents: Contract for Services, Memorandum of Understanding (MOU), Budget and Work Program, Staff Organizational Chart, and the Employee Transition Plan. Each of these documents is described in more detail later in this report.

The Work

As the Council of Governments, ABAG's role is unique: fostering collaborative partnerships between local governments in planning for our shared future. For over half a century, ABAG has carried out collaborative, transparent and successful regional planning processes and implementation strategies. Today these tasks are delivered through the following programs:

- Housing Program
- Economic Prosperity Program
- Resilience Program
- Priority Development Areas (PDAs) Implementation
- Regional Trails and Priority Conservation Areas (PCAs)

ABAG has also responded to very specific emerging needs of our member cities through the following Local Collaboration Programs:

- San Francisco Estuary Partnership (SFEP)
- Finance Authority for Nonprofits (FAN)
- POWER (Publicly **OW**ned Energy Resource)
- Bay Area Regional Energy Network (BayREN)
- Pooled Liability Assurance Network (PLAN)

We know that the need for planning, research and services related to housing, land use, resilience, good jobs, and environmental challenges will continue to grow. Today, two of our most critical regional challenges are housing affordability and ensuring that all residents have access to job opportunities and the services they need. Housing that costs a reasonable amount for people at all income levels, that is stable and secure and that is supported by high-quality schools, parks and services has become a rare commodity for most of our residents. Similarly, traveling from home to work, school or services often requires very long journeys on increasingly congested roads and trains—reducing family time, quality of life, and the health of our communities.

The staff consolidation of ABAG and MTC offers the potential to address these challenges with greater resources and greater collaboration than either agency acting alone. Incorporating the innovative approach of our Council of Governments into the consolidated staff provides a strategy for turning these major challenges into a wealth of possible solutions, as we have done on similar issues in the past.

We will be preparing a Budget and Work Program and organizational charts to reflect these possibilities. The Budget and Work Program will describe the tasks, costs and

timing to support the work of both agencies. This will be a foundational document for the Contract for Services. The future MTC Organizational Chart will illustrate the responsibilities and staff of various units, management positions and relationship of staff to the Executive Director and ABAG and MTC governing bodies.

In order to inform this process, we need to address the following questions:

- What key ABAG tasks and programs should be strengthened going forward?
- How can a consolidated staff/resources better support these key tasks and programs?
- What issues will particularly benefit from a more coordinated regional agency approach, staff and input (e.g., drought, peacemaking, good jobs, community health, regional trails, risk management and public financing services, etc.)?

The People

We value the work of our staff and take pride in their knowledge, experience, education, engagement skills and collaboration resources. ABAG staff has substantial expertise on land use, housing, economic analysis, natural resources and trails, resilience to environmental and economic challenges, urban design and place-making, public financing, municipal risk and liabilities, and state legislation and regulations, among others. They also have a breadth of education and experience that matches the variety of programs and services that ABAG provides.

The transition of ABAG staff to MTC can improve the quality of services to our member jurisdictions and communities throughout the region, if we can create an organizational structure and culture where both staff's areas of expertise complement one another and the administrative, legal, and communication resources are strengthened.

We must also ensure that we do not lose staff's experience and expertise pertaining to the unique role of a Council of Governments. Efforts by ABAG and MTC to retain staff are focused on the provision of comparable compensation and benefits, offering the same or greater professional challenges and ensuring a high level of respect for staff and their work. It is equally important that the ABAG Executive Board defines a clear regional vision and provides staff with a solid budget and work plan to guide their efforts.

To ensure a successful staff transition, ABAG and MTC managers are working on three tasks that will inform the Employment Transition Plan (an attachment to the contract):

1. Classification Recommendations: A consultant made some initial recommendations regarding how staff might transfer from an ABAG job classification to a comparable

one at MTC. MTC and ABAG management reviewed these initial recommendations and let the consultant know that certain criteria related to ABAG staff responsibilities may not have been adequately captured. Once that report is finalized, MTC/ABAG human resource (HR) staff will take it into consideration when making final classification recommendations.

2. The Organizational Development Process is another critical component of our work and both ABAG/MTC executive management teams are very committed to this work. We have recently hired a highly regarded organizational development consulting firm with decades of experience in supporting the merger of organizations with very distinct cultures. Their work is initially focused on the planning department and we are confident that this process will lay the groundwork for creating one unified staff committed to a mission that provides value to both agencies and the region.
3. While all of the above continues, ABAG/MTC human resource staff is analyzing compensation and benefit structures, position descriptions, organizational structures, and employees' backgrounds and experience in order to prepare recommendations on employee positions and placement within the consolidated organizational structure. Their recommendations will be considered in combination with the entire HR process defined above.

Additionally, we have heard several questions from staff regarding vacation, sick leave, social security, and tax deferred retirement accounts. In response, we are designing employee benefits workshops to assist staff in understanding the new benefit and compensation structure.

The following are some of the questions that need to be addressed to support a truly integrated ABAG-MTC staff:

- How can we best align the broad urban and regional planning expertise and in-depth transportation expertise at both agencies?
- How can we best integrate ABAG's Local Collaboration Programs under the consolidated MTC staffing structure?
- How can we build understanding, trust and equality across staff from both agencies?
- How do we continue building understanding and trust between our two governing boards?
- How can we ensure a smooth transition for staff?

The Process

The ABAG Executive Board and staff are committed to a transparent process that allows for the involvement of staff, SEIU (ABAG staff's union representation), member jurisdictions and key stakeholders. This process involves a series of meetings and workshops over the coming weeks.

To strengthen the process, an ABAG Ad Hoc Committee was formed to provide President Pierce and staff with feedback on the Contract for Services, MOU, and other substantial tasks in this process of staff consolidation. Only the full ABAG Executive Board, however, can take action on these documents.

The Ad Hoc Committee, which is chaired by President Pierce, includes Sonoma Supervisor David Rabbitt (ABAG Vice President), South San Francisco Mayor Pradeep Gupta (Chair of ABAG's Regional Planning Committee), Novato Councilmember Pat Eklund, Palo Alto Mayor Greg Scharff and San Jose Councilmember Raul Peralez. All members of the Ad Hoc Committee also serve on ABAG's Administrative Committee.

The dialogues with cities, stakeholders and the general public will include the following meetings:

- ABAG General Assembly
- ABAG Executive Board
- ABAG Regional Planning Committee
- Joint MTC Planning and ABAG Administrative Committees.

Additional meetings with local planning staff, stakeholders or other partner agencies will be scheduled as needed.

Public engagement on these core elements of the staff consolidation process began on January 19th with the ABAG Executive Board, where ABAG staff provided an overview of ongoing tasks. A special ABAG General Assembly on January 30th will focus on a regional discussion of the future of the Council of Governments. General Assembly attendees will participate in breakout sessions, facilitated by Executive Board leaders and ABAG senior staff, who will solicit their feedback on top priorities for the consolidated staff and policy input for the Contract for Services, MOU and related documents. The Regional Planning Committee (RPC) will continue this discussion on February 1st.

To ensure appropriate city participation and public engagement we need to address the following questions:

- How shall we keep our members and local partners informed of ongoing ABAG work and reports?
- How can we ensure appropriate levels of city and public participation?

The Agreements

When the ABAG and MTC boards agreed to consolidate staff under the MTC Executive Director and discuss regional governance as a second step, they defined two documents to guide the process: a Contract for Services and a Memorandum of Understanding (MOU). In addition, the ABAG Executive Board defined a set of principles to guide the process.

The Contract for Services is the document that will govern how ABAG and MTC will consolidate their staff and ensure that ABAG has adequate support to carry out its mission, obligations and statutory authority as a Council of Governments. Thus, a larger MTC consolidated staff will be delivering services and products to the ABAG Executive Board and committees, and to the Local Collaboration Programs. This document will govern how the work tasks are articulated, lines of decision-making, dispute resolution, levels of engagement with local jurisdictions, accountability to our local members, and the ABAG Executive Board's and committees' access to staff.

The MOU is the document that addresses future governance issues between the MTC Commission and ABAG Executive Board. Implementing it will involve an exploration of various possibilities for regional policy and decision-making. This could range from the retention of the two governing boards with specific protocols to the full merger of the two boards. Given the implications for the region as a whole of potential changes in regional agency governance, this process will require substantial engagement with local governments, partner agencies, stakeholders and the ABAG and MTC governing boards.

The Ad Hoc Committee will help ABAG staff incorporate feedback from the above-mentioned meetings and from discussions with MTC into the draft Contract for Services and MOU. These drafts will be jointly released to the MTC and ABAG governing boards in February and then discussed at a special meeting of the ABAG Executive Board on February 19th. The governing board of MTC will discuss it a week later.

ABAG staff will then work with MTC, with input from the Ad Hoc Committee, to further refine staff's final draft Contract for Services and MOU based on input we received from the January and February Executive Board meetings, General Assembly, and RPC

meeting. We anticipate that these documents will be discussed at the joint meeting of the MTC Planning and ABAG Administrative Committees in early March and then presented to the two governing boards at their March meetings for additional discussion, refinement and adoption.

In March, ABAG's executive management team will also be presenting a Fiscal Year 2017-18 Budget and Work Plan to the Executive Board for a recommendation for adoption by the ABAG General Assembly. We also anticipate providing the outline of a plan that identifies appropriate funding strategies to cover potential increased expenses. This plan will be informed by the ongoing dialogues described above as well as weekly discussions that ABAG's finance department is having with their counterparts at MTC. Final adoption of the Fiscal Year 2017-18 Budget and Work Plan will occur on May 11th at the annual ABAG General Assembly.

