



ABAG POWER Executive Committee Meeting No. 2018-04
August 15, 2018 (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 JUNE 20, 2018
4. **Energy Programs Manager’s Report**
Information: The Energy Programs Manager will provide a report on items related to ABAG/MTC energy programs.
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; regulatory updates; and other miscellaneous program items.
ATTACHMENT 5A – MONTHLY SUMMARY OF OPERATIONS FY 2017-18
ATTACHMENT 5B – MONTHLY SUMMARY OF OPERATIONS FY 2018-19
ATTACHMENT 5C – GAS HEDGE CHART
ATTACHMENT 5D – MARKET PRICE CHART
ATTACHMENT 5E – INCOME STATEMENT (6/30/18) - PRELIMINARY
ATTACHMENT 5F – 2018 ABAG POWER AUDIT PLAN
6. **Renewable Natural Gas Opportunities**
Information: Staff will provide an update on the Request for Information (RFI) to determine potential suppliers of Renewable Natural Gas (RNG) and/or RNG attributes.
ATTACHMENT 6A – REQUEST FOR INFORMATION
7. **Canadian Gas Purchase and Transportation Agreements**
Information: Staff will provide a status update on necessary agreements to allow for the potential future purchase and transport of natural gas from locations within Canada.
ATTACHMENT 7A – GAS SUPPLY AND TRANSPORT AGREEMENTS MEMO
8. **Appointment of New Executive Committee Member**
Action: ABAG POWER Vice Chair to appoint Dan Schoenholz (City of Fremont) to the Executive Committee.
ATTACHMENT 8A – APPOINTMENT OF DAN SCHOENHOLZ TO THE COMMITTEE
ATTACHMENT 8A1 – EXECUTIVE COMMITTEE & KEY PERSONNEL



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AGENDA*

9. Agenda for Annual Board Meeting

Information: Staff will discuss the timing and agenda for the Annual Board meeting.

ATTACHMENT 9A – ANNUAL BOARD MEETING PRELIMINARY AGENDA

10. Other Business

11. Adjournment

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



SUMMARY MINUTES

**ABAG POWER Executive Committee
Regular Meeting 2018-03**

June 20, 2018

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

WELCOME AND INTRODUCTIONS

In the absence of the Vice Chair, committee member Chris Schroeder opened the meeting with introductions at 11:00 A.M.

Present Committee Representatives

Angela Walton
Chris Schroeder
Melissa Morton

Jurisdiction/Agency

City of Richmond
City of Milpitas
Vallejo Flood & Wastewater District

Absent Committee Representatives

Dave Brees (Vice Chair)
Misty Mersich

City of Los Altos
City of Cupertino

Staff Present

Adrienne Weil
Brad Paul
Jerry Lahr
Ryan Jacoby
Sonia Elsonbaty

Metropolitan Transportation Commission (MTC)
MTC
MTC
MTC
MTC

PUBLIC COMMENTS & ANNOUNCEMENTS

There were no public comments.

APPROVAL OF SUMMARY MINUTES OF APRIL 18, 2018 EXECUTIVE COMMITTEE MEETING

Motion was made by Schroeder/S/Walton/C/3:0:0 to approve as proposed the Summary Minutes of the April 18, 2018 Executive Committee meeting.

The aye votes were: Morton, Schroeder, Walton.

The nay votes were: None.

Abstentions were: None.



Absentees were: Brees, Mersich.

ENERGY PROGRAM MANAGER'S REPORT

Lahr announced the resignation of Tonya Gilmore from the City of Orinda and the ABAG POWER Executive Committee, resulting in a vacancy of the Chair position. Vice Chair Dave Brees will fulfill the duties of the Chair and inherit the authority for which to do so until the ABAG POWER Board votes to elect a succeeding Chair at its annual meeting in October.

Lahr noted that Gilmore's departure results in meeting the minimum number of members (5) required by the Bylaws. Additionally, he noted Agenda Item #8 – Appointment of New Executive Committee Member – would be delayed until the next meeting at which Dave Brees is present to appoint Dan Schoenholz (City of Fremont) to the Executive Committee.

Lastly, he mentioned the recent hiring of Shraddha Mutyal, as the Bay Area Regional Energy Network (BayREN) Single Family Program Manager.

REPORT ON NATURAL GAS PROGRAM

Monthly Summary of Operations FY 2017-18

Lahr provided members with the Monthly Summary of Operations reports for FY 2017-18; members were updated on the percentage savings comparisons with PG&E. Lahr noted that financial statements through April, 2018 indicated a cumulative savings figure of -5.6%.

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 current and historical gas prices.

Imbalance Inventory

Lahr provided informed on the program's current positive imbalance inventory, which is recorded once annually at the close of each fiscal year.

FISCAL YEAR 2018-19 OPERATING BUDGET

Lahr presented the Committee with an Operating Budget for Fiscal Year 2018-19 indicating a total core rate increase of 0.2%. He noted several factors of the net increase, including decreases in gas prices and core account usage, and increases in per-therm PG&E pass-through costs and ABAG/MTC administration fees. The program's core and non-core FY 2018-19 Levelized Charges represent a decrease of 2.2% when compared to FY 2017-18.