The Contract for Services is the essential focus of dialogue for the upcoming weeks. The following questions will inform the development of this document:

- How should ABAG continue to foster collaborative partnerships, support local member cities and towns, and serve as a convener of regional dialogues? Some approaches currently used by ABAG include:
 - Assigning ABAG planners to support individual cities and counties;
 - Meetings like the General Assembly, countywide Delegate meetings, Regional Planning Committee meetings, meetings with city managers, Bay Area Planning Directors meetings, Mayor's conferences, etc.;
 - Workshops on key issues/strategies: technical support; research on jobs, housing, resilience; etc.
- How can the ABAG Executive Board ensure that its priority tasks are adequately addressed and various work products and staffing levels meet its expectations? What are the bridges to the MTC Executive Director and Commission?
- How do we resolve potential conflicts, differences in priorities or divergent planning approaches between ABAG and MTC management?
- The relationships between the ABAG Executive Board, MTC Commission, and stakeholders are foundational for the Contract for Services and MOU to succeed. How do we continue building understanding, relationships and trust among them?

This overview is posted on our website along with other documents that will inform the ABAG-MTC Staff Consolidation process (<http://abag.ca.gov/events/ga/2017/special.html>). Should you need any additional information, please contact Leah Zippert at LeahZ@abag.ca.gov or 415-820-7995.



ABAG & MTC Consolidation Process

Julie Pierce, ABAG President
Brad Paul, Acting Executive Director, ABAG
January 30, 2017



Today's Presentation

- **Challenges and Opportunities**
- **The Work**
- **The People**
- **The Agreements**
- **The Process**



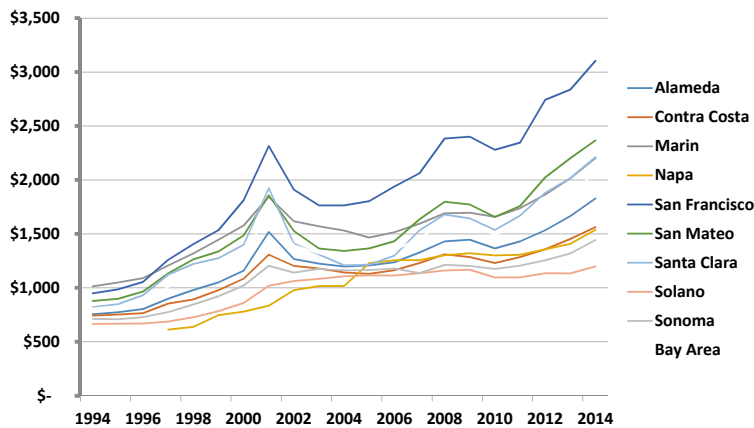
Challenges and Opportunities



- **Housing affordability and traffic congestion**
- **Providing access to good jobs and services**
- **More coordinated and collaborative approach by regional agencies**

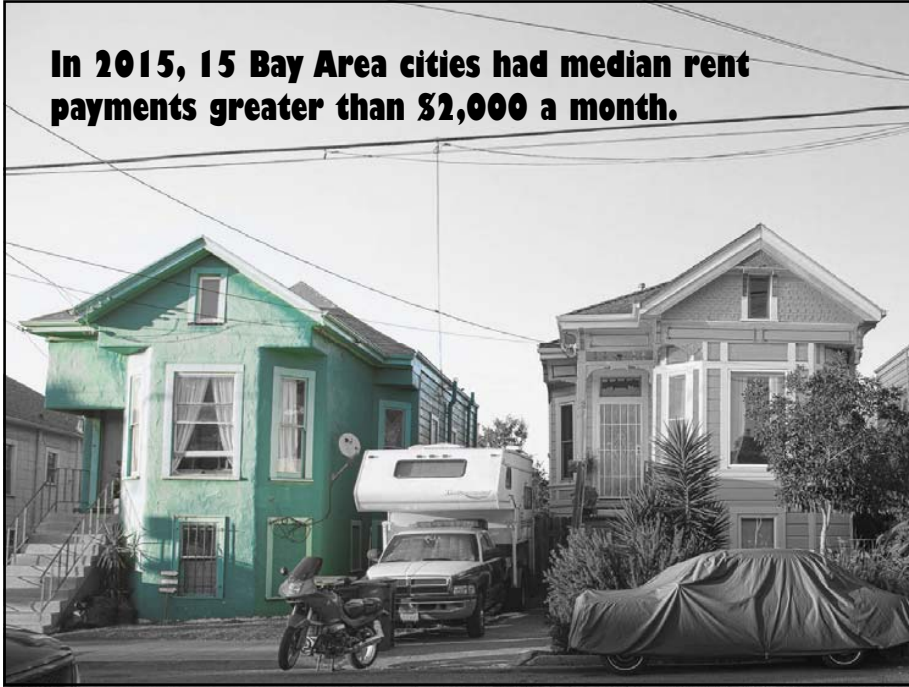
Challenges and Opportunities

Average Monthly Rent

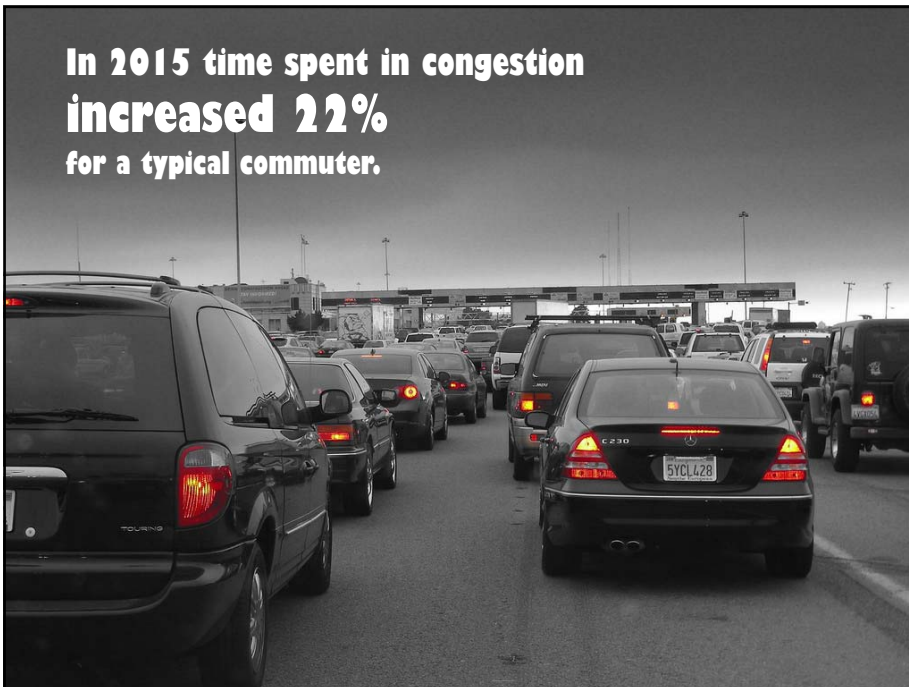


ABAG from RealFacts data. Not adjusted for inflation.

In 2015, 15 Bay Area cities had median rent payments greater than \$2,000 a month.



In 2015 time spent in congestion increased 22% for a typical commuter.



Challenges and Opportunities

ABAG – MTC staff consolidation can open opportunities to address core regional challenges:

- Better address **high housing costs** and **growing congestion**.
- Create **new opportunities** for collaboration based on each agencies strengths; and
- Better **serve the San Francisco Bay Area** and its cities, counties and people.



The Work

The Work



ENHANCING OUR MISSION

- ABAG's role: fostering collaborative partnerships with local governments in planning for our shared future.
- Carry out collaborative, transparent and successful regional planning processes and implementation strategies.
- Provide needed services to member jurisdictions thru Local Collaboration Programs (PLAN, FAN, BayREN).

The Work

Planning and Research Programs



Housing



Economic Prosperity



PDA Implementation



Research



The Work

Local Collaboration Programs



The Work

ABAG Programs and Services



MTC Programs and Resources

Stronger Regional Programs and Services



The People

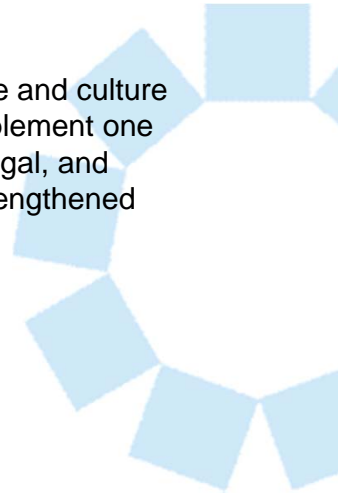
STAFF RESOURCES

- **Substantial knowledge:** experience, education, engagement skills and collaboration resources.
- **Broad expertise:** land use, housing, economic analysis, regional trails, resilience to environmental and economic challenges, urban design and place-making, financial investments and state legislation

The People

Goal

- Create an organizational structure and culture where both staff's expertise complement one another and the administrative, legal, and communication resources are strengthened

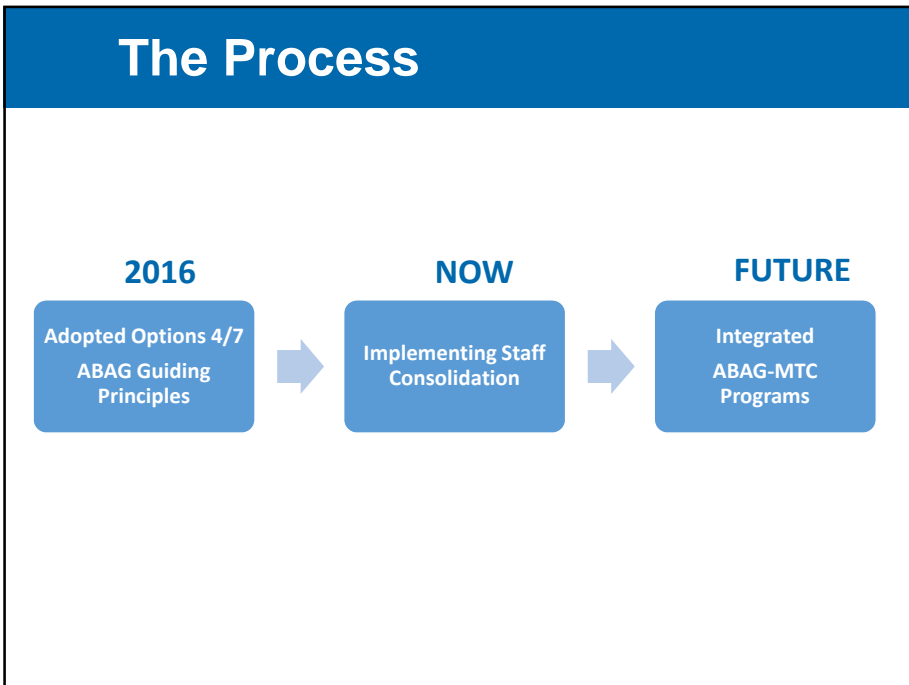
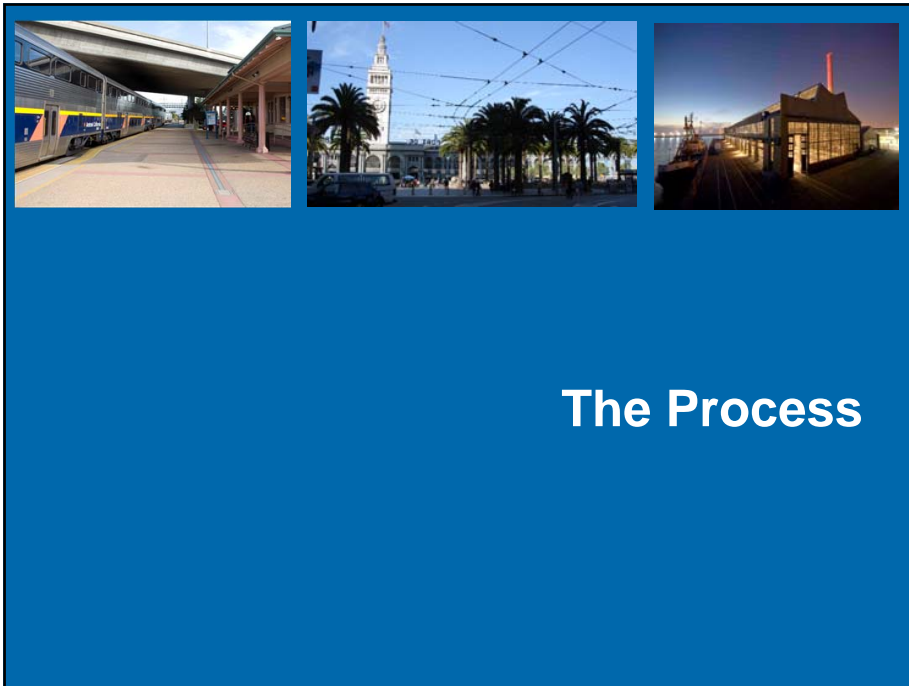


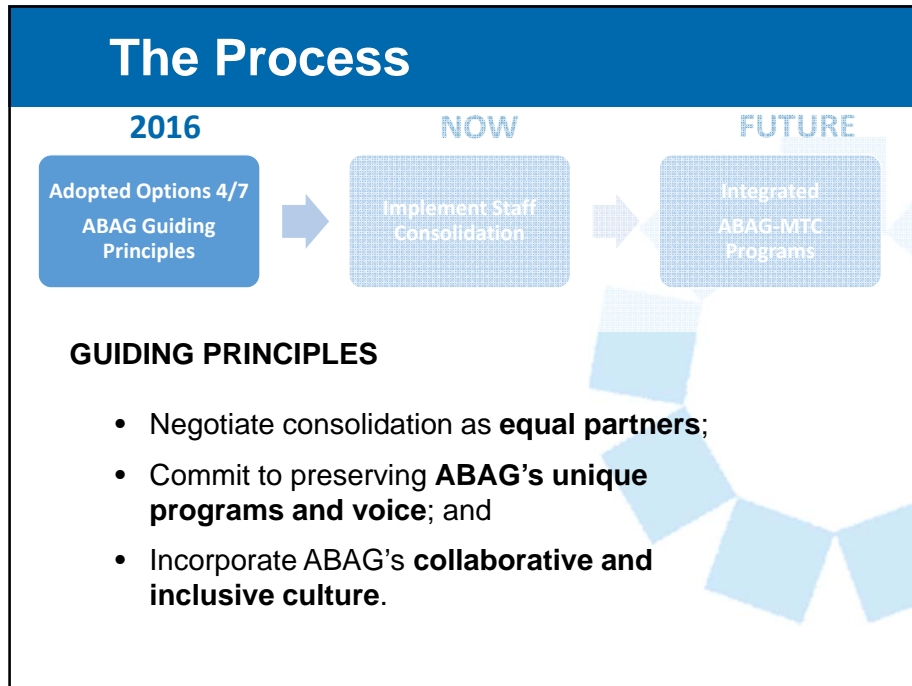
The People

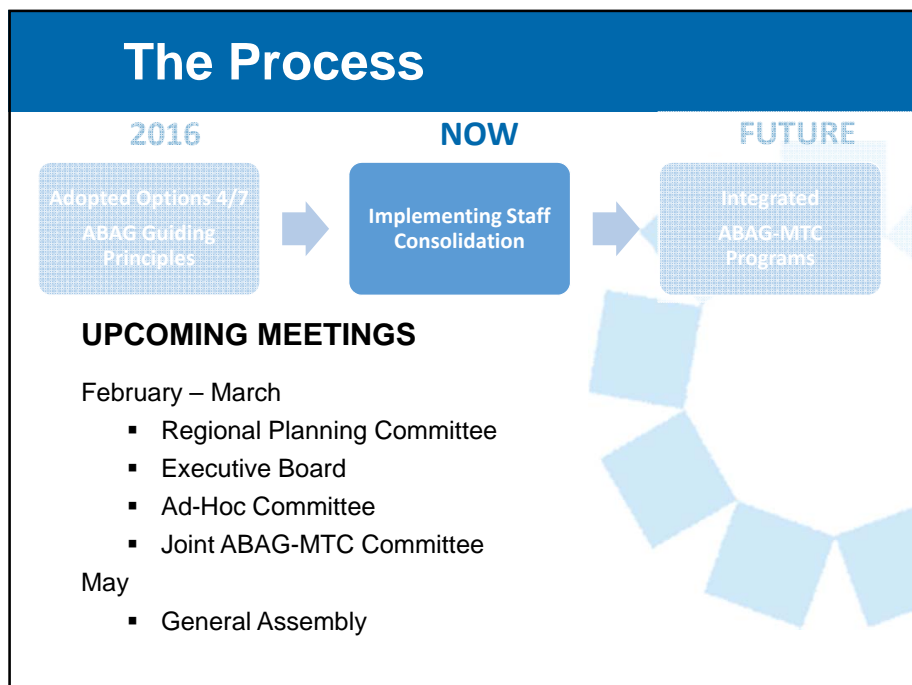
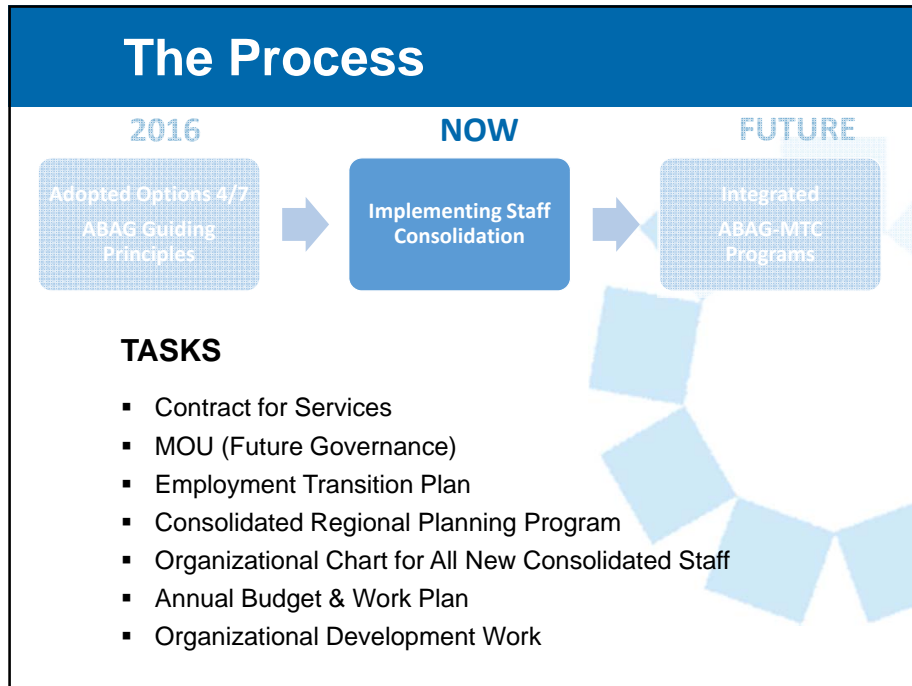
TASKS