Total Working Capital Deposits remain at \$2,000,785, representing approximately three months of working capital which exceeds the program's stated goal of at least two months. Therefore, no additional deposits are anticipated during Fiscal Year 2018-19.

Motion was made by Schroeder/S/Morton/C/3:0:0 to deem the Working Capital Deposits sufficient and approve as proposed the Fiscal Year 2018-19 Operating Budget, including the Levelized Charges.



The aye votes were: Morton, Schroeder, Walton.

The nay votes were: None.

Abstentions were: None.

Absentees were: Brees, Mersich.

CANADIAN GAS PURCHASE AND TRANSPORTATION AGREEMENTS

Lahr presented an overview of intra/interstate pipelines and natural gas basins located in the western region of the U.S. and southwestern Canada. He identified various purchase and transport options for importing natural gas to California, and provided an illustrative pricing difference for the cost of gas purchased at PG&E's Citygate versus gas purchased in Canada and transported to PG&E's Citygate.

Motion was made by Morton/S/Schroeder/C/3:0:0 to authorize the Metropolitan Transportation Commission Executive Director, or his designee, to negotiate and enter into necessary agreements to allow for the potential future purchase and transport of natural gas from locations within Canada.

The aye votes were: Morton, Schroeder, Walton.

The nay votes were: None.

Abstentions were: None.

Absentees were: Brees, Mersich.

ADJOURNMENT

Committee member Schroeder adjourned the meeting at 12:29 PM.

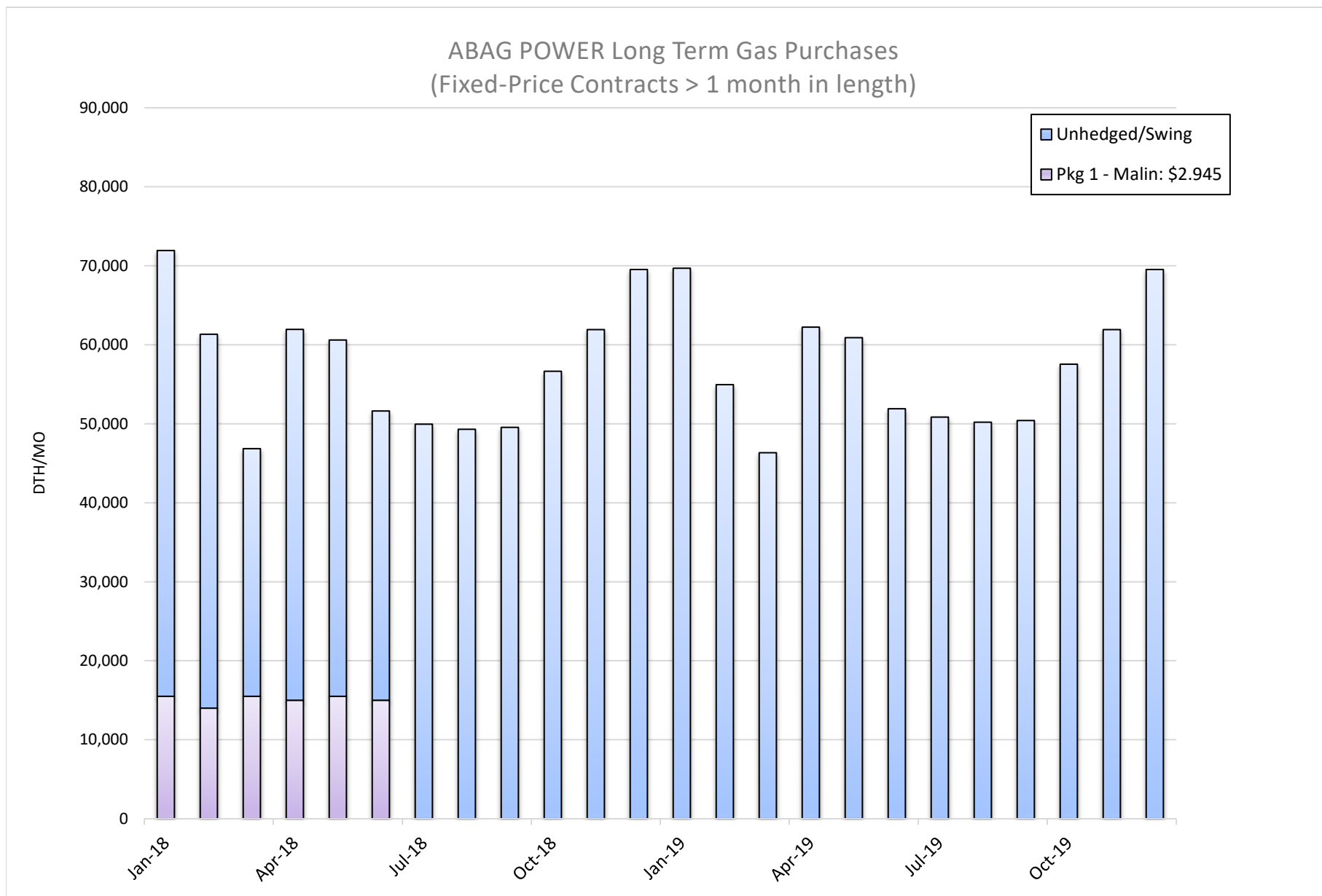
*Example of a motion – [*Member No. 1/S/Member No. 2/roll call vote/C/8:0:0*] means Member No.1 motions, seconded by Member No.2, after roll call vote, motion carries, 8 = “yes” votes, 0 = “no” votes and 0 = abstention.