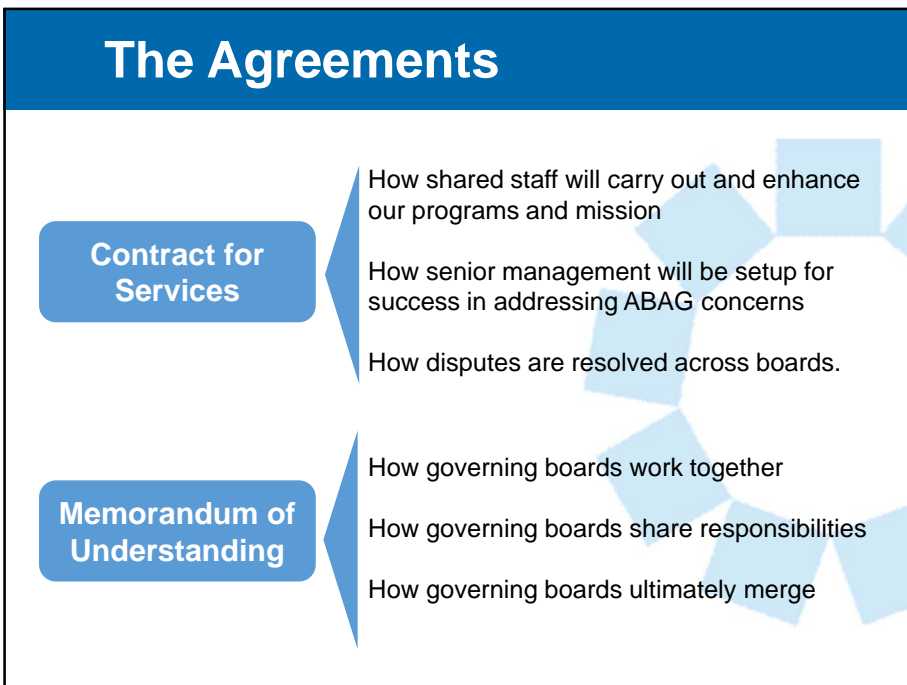
- Classification Study
- Organizational Development
- Employment Transition Plan

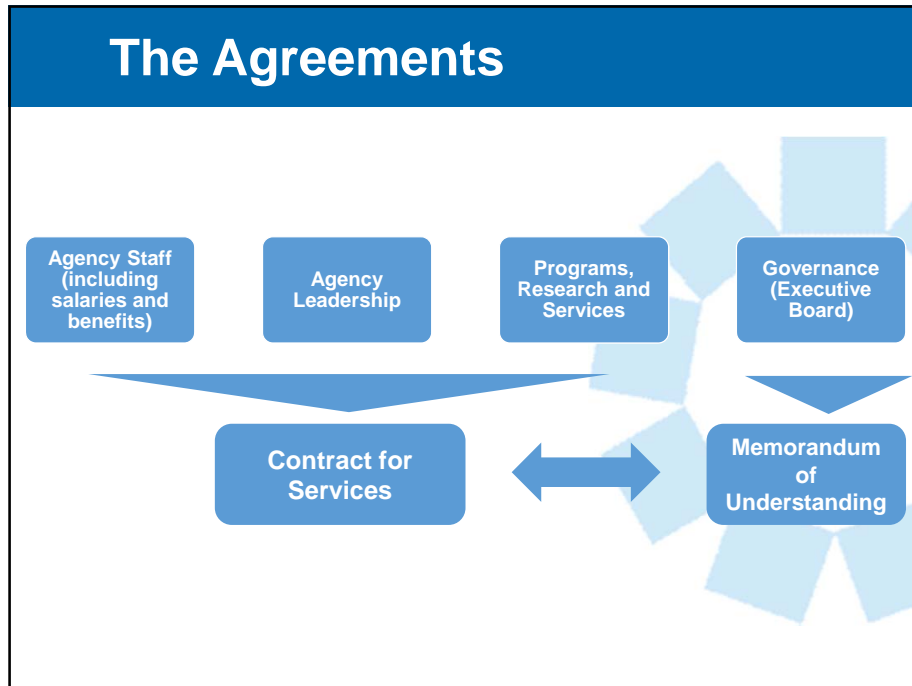












It's Your Turn.

- How do we ensure ABAG is able to carry out its responsibilities as region's COG?
 - Staff leadership issues
 - Dispute resolution mechanisms
 - Financial issues
- How do we build stronger relationships between ABAG/MTC governing boards?
- What are potential benefits of consolidated staff to the region, ABAG and MTC members?

ABAG POWER Natural Gas Program

FY 2016-17 Monthly Summary of Operations

	days/mo.	Jul 31	Aug 31	Sep 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 29	Mar 31	Apr 30	May 31	Jun 30	Total
<u>Gas Purchases⁽¹⁾</u>														
Purchase 1	Qty	15,446	15,339	14,930	15,500	15,000	15,500	15,500	14,500	15,500	15,000	15,500	15,000	182,715
	Price	\$2.29	\$2.29	\$2.29	\$2.71	\$2.71	\$2.71	\$3.06	\$3.06	\$3.06	\$3.06	\$3.06	\$3.06	
Purchase 2	Qty	20,275	19,840	19,593	20,336	25,440	33,700	26,288						165,472
	Price	\$2.63	\$2.62	\$2.72	\$2.77	\$2.28	\$3.79	\$3.31						
Purchase 3	Qty	31,000	31,000	13,250	15,650	10,300	26,288	40,200						167,688
	Price	\$3.00	\$3.22	\$3.37	\$3.25	\$2.88	\$3.51	\$3.64						
Purchase 4	Qty													0
	Price													
Purchase 5	Qty													0
	Price													
Total Quantity Purchased		66,721	66,179	47,773	51,486	50,740	75,488	81,988	14,500	15,500	15,000	15,500	15,000	515,875
Total Purchase Cost		\$181,805	\$186,797	\$132,141	\$149,250	\$128,369	\$262,101	\$280,928	\$44,370	\$47,430	\$45,900	\$47,430	\$45,900	\$1,552,422
Backbone Shrinkage (Dths)		(484)	(499)	(433)	(437)	(510)	(527)	(527)						
WACOG ⁽²⁾		\$2.74	\$2.84	\$2.79	\$2.92	\$2.56	\$3.50	\$3.45	\$3.06	\$3.06	\$3.06	\$3.06	\$3.06	\$3.01
<u>Storage/Inventory</u>														
Total Injections/ (Withdrawals)		12,615	14,530	4,000	3,494	(8,450)	(15,800)							10,389
Total Inventory Quantity (Dths)		37,831	52,361	56,361	59,855	51,405	35,605							
Total Inventory (\$)		\$130,594	\$171,471	\$182,847	\$192,599	\$165,407	\$114,562							
Avg. Inventory Rate (\$/Dth)		\$3.45	\$3.27	\$3.24	\$3.22	\$3.22	\$3.22							
<u>Gas Program Monthly Expenses (from Financial Reports)</u>														
Cost of Energy Used ⁽³⁾		\$ 167,169	\$ 172,683	\$ 148,381	\$ 166,766	\$ 190,189	\$ 343,325							\$ 1,188,513
Program Operating Expenses ⁽⁴⁾		20,848	34,208	29,210	32,472	22,478	21,671							160,887
Subtotal		\$ 188,017	\$ 206,891	\$ 177,591	\$ 199,239	\$ 212,667	\$ 364,996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,349,400
Rate (\$/Dth)		\$4.50	\$4.88	\$3.97	\$3.87	\$3.59	\$4.25							\$4.06
PG&E Pass-through costs ⁽⁵⁾		249,039	184,806	169,540	297,817	235,930	537,322							1,674,454
Total ABAG POWER Cost		\$ 437,056	\$ 391,696	\$ 347,131	\$ 497,055	\$ 448,597	\$ 902,318							\$ 3,023,854
<u>Actual (metered) Gas Usage</u>														
Core ⁽⁶⁾		34,292	33,206	34,963	42,918	53,069	79,467							277,915
Non Core		7,471	9,159	9,760	8,561	6,160	6,514	6,779						54,404
Total Program Usage		41,763	42,365	44,723	51,479	59,229	85,981	6,779	0	0	0	0	0	332,319
ABAG POWER Total Core Rate		\$ 11.76	\$ 10.45	\$ 8.82	\$ 10.81	\$ 8.04	\$ 11.01							
<u>PG&E Rate⁽⁷⁾</u>														
Procurement Charge ⁽⁸⁾		2.58	2.94	2.79	3.70	4.42	3.78	4.36	4.26					
Transportation/Other Charge ⁽⁹⁾		7.26	5.57	4.85	6.94	4.45	6.76							
Total PG&E Rate		\$ 9.84	\$ 8.50	\$ 7.64	\$ 10.64	\$ 8.87	\$ 10.54	\$ 4.36	\$ 4.26	\$ -	\$ -	\$ -	\$ -	

ABAG POWER Natural Gas Program

FY 2016-17 Monthly Summary of Operations

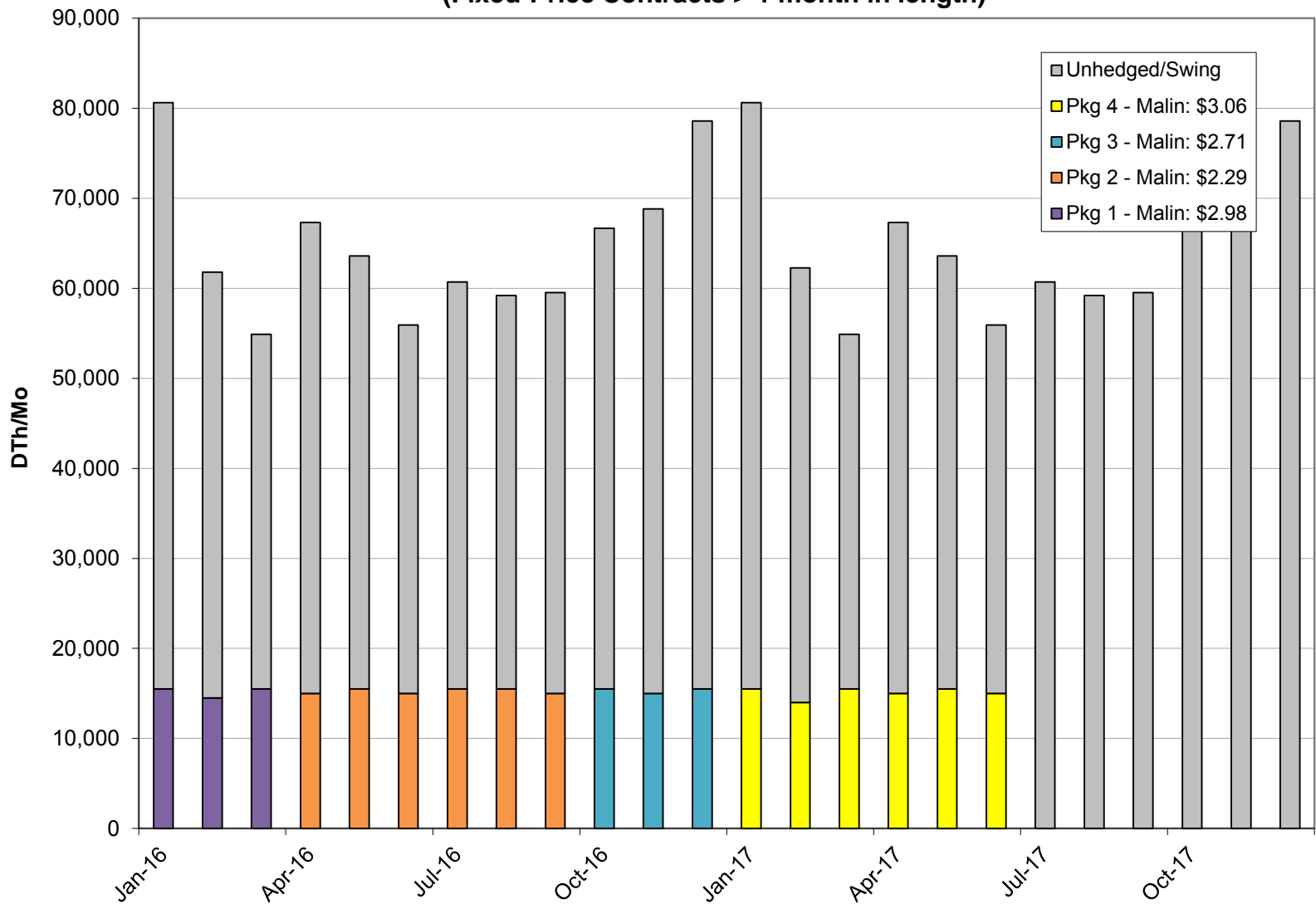
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
<u>Rate Comparison</u>													
Monthly Rate Difference (\$/Dth)	1.92	1.95	1.18	0.17	(0.83)	0.46							
Monthly Savings (\$)	(65,844)	(64,643)	(41,132)	(7,381)	44,271	(36,925)							
Cumulative 'Savings' (\$)	(65,844)	(130,487)	(171,619)	(179,000)	(134,729)	(171,654)							
Cumulative 'Savings' (%)	-19.5%	-21.0%	-19.3%	-13.3%	-7.4%	-6.5%							
Monthly Index Postings													
NGI Bidweek for PG&E Citygate	\$3.04	\$3.08	\$3.31	\$3.40	\$3.25	\$3.55	\$3.95	\$3.71					
Gas Daily Avg. for PG&E Citygate	\$2.98	\$3.20	\$3.36	\$3.24	\$2.82	\$3.76	\$3.62						
NGI Bidweek for Malin	\$2.62	\$2.61	\$2.71	\$2.76	\$2.67	\$3.08	\$3.74	\$3.22					

Notes:

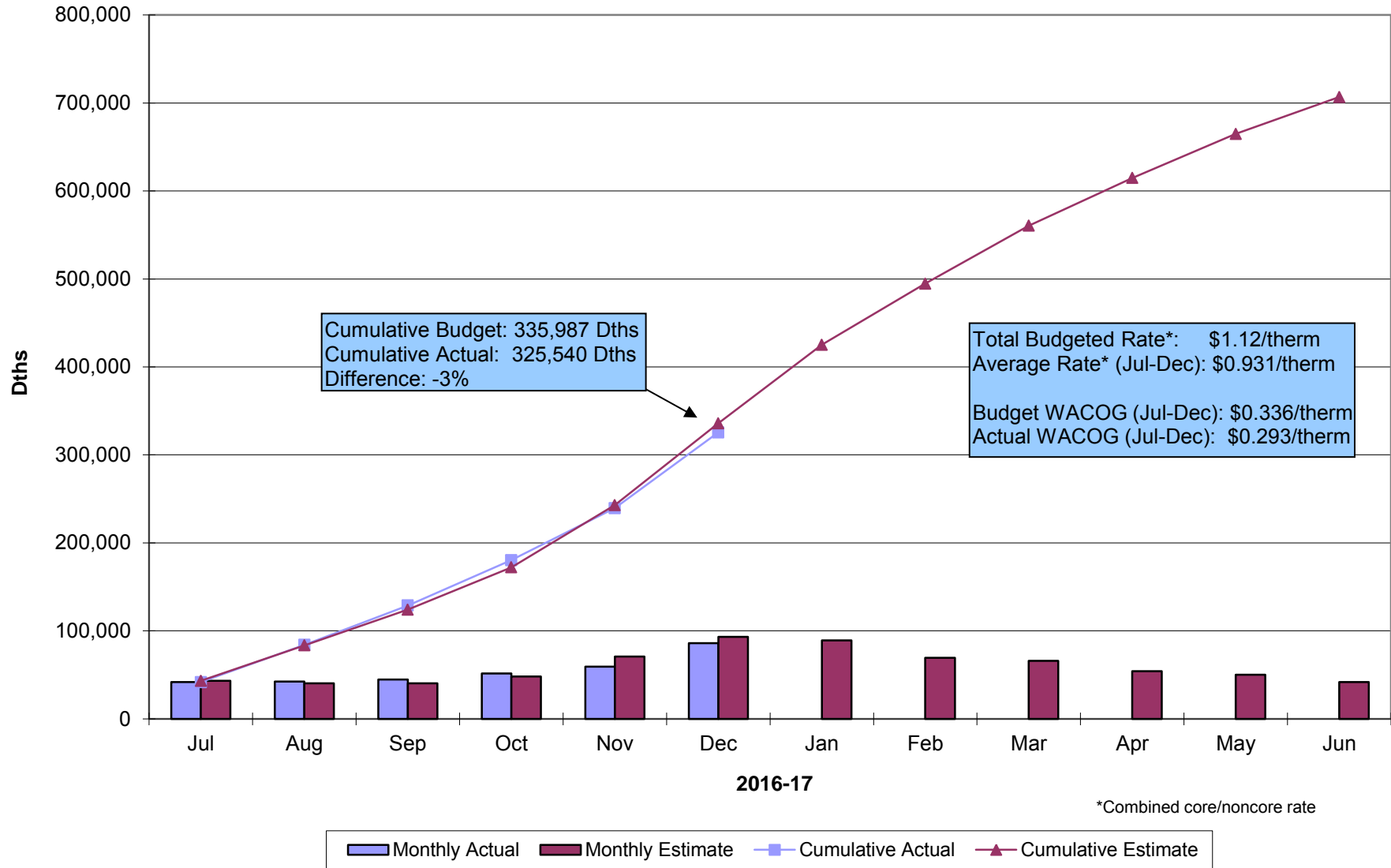
- (1) All gas quantities in Dth and rates in \$/Dth. (Does not include imbalance purchases traded to storage.)
- (2) Weighted Average Cost of Gas (WACOG) at PG&E Citygate
- (3) Includes costs to transport gas to PG&E Citygate from alternate delivery points, as well as physical storage costs.
- (4) Includes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

Gas Hedge Chart

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



2016-17 Monthly & Cumulative Usage Summary (Actual vs. Budgeted)



**ABAG
PUBLICLY OWNED ENERGY
RESOURCES
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

This Page Left Intentionally Blank

**ABAG
PUBLICLY OWNED ENERGY RESOURCES
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	7
Statement of Activities.....	8
Statement of Cash Flows.....	9
Notes to Financial Statements.....	11

This Page Left Intentionally Blank



INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of ABAG Publicly Owned Energy Resources (POWER) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise POWER's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of POWER as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 72 – *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016 and required changes on the footnotes as discussed in Notes 1F and 2D to the financial statements.

The emphasis of this matter does not constitute a modification to our opinion.

Other Matters

Required Supplementary Information

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

Maze & Associates

Pleasant Hill, California
February 10, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

ABAG Publicly Owned Energy Resources (POWER) has issued the financial reports for fiscal year ending June 30, 2016 based on the provisions of the Government Accounting Standards Board Statement 34, "Basic Financial Statement and Management's Discussion & Analysis—for State and Local Governments," (GASB 34). One of the most significant requirements of GASB 34 is for government entities to prepare financial reports using the full accrual basis of accounting. Since POWER has already been using this method of accounting, changes in its financial reports are primarily in format of presentation.

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

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements required under GASB 34 include:

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

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

FISCAL YEAR 2016 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

- POWER's total assets were \$3.8 million at June 30, 2016. At June 30, 2015, total assets were \$4.4 million.
- POWER's total revenues, including program and general revenues, were \$5.7 million in FY 2016, compared to \$6.2 million in FY 2015. The decline in revenue is a result of lower cost of natural gas purchases.

- POWER's total net position remained at zero at June 30, 2016. The accounting process for POWER is set up such that all surpluses and deficits are recorded as receivables or liabilities due to members.
- General and administrative expense, comprising professional fees and reimbursement of administrative expenses to ABAG, were \$359 thousand.
- Under nonoperating income (expense), the Natural Gas Pool had \$15 thousand in interest income.

MAJOR PROGRAM INITIATIVES IN FY 2016 AND OUTLOOK FOR FY 2017

We are happy to report the following accomplishments in fiscal year 2016 and goals for fiscal year 2017:

ABAG Publicly Owned Energy Resources (ABAG POWER) is a joint powers agency (JPA) formed by ABAG in 1997 to acquire energy on behalf of local governments, as well as provide energy management and telecommunication services.