	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
2	ABAG POWER Natural Gas Program															
3	FY 2017-18 Monthly Summary of Operations															
4																
5			Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Total	
7	Gas Purchases⁽¹⁾															
8	Purchase 1	Qty	15,500	15,500	14,986	15,442	15,000	15,489	15,500	14,000	15,500	15,000	15,500	14,950	182,367	
9		Price	\$2.95	\$2.95	\$2.95	\$2.95	\$2.95	\$2.95	\$2.95	\$2.95	\$2.95	\$2.95	\$2.95	\$2.95		
10	Purchase 2	Qty	15,500	15,500	14,664	15,436	15,000	15,487	15,500	14,000	15,500	15,000	15,500	14,930	182,017	
11		Price	\$2.73	\$2.71	\$2.70	\$2.56	\$2.69	\$2.89	\$2.61	\$2.71	\$2.23	\$1.93	\$1.94	\$2.10		
12	Purchase 3	Qty	17,500	18,900	19,900	23,925	24,500	50,500	50,150	41,500	38,200	23,100	26,800	19,950	354,925	
13		Price	\$3.22	\$3.28	\$3.30	\$3.15	\$3.15	\$2.93	\$2.98	\$2.74	\$2.74	\$2.70	\$2.91	\$3.01		
14	Purchase 4	Qty													0	
15		Price														
16	Purchase 5	Qty													0	
17		Price														
18	Total Quantity Purchased		48,500	49,900	49,550	54,803	54,500	81,476	81,150	69,500	69,200	53,100	57,800	49,830	719,309	
19	Total Purchase Cost		\$144,263	\$149,683	\$149,323	\$160,329	\$161,616	\$238,407	\$235,675	\$192,861	\$184,709	\$135,405	\$153,756	\$135,358	\$2,041,383	
20	Backbone Shrinkage (Dths)		(372)	(372)	(369)	(412)	(360)	(373)	(372)	(336)	(372)	(360)	(372)	(383)		
21	WACOG ⁽²⁾		\$3.00	\$3.02	\$3.04	\$2.95	\$2.99	\$2.94	\$2.92	\$2.79	\$2.68	\$2.57	\$2.68	\$2.74	\$2.84	
22																
23	Storage/Inventory															
24	Total Injections/ (Withdrawals)		8,736	9,010	9,060	8,602	6,080	(15,800)	(8,466)	(4,900)	(5,257)	0	0	7,085	14,150	
25	Total Inventory Quantity (Dths)		30,659	39,669	48,729	57,331	63,411	47,611	39,145	34,245	28,988	28,988	28,988	36,073		
26	Total Inventory (\$)		\$96,221	\$123,260	\$150,639	\$176,755	\$194,679	\$146,173	\$120,182	\$105,139	\$89,000	\$89,000	\$89,000	\$107,967		
27	Avg. Inventory Rate (\$/Dth)		\$3.14	\$3.11	\$3.09	\$3.08	\$3.07	\$3.07	\$3.07	\$3.07	\$3.07	\$3.07	\$3.07	\$2.99		
28																
29	Gas Program Monthly Expenses (from Financial Reports)															
30	Cost of Energy Used ⁽³⁾		\$ 149,766	\$ 153,725	\$ 151,384	\$ 165,949	\$ 169,447	\$ 318,630	\$ 296,008	\$ 249,234	\$ 222,982	\$ 155,373	\$ 169,977	\$ 134,898	\$ 2,337,373	
31	Program Operating Expenses ⁽⁴⁾		26,674	35,792	26,058	23,303	31,555	41,283	18,132	27,885	26,162	16,678	24,344	65,545	363,412	
32	Subtotal		\$ 176,440	\$ 189,517	\$ 177,442	\$ 189,252	\$ 201,002	\$ 359,913	\$ 314,139	\$ 277,120	\$ 249,144	\$ 172,051	\$ 194,321	\$ 200,443	\$ 2,700,785	
33	Rate (\$/Dth)		\$4.36	\$4.68	\$4.48	\$4.11	\$3.48	\$4.47	\$3.92	\$3.87	\$3.26	\$2.92	\$3.68	\$4.65	\$3.93	
34																
35	PG&E Pass-through costs ⁽⁵⁾		207,190	210,474	168,153	269,120	214,379	431,177	600,043	449,690	484,929	525,061	290,559	223,965	4,074,742	
36	Total ABAG POWER Cost		\$ 383,631	\$ 399,991	\$ 345,595	\$ 458,372	\$ 415,381	\$ 791,091	\$ 914,182	\$ 726,810	\$ 734,073	\$ 697,112	\$ 484,881	\$ 424,408	\$ 6,775,527	
37																
38	Actual (metered) Gas Usage															
39	Core ⁽⁶⁾		32,894	31,180	31,739	40,054	53,406	73,391	73,058	65,533	69,959	52,996	47,271	37,349	608,829	
40	Non Core		7,544	9,336	7,885	5,947	4,394	7,148	7,141	5,992	6,403	5,923	5,517	5,717	78,946	
41	Total Program Usage		40,438	40,517	39,624	46,001	57,800	80,539	80,199	71,524	76,362	58,918	52,788	43,065	687,775	
42																
43	ABAG POWER Total Core Rate		\$ 10.66	\$ 11.43	\$ 9.78	\$ 10.83	\$ 7.49	\$ 10.34	\$ 12.13	\$ 10.74	\$ 10.19	\$ 12.83	\$ 9.83	\$ 10.65		
44																
45																
46	PG&E Rate⁽⁷⁾															
47	Procurement Charge ⁽⁸⁾		3.03	3.12	2.56	2.99	3.25	3.59	3.56	3.89	3.05	3.31	2.54	1.99		
48	Transportation/Other Charge ⁽⁹⁾		6.30	6.75	5.30	6.72	4.01	5.88	8.21	6.86	6.93	9.91	6.15	6.00		
49	Total PG&E Rate		\$ 9.33	\$ 9.87	\$ 7.86	\$ 9.71	\$ 7.26	\$ 9.47	\$ 11.77	\$ 10.75	\$ 9.98	\$ 13.22	\$ 8.68	\$ 7.99		
50																
51	Monthly Index Postings															
52	NGI Bidweek for PG&E Citygate		\$3.25	\$3.28	\$3.34	\$3.17	\$3.19	\$3.12	\$2.86	\$2.97	\$2.76	\$2.59	\$2.65	\$3.10		
53	Gas Daily Avg. for PG&E Citygate		\$3.23	\$3.28	\$3.29	\$3.13	\$3.12	\$2.92	\$2.96	\$2.70	\$2.71	\$2.68	\$2.88	\$3.00		
54	NGI Bidweek for Malin		\$2.72	\$2.70	\$2.69	\$2.55	\$2.68	\$2.88	\$2.60	\$2.70	\$2.22	\$1.92	\$1.93	\$2.09		
55																