ABAG POWER currently offers natural gas aggregation to 38 local governments and special districts in the Pacific Gas and Electric (PG&E) service territory. ABAG POWER provides a public sector approach to pooled purchasing, and each public agency is guaranteed a voice in program operations and decisions through its representative to the ABAG POWER Board of Directors and Executive Committee.

ABAG POWER purchases natural gas on behalf of nearly 800 member accounts and arranges for it to be delivered to the PG&E system for distribution. The primary goals of ABAG POWER's Natural Gas Program is to provide both cost savings and price stability. Additional objectives currently include:

- Continue to provide cost effective natural gas aggregation and delivery services for local governmental agencies. This will include active solicitations among natural gas marketers, and the addition of new gas suppliers, as necessary, to continue receiving the most competitive pricing.
- The ABAG POWER Executive Committee will continue to discuss and analyze refinements to the general gas purchasing strategy, including fixed-price product allocations, in order to meet program goals related to cost savings and price stability. In addition, the Committee will continue to investigate strategic opportunities related to environmentally friendly substitutes for natural gas such as biogas or biomethane.
- Continue to encourage additional participants in both the core, and noncore programs that supply larger facilities. Qualified, noncore customers can take advantage of lower gas transportation rates that are not available to PG&E customers. ABAG POWER currently supplies gas to three noncore facilities (City of Santa Rosa, City of Watsonville, and County of San Mateo).

Other ABAG Energy Initiatives:

The San Francisco Bay Area Regional Energy Network (BayREN). The BayREN was initially approved as an energy-efficiency pilot for two years, with a one year extension. The California Public Utilities Commission (CPUC) recently moved to a ‘Rolling Portfolio’ process and the BayREN’s funding was extended through 2025, subject to annual adjustments. The four main program elements are:

1. Single Family Energy Retrofit

The BayREN Single Family Home Upgrade program is designed to reduce energy use in existing single family homes and 2-4 unit residences in the Bay Area. Program goals include improving the environment, helping homeowners save money by saving energy, increasing public awareness of energy efficiency co-benefits like improved comfort and indoor air quality, and stimulating green job growth. Homeowners can be eligible for rebates from \$1,000 to \$6,500 based upon the scope of work performed and associated energy savings, plus a \$300 home energy assessment rebate with an Advanced Home Upgrade. The BayREN has paid approximately \$9 million in incentives to Bay Area homeowners, averaging roughly 200 project reservations per month throughout 2016.

2. Multi-family Energy Retrofit

The Bay Area Multifamily Building Enhancements (“BAMBE”) program offers free technical consulting and rebates for energy efficiency in multifamily buildings with 5 or more attached dwelling units. Property owners may earn \$750 per dwelling unit for installing energy upgrades. The program has far exceeded its targets and has repeatedly received millions of dollars in additional funding from PG&E to satisfy the high demand for the program.

3. Energy Efficiency Codes and Standards

The BayREN Codes and Standards Program was established to address the role that local building policies, reviews, and inspections play in the energy use of buildings in the region. The Program provides resources and trainings for local planning and building departments to reduce energy consumption in buildings through improved enforcement of energy codes and greater adoption and implementation of green building ordinances. This includes collaboration with state and regional agencies to encourage local adoption of codes necessary to meet the state’s climate action goals. For example, BayREN expects to continue collaborative efforts with the California Energy Commission (CEC), the Bay Area Air Quality Management District (BAAQMD) and the Bay Area Regional Collaborative (BARC) to develop an ordinance requiring solar photovoltaic technologies on the construction of new properties in designated areas.

4. Financing for Energy Efficiency Projects

Commercial PACE: Property Assessed Clean Energy (PACE) financing allows property owners to 1) pay the costs of upgrades as a separate assessment on the building tax roll, and 2) carry the costs as annual maintenance - rather than debt - expense. The BayREN program works to educate contractors and building owners on this financing tool.

PAYS®

The BayREN Pay As You Save (PAYS®) pilots are helping municipal water utilities in the Bay Area use a tariff based on-bill repayment program to promote greater adoption of resource efficiency measures. PAYS allows water utility customers to receive water and energy saving measures (such as high efficiency toilets, shower heads, and drought-tolerant landscaping) at no up-front cost and pay for the measures over time through a surcharge on their water bill that is less than their utility cost savings.

MULTI-FAMILY CAPITAL ADVANCE PROGRAM

This financing program provides 50% of the financing at zero interest and is available for eligible owners of multifamily properties located with the BayREN region with at least 5 units, who undertake energy efficiency upgrade projects with a scope defined by the BayREN Multifamily retrofit program or the PG&E's multifamily program. The property owner is obligated to repay the total principal, and BayREN receives a pro rata share of each payment. The repaid funds are recycled to provide capital for additional projects.

BayREN Integrated Commercial Retrofits (BRICR). In the past year, ABAG was awarded a Department of Energy (DOE) grant to assist in the creation of an open-source database tool to efficiently identify buildings throughout the region that may be ideal for energy-efficient upgrades. ABAG will work with the San Francisco Department of Environment, Lawrence Berkeley National Laboratory (LBNL), the National Renewable Energy Laboratory (NREL), and other local BayREN agencies to design and test the tool.

ABAG
PUBLICLY OWNED ENERGY RESOURCES
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Natural Gas Pool</u>
ASSETS	
Cash and Cash Equivalents (Note 2)	\$3,637,282
Receivable from Members and Others	122,726
Interest Receivable	4,146
Natural Gas Inventory (Note 1E)	<u>97,102</u>
Total Assets	<u>3,861,256</u>
LIABILITIES	
Accounts Payable	225,788
Payable to Members	2,000,785
Unearned Revenue	<u>1,634,683</u>
Total Liabilities	<u>3,861,256</u>
NET POSITION	<u><u> </u></u>

See accompanying notes to basic financial statements

ABAG
PUBLICLY OWNED ENERGY RESOURCES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Natural Gas Pool</u>
OPERATING REVENUES	
Sale of Natural Gas	<u>\$5,658,437</u>
OPERATING EXPENSES	
Cost of Natural Gas Sold	<u>5,314,400</u>
Gross Margin	<u>344,037</u>
GENERAL AND ADMINISTRATIVE EXPENSES	
Metering and Billing Agent Fees	15,321
Management and Administration (Note 1)	<u>343,380</u>
Total General and Administrative Expenses	<u>358,701</u>
OPERATING LOSS	(14,664)
NONOPERATING INCOME	
Interest Income	<u>14,664</u>
CHANGE IN NET POSITION	
BEGINNING NET POSITION	<u> </u>
ENDING NET POSITION	<u><u> </u></u>

See accompanying notes to basic financial statements

ABAG
PUBLICLY OWNED ENERGY RESOURCES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Natural Gas Pool</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from members	\$5,258,010
Payments to suppliers	(5,182,019)
Payments for management and administration	(343,380)
Payments for agent and legal fees	<u>(15,321)</u>
Cash Flows from (used by) Operating Activities	<u>(282,710)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest collections	<u>12,079</u>
Cash Flows from Investing Activities	<u>12,079</u>
Net decrease in cash and cash equivalents	(270,631)
Cash and cash equivalents at beginning of period	<u>3,907,913</u>
Cash and cash equivalents at end of period	<u><u>\$3,637,282</u></u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:	
Operating Loss	(\$14,664)
Change in assets and liabilities:	
Receivables	155,404
Natural gas inventory	155,638
Accounts payable	(23,257)
Unearned revenue	<u>(555,831)</u>
Cash Flows from (used by) Operating Activities	<u><u>(\$282,710)</u></u>

See accompanying notes to basic financial statements

This Page Left Intentionally Blank

ABAG
PUBLICLY OWNED ENERGY RESOURCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description

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

POWER is an "Energy Service Provider (ESP)," aggregating the natural gas requirements of its members as allowed by the California Public Utilities Commission, and purchasing gas directly from natural gas producers that offer competitive prices and reliable supply. POWER arranges for the transportation and delivery of natural gas to its members by pipelines from its source. POWER pays these vendors and bills its members for their usage, transportation and administration costs on a monthly basis.

The area served by POWER is encompassed by Pacific Gas & Electric Company (PG&E), which delivers gas to POWER's members.

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

POWER has contracted separately with the Association of Bay Area Governments (ABAG), to act as POWER's trustee, providing promotional, administrative, accounting and clerical support. POWER paid ABAG \$334,312 for these services, and \$9,068 for contract services, in the fiscal year ended June 30, 2016.

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

B. Basis of Presentation

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

ABAG
PUBLICLY OWNED ENERGY RESOURCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

POWER accounts for all transactions in a single enterprise fund, which is a separate set of self-balancing accounts that comprise assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. All transactions are accounted for on the accrual basis, which means that expenses are recorded when the liability is incurred and revenues are recorded when earned, rather than when cash changes hands.

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

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

D. Estimates

POWER's management has made a number of estimates and assumptions relating to the reporting of assets, deferred outflows/inflows of resources and liabilities and revenues and expenses and the disclosure of contingent liabilities to prepare these financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Actual results could differ from those estimates.

E. Natural Gas Inventory

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

F. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. POWER categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

ABAG
PUBLICLY OWNED ENERGY RESOURCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 – CASH AND CASH EQUIVALENTS

A. Carrying Amount and Fair Value

Cash and investments comprised the following at June 30, 2016:

	Fair Value
Local Agency Investment Fund (LAIF)	\$3,010,221
Cash in Banks	627,061
Total Cash and Cash Equivalents	\$3,637,282

B. Interest Rate Risk

Interest rate risk is the potential adverse effect resulting from changes in market interest rates on the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. As of year-end, the weighted average maturity of the investments in the LAIF investment pool is approximately 167 days.

C. Credit Risk

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

D. Fair Value Hierarchy

The Local Agency Investment Fund is classified as Level 2, and is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool.

E. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, POWER may not be able to recover its deposits. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its agent having a fair value of 110% to 150% of a public agency's deposit. All of POWER's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in POWER's name.

ABAG
PUBLICLY OWNED ENERGY RESOURCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

F. Local Agency Investment Fund

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

G. Statement of Cash Flows

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

NOTE 3 – PURCHASE COMMITMENTS

During the fiscal year, POWER entered into various agreements with energy companies to facilitate the sale and purchase of gas for a particular delivery period. These agreements constituted commitments of \$230,000 as of June 30, 2016.

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

FOR THE YEAR ENDED
JUNE 30, 2016**

This Page Left Intentionally Blank

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

For the Year Ended June 30, 2016

Table of Contents

	<u>Page</u>
<i>Memorandum on Internal Control</i>	1
Schedule of Other Matters.....	3
<i>Required Communications</i>	9
Significant Audit Findings.....	9
Accounting Policies.....	9
Unusual Transactions, Controversial or Emerging Areas	11
Accounting Estimates.....	11
Disclosures	11
Difficulties Encountered in Performing the Audit	11
Corrected and Uncorrected Misstatements.....	12
Disagreements with Management	12
Management Representations.....	12
Management Consultations with Other Independent Accountants	12
Other Audit Findings and Issues	12
Other Audit Findings Accompanying the Financial Statements	12

This Page Left Intentionally Blank



MEMORANDUM ON INTERNAL CONTROL

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

In planning and performing our audit of the basic financial statements of ABAG Publicly Owned Energy Resources (POWER) as of and for the year ended June 30, 2016 in accordance with auditing standards generally accepted in the United States of America, we considered POWER's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of POWER's internal control. Accordingly, we do not express an opinion on the effectiveness of POWER's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Maze & Associates

Pleasant Hill, California
February 10, 2017

This Page Left Intentionally Blank

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

FS2016-01 Upcoming Governmental Accounting Standards Board Pronouncements

The following pronouncements are effective in fiscal year 2016/17:

GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 74 - Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 77 - Tax Abatement Disclosures

This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 78 - Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB 80 - Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

How the Changes in This Statement Improve Financial Reporting

The requirements of this Statement enhance the comparability of financial statements among governments. Greater comparability improves the decision-usefulness of information reported in financial statements and enhances its value for assessing government accountability.

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

OTHER STATEMENTS RECENTLY ISSUED BY GASB (2018 and Beyond):

GASB 75 - *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 81 - Irrevocable Split-Interest Agreements

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

How the Changes in This Statement Improve Financial Reporting

This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission.



REQUIRED COMMUNICATIONS

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

We have audited the basic financial statements of the ABAG Publicly Owned Energy Resources (POWER) for the year ended June 30, 2016. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

Significant Audit Findings

Accounting Policies

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

GASB Statement No. 72 – Fair Value Measurement and Application

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

This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

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

The pronouncement became effective and affected the notes to the financial statements, but did not have a material effect on the financial statements. See Notes 1F and 2D to the financial statements for current year disclosures.

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

The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

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

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

GASB 79 – Certain External Investment Pools and Pool Participants

The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

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

Unusual Transactions, Controversial or Emerging Areas

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

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting POWER's financial statements was:

Estimated Fair Value of Investments: As of June 30, 2016, POWER held approximately \$3.6 million of cash and investments as measured by fair value as disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2016. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2016.

Disclosures

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in a management representation letter dated February 10, 2017.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

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

Maze & Associates

Pleasant Hill, California
February 10, 2017

This Page Left Intentionally Blank

Request for Qualifications and Proposals for Natural Gas Scheduling Services

Submission Deadline: March 31, 2017

Association of Bay Area Governments
375 Beale Street, Suite 700
San Francisco, CA 94105



Request for Qualifications and Proposals for Natural Gas Scheduling Services

Natural Gas Scheduling Services

ABAG Publicly Owned Energy Resources (ABAG POWER) invites you to propose gas scheduling services for a natural gas purchasing pool of local governments in Pacific Gas & Electric Company's service territory for the term of July 1, 2017 to June 30, 2019, with an option to extend for an additional three years, exercisable at ABAG POWER's discretion.

Submission Deadline

The deadline for submitting qualifications and proposals is 5:00 p.m. (Pacific Daylight Savings Time), Friday, March 31, 2017. Electronic submittal (via email) is preferred; otherwise, please submit proposals to the following address:

Gerald Lahr
Association of Bay Area Governments
375 Beale Street, Suite 700
San Francisco, CA 94105

For information regarding proposal requirements, contact Gerald Lahr at (415) 820-7908 or JerryL@abag.ca.gov

Solicitation Schedule



February 17, 2017

RFP Issued for Natural
Gas Scheduling Services

March 17, 2017

Questions and
Clarifications
Submission Deadline

March 22, 2017

Questions and
Clarifications Posted

March 31, 2017

Proposals Due at ABAG
Offices by 5:00 p.m.

April 17-21, 2017

Interviews of Select
Candidates

April 28, 2017

Tentative Selection by
ABAG POWER

Table of Contents

Introduction	1
Proposal Services.....	2
Natural Gas Scheduling Responsibilities	2
Consulting and Strategic Planning Services.....	3
Proposal Requirements.....	5
Proposal Evaluation and Selection Criteria.....	6
General Conditions.....	7

INTRODUCTION

Introduction

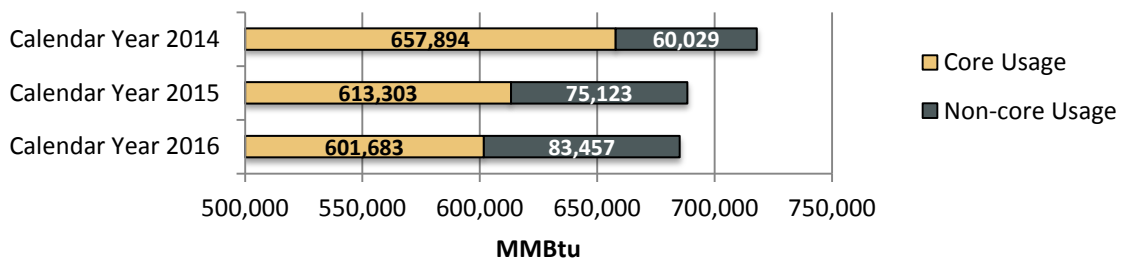
The Association of Bay Area Governments (ABAG) is a Joint Powers Agency (JPA) serving local governments of the 101 cities and nine counties in the San Francisco Bay Area. ABAG was formed in 1961 as a response to state legislation that would have supplanted local control over all bridges, ports, and transit operations in the Bay Area. Ever since, ABAG’s mission has been to strengthen cooperation and collaboration among local governments to provide innovative and cost effective solutions to common problems that they face.

One of the many services offered by ABAG is ABAG Publicly OWned Energy Resources (ABAG POWER), a separate JPA to act as an energy service provider for municipal facilities. Formed in 1996, the natural gas pool recently completed its twentieth year of operation and is currently serving 38 member cities, counties, and special districts spanning twelve counties. ABAG POWER purchases natural gas on agencies’ behalf and arranges for it to be delivered to the Pacific Gas & Electric Company (PG&E) system for local distribution to facilities such as hospitals, zoos, police and fire stations, forensics labs, wastewater treatment stations and more. The primary goals of the gas purchasing pool are price stability and cost savings.

Previously, ABAG POWER also operated an electric aggregation program, but ultimately suspended the program in 2001 due primarily to the volatility in the electric energy industry.

More information about the program can be found at: <http://abag.ca.gov/services/power/>.

Gas Volume. ABAG POWER currently purchases natural gas from various suppliers. All members are within Pacific Gas & Electric Company’s service territory. Gas is transported to members via PG&E’s “backbone” transportation pipelines before reaching the “Citygate” local distribution system. The program’s individual account portfolio consists of approximately 760 small-to-medium “core” accounts and three high-usage “non-core” accounts. Annual volumes for current members of the program are summarized below.



PROPOSAL SERVICES

Proposal Services

ABAG POWER is seeking an agent to provide comprehensive scheduling services for its natural gas aggregation program. The gas scheduler must work closely with ABAG POWER staff and maintain a good working relationship with PG&E, gas suppliers, and other contractors that generate or provide information.

The following is a listing of the gas scheduling responsibilities. These responsibilities may be modified to reflect changing program needs.

NATURAL GAS SCHEDULING RESPONSIBILITIES

1. Gas Scheduling. Gas scheduling responsibilities are as follows:
 - a. Nominate supplies on behalf of ABAG POWER in accordance with the Core Gas Aggregation Service Agreement (CTA Agreement), the Gas Transmission Service Agreement (GTSA), and all applicable PG&E natural gas Rules and Tariffs.
 - b. Monitor gas usage and imbalances, and reconcile gas orders/deliveries. Monitor consumption to eliminate shortfalls and over-deliveries, and handle adjustments as necessary. Some of the areas for consideration include, but are not limited to:
 - i. Monitoring of the PG&E Core Load Forecasting Model and compliance with all balancing requirements;
 - ii. Supplier vs. Transporter volume discrepancies;
 - iii. OFO/EFO supply modifications;
 - iv. Ongoing estimates/verification of imbalances, along with recommendations and implementation of plans to mitigate imbalance issues;
 - v. Arrange for injection and withdrawal from storage;
 - vi. Evaluation of supplier performance;
 - vii. Documentation for resolving gas volume disputes;
 - viii. Avoidance of penalties and other unexpected costs;
 - ix. Avoidance of supply interruptions.
 - c. Provide a monthly Operations Report to ABAG POWER summarizing gas purchases, imbalances, storage injection/withdrawal and any other gas scheduling activities.