	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
2	ABAG POWER Natural Gas Program															
3	FY 2018-19 Monthly Summary of Operations															
4																
5			Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Total	
7	Gas Purchases⁽¹⁾															
8	Purchase 1	Qty	15,400													15,400
9		Price	\$3.02													
10	Purchase 2	Qty	30,974													30,974
11		Price	\$2.31													
12	Purchase 3	Qty														0
13		Price														
14	Purchase 4	Qty														0
15		Price														
16	Purchase 5	Qty														0
17		Price														
18	Total Quantity Purchased		46,374	0	0	0	0	0	0	0	0	0	0	0	0	46,374
19	Total Purchase Cost		\$117,931	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$117,931
20	Backbone Shrinkage (Dths)		(373)													
21	WACOG ⁽²⁾		\$2.56													\$2.54
22																
23	Storage/Inventory															
24	Total Injections/ (Withdrawals)		0													0
25	Total Inventory Quantity (Dths)		36,073													
26	Total Inventory (\$)		\$107,967													
27	Avg. Inventory Rate (\$/Dth)		\$2.99													
28																
29	Gas Program Monthly Expenses (from Financial Reports)															
30	Cost of Energy Used ⁽³⁾															\$ -
31	Program Operating Expenses ⁽⁴⁾															-
32	Subtotal		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
33	Rate (\$/Dth)															-
34																
35	PG&E Pass-through costs ⁽⁵⁾															-
36	Total ABAG POWER Cost															\$ -
37																
38	Actual (metered) Gas Usage															
39	Core ⁽⁶⁾															0
40	Non Core															0
41	Total Program Usage		0	0	0	0	0	0	0	0	0	0	0	0	0	0
42																
43	ABAG POWER Total Core Rate															
44																
45																
46	PG&E Rate⁽⁷⁾															
47	Procurement Charge ⁽⁸⁾		2.09	2.72												
48	Transportation/Other Charge ⁽⁹⁾															
49	Total PG&E Rate		\$ 2.09	\$ 2.72	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
50																
51	Monthly Index Postings															
52	NGI Bidweek for PG&E Citygate		\$2.98	\$3.08												
53	Gas Daily Avg. for PG&E Citygate		\$3.00													
54	NGI Bidweek for Malin		\$2.30	\$2.49												
55																