PROPOSAL SERVICES

- d. Monitor gas supply contracts to ensure gas delivery. Provide a Gas Purchasing Plan (strategy) for the coming month to include all current purchase contracts, and recommendations of any additional purchase needs.
- e. Comply with all local, state, and federal statutes and regulations that govern the natural gas industry.
- f. Maintain daily and monthly gas cost information that will allow ABAG POWER to have an itemized account of its purchase history and comparative costs.
- g. Review commodity supply invoices, and transportation/transmission charges in a timely manner to permit ABAG POWER payment of such invoices within the designated due date.

CONSULTING AND STRATEGIC PLANNING SERVICES

1. Assist ABAG POWER in designing gas supply strategies which:
 - a. Balance cost savings, cost stability, and supply reliability;
 - b. Take advantage of new opportunities and changing market conditions, e.g., renewable natural gas availability and pricing;
 - c. Conceptualize and develop strategies for reducing the cost of providing natural gas to ABAG POWER participating Members.
2. Assist in research and evaluation of available transportation and storage;
3. Be reasonably accessible and responsive to expressions of concern by ABAG POWER, its participating Members, attorneys and/or agents;
4. Be reasonably available to attend ABAG POWER Executive Committee and/or Board meetings if requested;
5. Continually analyze and review operation procedures and reporting mechanisms with the goal of improving them, and make timely reports to ABAG POWER containing recommendations for charges;
6. With prior approval, contractor may from time to time speak on behalf of ABAG POWER and its members as an intervenor for utility or regulatory issues. For occasions

PROPOSAL SERVICES

and issues which fall outside the contractor's existing role, a consulting agreement will be executed to cover these costs.

PROPOSAL REQUIREMENTS

Proposal Requirements

1. A cover page clearly displaying: 1) company name and 2) the principal contact's name, address, phone and fax numbers, and email address.
2. A Letter of Transmittal signed by an officer of the company authorized to submit a firm proposal and sign subsequent contracts with ABAG POWER.
3. Company Information Form. The enclosed Company Information Form must be completed by each proposer. Firms bidding as joint ventures or a prime with subcontractors must submit an information form for each member of the joint venture or each subcontractor. Subcontractors should indicate a willingness to subcontract with the prime contractor.
4. Proposal/discussion of how the proposing firm will undertake the tasks listed in Section II above.
5. Provide copies of typical report(s) that summarize an entity's gas operations.
6. List of the key personnel that will be working on the program, including resumes, and office locations from which the personnel will be physically working.
7. Describe any experience with California's Core Gas Aggregation Program.
8. Proposals shall include a list of at least three references for which the proposer has performed work similar to that being proposed. The references should include:
 - Contact name
 - Contact telephone number
 - Company name
 - Company address
 - Dates of service
9. Proposal shall include a timeline indicating the time and major tasks necessary to transition to the proposer's gas scheduling system.
10. Proposals shall include a fee schedule to include any "start-up" expenses along with ongoing monthly fees. Include separately fees for the option three-year extension

PROPOSAL REQUIREMENTS

period. Different fee structures may be proposed, for example: \$/MMBtu, \$/month, combination, or other. Also, please indicate if any minimum load would apply to pricing.

PROPOSAL EVALUATION AND SELECTION CRITERIA

ABAG POWER staff will evaluate the Proposals with the final selection made by the ABAG POWER Executive Committee. ABAG POWER intends to evaluate the Proposals generally in accordance with the criteria itemized below:

1. Price and Fee Structure (40 points)
 - ✓ Lowest cost that meets the requirements of the Program.

2. Program Approach (40 points)
 - ✓ Understanding of the process and tasks to be performed and proposed approach.
 - ✓ Breadth of the proposer's experience managing natural gas supply in California.
 - ✓ Quality of references

3. Company Information (20 points)
 - ✓ Financial stability of company
 - ✓ Office locations

Staff and the Executive Committee will evaluate Proposals according to the criteria outlined. The firms evaluated as most qualified (up to five) will be selected for an interview. Through the interview, staff will evaluate and rank those selected firms according to criteria that best fit ABAG POWER's needs.

It is ABAG POWER's intention to negotiate final terms and conditions with the top-ranked firm. If ABAG POWER is unable to negotiate a satisfactory agreement with the top-ranked firm, ABAG POWER will negotiate with the other firms according to their ranking until it has reached a satisfactory contractual agreement.

GENERAL CONDITIONS

General Conditions

A. No Obligation to Award

This Request for Proposal (RFP) does not obligate ABAG POWER to enter into an agreement with any Proposer. ABAG POWER may, at its option, revise the schedule of events or anticipated date of award; may request further information from any Proposer, or may withdraw this RFP in part or in its entirety.

B. One Proposal

If ABAG POWER receives only one Proposal and determines that it has been submitted by the only contractor known to possess the ability to provide services meeting ABAG POWER's requirements, ABAG POWER may, in its discretion, accept such terms as responsive even though that Proposal is made on terms different from those set forth herein.

C. Form of Proposal and Signature

Each Proposer, by submission of a proposal, thereby represents and warrants to ABAG POWER and ABAG that each document is signed by a person with authority to bind Proposer to the terms of such document and that the document is duly and validly executed. In particular, documents submitted by a sole owner will be signed by the sole owner with his/her full name and his/her address. Documents submitted by a partnership will be signed by at least one general partner who will also sign his/her own name with the address of each partner. Documents submitted by a corporation will be signed by an officer or other individual who has the full and proper authorization to do so. Documents submitted by a joint venture will be signed on behalf of each participating entity in the manner prescribed above in accordance with its legal status. Documents submitted in any other form will be considered nonresponsive and will be rejected.

D. Conditioned Proposal

Unauthorized conditions, limitations or provisions attached to a proposal will render it non-responsive and may cause its rejection.

E. Withdrawal of Proposal

A Proposer may withdraw its proposal without prejudice to itself by submitting a written request for its withdrawal to ABAG POWER before the due date.

GENERAL CONDITIONS

F. Firm Proposal

All proposals shall remain in effect for ninety (90) days from the due date of the proposal.

G. Rejection of Proposal

ABAG POWER may reject any and all proposals and will reject the proposal of any party who has been delinquent or unfaithful in any former contract with ABAG or ABAG POWER. The right is reserved to reject any or all proposals, and to waive technical defects, as the interests of ABAG or ABAG POWER may require.

H. Clarification/Submission of Questions

Requests for clarification and submission of questions must be received by ABAG POWER, in writing, not later than 5:00 p.m. PST March 17, 2017. ABAG POWER's response to requests for clarification and submission of questions will be transmitted by email to all known potential Proposers and posted online no later than 5:00 p.m. PST on March 22, 2017. Please provide your email address to Ryan Jacoby (RyanJ@abag.ca.gov) if you wish to receive these responses via email.

I. Pre-contractual Expense

Neither ABAG nor ABAG POWER shall be liable for any pre-contractual expenses incurred by any Proposer or its Consultant(s). Proposers shall not include any such expenses as part of the price proposed in response to this RFP. ABAG and ABAG POWER shall be held harmless from any and all liability, claims, or expenses incurred by or on behalf of any person, agency, company, or organization responding to this RFP. Pre-contractual expenses are defined as expenses incurred by Proposers and the selected Consultant(s) in:

- Preparing a proposal in response to this RFP.
- Submitting proposal to ABAG POWER.
- Oral presentation to and negotiations with ABAG or ABAG POWER on any matter related to the proposal.
- Other expenses incurred by the Proposer or Consultant(s) prior to the date of award or any contract.

J. Protest Procedures

- I. A Proposer may file a protest, in writing, stating the reasons for its protest addressed to Gerald Lahr within three (3) working days after the notice of pre-award or award or after the post-award circumstances on which the protest is based has come to its attention. A detailed description of the facts underlying the protest plus any supporting documentation should be submitted. The

GENERAL CONDITIONS

- protest should be submitted to Gerald Lahr, Energy Programs Manager, at ABAG's offices.
- II. The Program Manager shall investigate the matter and respond in writing to each point raised by the proposer within ten (10) working days. In addition, the Program Manager shall specify in writing any action to be taken by ABAG.
 - III. If the Proposer is not satisfied with the decision of the Program Manager, the Proposer may appeal the decision in writing within five (5) working days to ABAG's Executive Director. The appeal shall be submitted at ABAG's offices.
 - IV. The Executive Director will investigate and respond in writing specifying any differences between his findings and those of the Program Manager. The Executive Director will also state the action to be taken by ABAG or the fact that no action shall be taken. The decision of the Executive Director is the final decision of ABAG.
 - V. The Proposer will be notified of its right to appeal to the appropriate state or local administrative or judicial authorities.
 - VI. In the event a protest has been timely filed before award, ABAG POWER will not make award prior to five (5) calendar days after the resolution of the protest, unless ABAG POWER makes a written determination that:
 - a) The items/services to be procured are urgently required
 - b) Delivery or performance will be unduly delayed by failure to make the award promptly; or
 - c) Failure to make prompt award will otherwise cause undue harm to ABAG or ABAG POWER.



Company Information Form

Company name: _____

Principal address: _____

Telephone: _____

Web Site: _____

Do you have a California or West Coast office? Yes No

If yes, specify:

Contact person: _____

Title: _____

Office location: _____

Telephone: _____

Email Address: _____

Business organization-- check one:

Corporation, incorporated in the State of: _____

Other (partnership, etc.). Describe: _____

Are you:

Registered to do business in California? Yes No

Is the proposing company a certified:

Small Business? Yes No

Disabled Veteran Business Enterprise;
Women or minority-owned Small Business? Yes No



S.E.C. registration number: _____

DUNS number: _____

Parent company (if any): _____

Affiliated energy-related companies: _____

Has the organization been the subject of litigation for the failure to meet contracted obligations within the last 3 years?

Yes No

Please include the following with this form:

- ✓ Most recent annual report or financial statement.
- ✓ Any additional information which will help in our qualification process.

All of the information provided on this statement and all supplemental information is true and accurate to the best of my knowledge.

Signature _____ Title _____

Print Name _____ Date _____