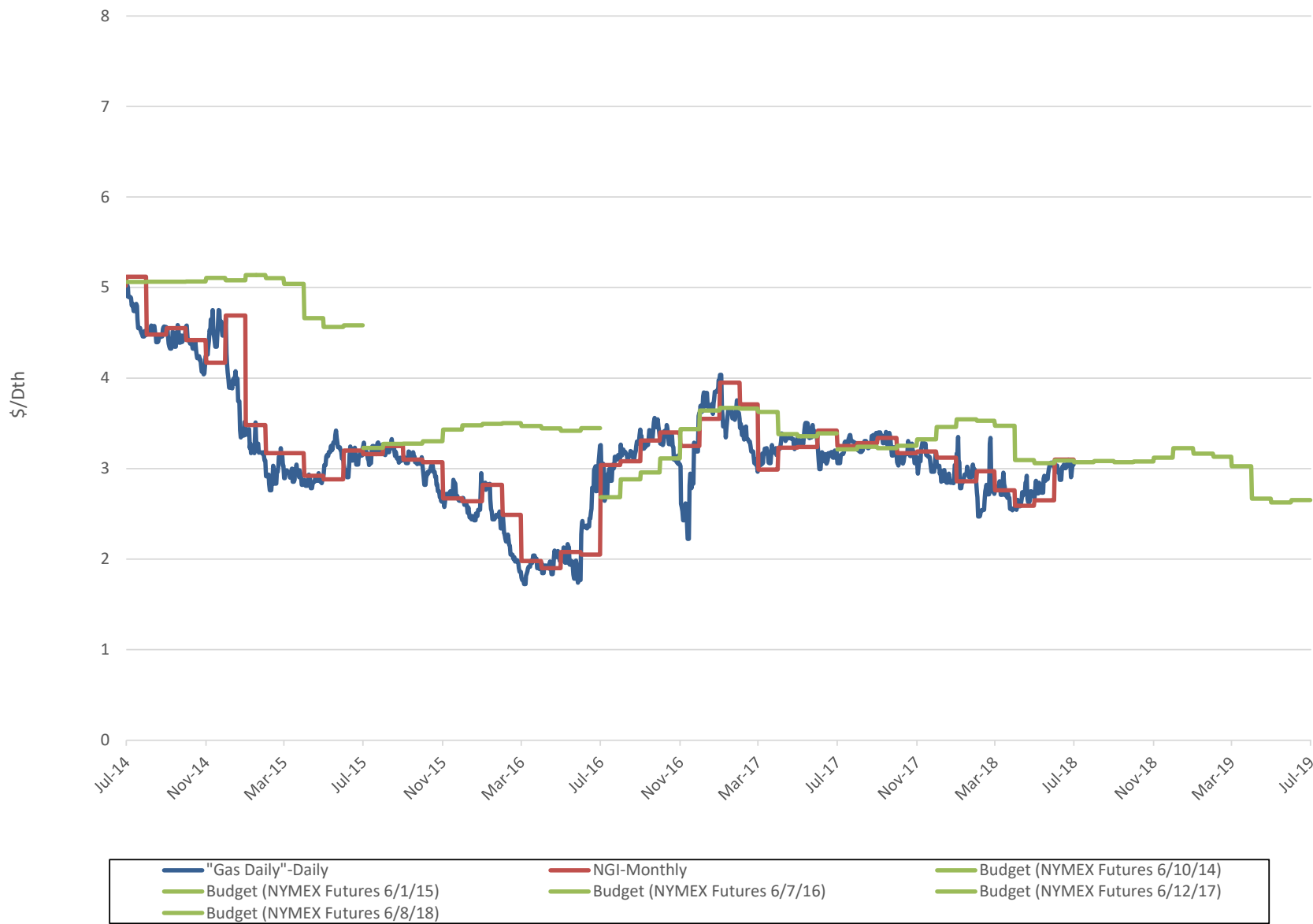
	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
2	ABAG POWER Natural Gas Program															
3	FY 2018-19 Monthly Summary of Operations															
4																
5			Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Total	
56	G-NR1 Rate Comparison															
57	Monthly Rate Difference (\$/Dth)															
58	Monthly Savings (\$)															
59	Cumulative 'Savings' (\$)															
62	Cumulative 'Savings' (%)															
63																
64	Additional Rate Comparisons															
65	G-NR2 Cumulative Savings															
70	G1 & GM Cumulative Savings															
75	G-NGV1 & G-NGV2 Cumulative Savings															
80																
81																
82	Notes:															
83	(1) All gas quantities in Dth and rates in \$/Dth. (Does not include imbalance purchases traded to storage.)															
84	(2) Weighted Average Cost of Gas (WACOG) at PG&E Citygate															
85	(3) Includes costs to transport gas to PG&E Citygate from alternate delivery points, as well as physical storage costs.															
86	(4) Includes scheduling fees, billing fees, administrative costs and misc. expenses; less interest income.															
87	(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.															
88	(6) From billing data															
89	(7) Based on PG&E's G-NR1 rate schedule.															
90	(8) Includes: Procurement Charge, Capacity Charge, Brokerage Fee, Shrinkage, and Storage.															
91	(9) PG&E Transportation Charge; Customer Charge, and surcharge for Public Purpose Programs. Does not include Franchise Fees and City Taxes.															
92																
93																
94																
95																

Gas Hedge Chart



Market Price Chart

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



ABAG POWER					
Income Statement (Preliminary/Unaudited)					
Jun-18					
	FY Budget	Actual Current Month	Actual Year-to-Date	YTD % of Budget	Budget Balance
Revenue:					
Sales of Energy	\$ 7,438,552.00	\$ 620,160.00	\$ 7,441,920.00	100.05%	(3,368.00)
Interest Income	\$ 12,000.00	\$ 6,200.47	\$ 29,971.24	249.76%	(17,971.24)
Miscellaneous (PG&E Billing Credit)	\$ -	\$ -	\$ 9,313.11	-	(9,313.11)
Total Revenue	\$ 7,450,552.00	\$ 626,360.47	\$ 7,481,204.35	100.41%	(30,652.35)
Expenses:					
Cost of Energy	\$ 2,739,186.00	\$ 134,898.04	\$ 2,337,373.10	85.33%	401,812.90
PG&E Passthrough	\$ 4,355,605.00	\$ 223,964.80	\$ 4,074,741.51	93.55%	280,863.49
<i>Total Cost of Energy</i>	\$ 7,094,791.00	\$ 358,862.84	\$ 6,412,114.61	90.38%	682,676.39
Personnel/Consultant Services:					
Legal Expense	\$ 15,000.00	\$ 10,000.00	\$ 14,283.43	95.22%	716.57
Billing Agent Fees	\$ 900.00	\$ 532.34	\$ 9,104.78	1011.64%	(8,204.78)
Scheduling Agent Fees	\$ 16,800.00	\$ 1,400.00	\$ 16,800.00	100.00%	0.00
ABAG Administrative Fees	\$ 318,561.00	\$ 59,141.08	\$ 345,464.55	108.45%	(26,903.55)
<i>Total Consultant Services</i>	\$ 351,261.00	\$ 71,073.42	\$ 385,652.76	109.79%	(34,391.76)
Other Indirect Charges:					
Interest Expense/ Bank Charge	\$ 9,500.00	\$ 672.17	\$ 7,730.32	81.37%	1,769.68
<i>Total Other</i>	\$ 9,500.00	\$ 672.17	\$ 7,730.32	81.37%	1,769.68
Total Expenses	\$ 7,455,552.00	\$ 430,608.43	\$ 6,805,497.69	91.28%	650,054.31
Surplus(Defecit)	\$ (5,000.00)	\$ 195,752.04	\$ 675,706.66		\$ (680,706.66)



*Report to the Executive Committee
2018 Audit Plan*

ABAG Publicly Owned Energy Resources

August 6, 2018





August 6, 2018

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

We are pleased to present our 2018 Audit Plan for ABAG Publicly Owned Energy Resources ("POWER" or "Organization"). The information included in this report allows you to understand the judgments we have made in planning and scoping our audit procedures. This report includes information covering:

- The audit approach;
- Our continued commitment, and;
- Trending topics.

This report was prepared based on information obtained from meetings with management, our knowledge of the Organization, our consideration of the operating environment and our risk assessment procedures. Our audit approach will remain flexible and responsive to the POWER's environment. Any significant changes to our audit plan will be discussed with the Executive Committee at a future meeting.

Discussion of our audit plan ensures our PwC engagement team members understand your concerns and together we agree on mutual needs and expectations, which enables us to provide the highest level of service and audit quality. We remain committed to candid discussions with you and management, delivering a high quality audit, as well as providing an independent point of view. We welcome your feedback on our audit plan.

We look forward to presenting this report, addressing your questions and discussing any other matters of interest. Please feel free to call me at (415) 377-4410 with any questions you may have.

Very truly yours,

A handwritten signature in black ink, appearing to read "Ian Fleming".

Ian Fleming
Engagement Partner

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T: +1 (415) 498-5000 F: +1 (415) 498-7100, www.pwc.com*

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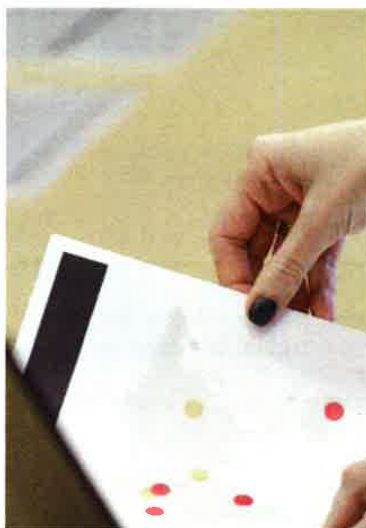
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This report and the information that it contains is intended solely for the information and use of the Executive Committee or management, if appropriate, and should not be used by anyone other than these specified parties.



Audit approach

Audit objectives



Our primary objectives are to:

- Perform an audit in accordance with auditing standards generally accepted in the United States of America to obtain reasonable assurance the Organization's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and are free from material misstatement whether caused by error or fraud, and
- Render an opinion on the financial statements as of June 30, 2018 and for the year then ending.

Our audit does not relieve management of its responsibilities with regard to the financial statements.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. The engagement team is placing partial reliance on controls in certain areas.

Our audit deliverables:

- Opinion on the fair presentation of consolidated financial statements
- Required Communications Closing Report




Risk assessment process and results

Approach and definitions

Our audit approach is based on the following principles:

- The use of a top-down, risk-based approach
- The application of well-reasoned professional judgment


These principles, with the application of materiality, allow us to develop and execute our audit approach in an effective and efficient manner. The results of our risk assessment include the identification of audit risks and also drives the identification of significant accounts. We evaluate audit risks as defined below.

-  **Significant risk** – requires special audit consideration in terms of the nature, timing or extent of testing (or in other respects) due to the risk’s nature, likely magnitude of potential misstatement and/or likelihood of that risk occurring - including the possibility that the risk may give rise to multiple misstatements.
-  **Elevated risk** – requires additional audit consideration beyond what would be required for a normal risk, but that does not rise to the level of a significant risk because of the nature, likely magnitude of the potential misstatements and/or the likelihood of the risk occurring.
-  **Normal risk** – relates to the relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgment. Although a risk of material misstatement exists, there are no special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Risk assessment process and results

Significant risks

We have outlined below the significant risks identified based on our preliminary risk assessment process, together with our planned audit response.

<i>Risk description</i>	<i>Related accounts</i> (including relevant assertions)	<i>Planned audit response</i>
 Fraud - Risk of management override of controls, including accounting for significant unusual transactions, particularly sensitive accounting estimates, manual journal entries and incomplete, inaccurate or omitted disclosures	All (A, C, CO, EO, PD, RO, V)	<ul style="list-style-type: none"> • Test journal entries focusing on certain characteristics that may indicate a risk of fraud • Test underlying assumptions used in particularly sensitive accounting estimates • Understand business purpose and test significant unusual transactions • Review financial statements for inaccurate or omitted disclosures • Make inquiry of key members of management

Assertion legend: **A** – Accuracy **CO** – Cutoff **RO** – Rights and Obligations
C – Completeness **EO** – Existence/Occurrence **V** – Valuation
PD – Presentation/Disclosure

Risk assessment process and results

Materiality

We determine the materiality level for the financial statements as a whole for purposes of (1) identifying and assessing risks of material misstatement and (2) for determining the nature, timing and extent of audit procedures. We consider both quantitative and qualitative factors in our assessment of materiality.

We also assess the metrics used by the users of the financial statements in determining the appropriate basis for calculating materiality, including total assets, total revenue and total expenses. For POWER, we calculate materiality using program revenues as a benchmark.

Scoping

Our audit strategy is based on our top-down, risk-based audit approach is an understanding of:

- The size and complexity of the business and its environment;
- The existence of entity-level controls (ELCs) and information technology general controls (ITGCs); and
- Management's process for evaluating internal control over financial reporting.

Once we have completed our initial risk assessment and gained an understanding of ELCs and ITGCs, we identify, at the financial statement level, significant accounts and disclosures, considering the relevant assertions related to those accounts and disclosures and identifying the significant processes and relevant controls.

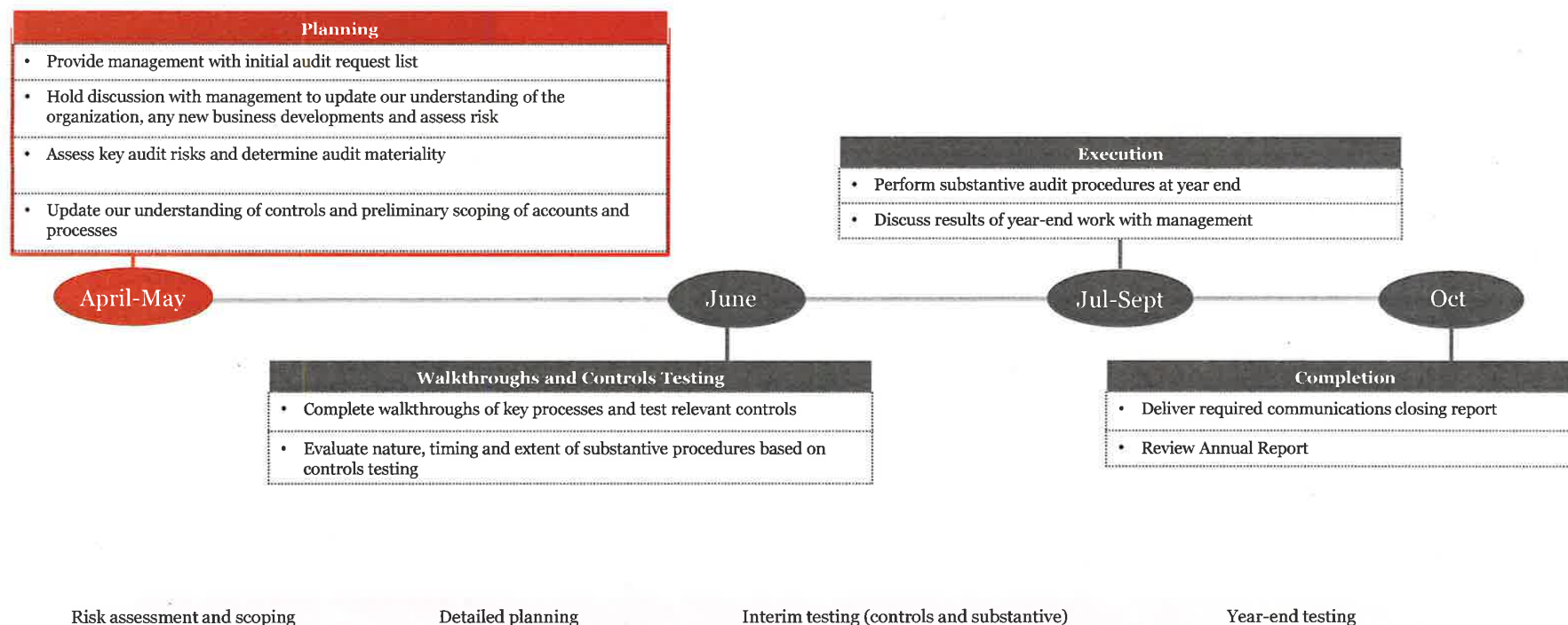
The determination of whether an account or disclosure is significant to the audit of the financial statements is based on whether there is a reasonable possibility the account could contain a misstatement that, individually or when aggregated with others, could have a material effect on the financial statements.

Considerations for scoping accounts

- Size and composition of the account
- Susceptibility of misstatement due to errors or fraud
- Volume of activity, complexity and homogeneity of the individual transactions processed through the account or reflected in the disclosure
- Nature of the account or disclosure
- Changes from the prior period in account or disclosure characteristics
- Accounting and reporting complexities associated with the account or disclosure
- Exposure to losses in the account
- Possibility of significant contingent liabilities arising from the activities reflected in the account or disclosure
- Existence of related-party transactions in the account
- Knowledge obtained in prior audits

Timeline and communication plan

The table below outlines our expected timing of communications and planned audit procedures. In addition, we may communicate with you more frequently, if and when significant matters arise.



Other required communications

Fraud

We are required to make certain inquiries of the Executive Committee related to fraud risks. In addition, as part of our overall response to fraud risk, we incorporate unpredictability into our audit by modifying the nature, timing and extent of our procedures.

Fraud is a broad legal concept and auditors do not make legal determinations of whether fraud has occurred. Rather, the auditor's interest specifically relates to acts that result in a material misstatement of the financial statements. The primary factor that distinguishes fraud from error is whether the underlying action that results in the misstatement of the financial statements is intentional. The following two types of misstatements are relevant to the auditor's consideration of fraud:

Misstatements arising from fraudulent financial reporting are intentional misstatements or omissions of amounts or disclosures in financial statements designed to deceive financial statement users when the effect causes the financial statements not to be presented, in all material respects, in conformity with generally accepted accounting principles (GAAP).

Misstatements arising from misappropriation of assets (sometimes referred to as theft or defalcation) involve the theft of an entity's assets when the effect of the theft causes the financial statements not to be presented, in all material respects, in conformity with GAAP.

Fraud items for discussion:

- *Programs and controls in place to mitigate the risk of fraud and error*
- *Specific concerns about the risk of fraud or error*
- *Any actual, alleged or suspected fraud*
- *Oversight of the assessment of fraud risks and mitigating controls*
- *Violations or possible violations of law*
- *Nature and extent of communications about misappropriations by lower level employees*
- *Other matters relevant to the audit*

Other required communications

<i>Independence</i>	There were no relationships or other matters identified that might reasonably be thought to bear on independence.
<i>Non-compliance with laws and regulations and illegal acts</i>	We did not identify any instances of non-compliance with laws and regulations. We did not identify any potential illegal acts.
<i>Significant issues discussed with management prior to appointment or retention</i>	There were no significant issues discussed with management in connection with the retention of PwC.
<i>Obtain information relevant to the audit</i>	We will inquire of the Executive Committee about whether it is aware of matters relevant to the audit and about the risks of material misstatement.



Our continued commitment



Our continued commitment

Our multi-year audit innovation strategy



Create a **global xLOS** platform to meet clients' needs in all geographies and promote **reusability** of analytic modules, client data and insights in **appropriate** and approved ways.



Deliver client engagements with **enhanced quality** through **data-driven audit procedures**, machine learning and our best in class resource expertise.



Securely extract and analyze our client's information through state of the art methods and cryptography.



Deliver **next-generation insight** to clients about their data, performance, process efficiency and optimization in ways not possible with today's PwC tools and applications.



Tech-enable the audit to streamline, standardize, automate and centralize our work in Centers of Excellence/SDCs.



Deliver a workforce of talented professionals with the **triple threat of business knowledge, digital skills and technology know-how**, who are highly valued in the marketplace.



Train our people in new digital skills that will be in demand at PwC and elsewhere, to be their best at work and in life, and to use their skills to make a difference.

On POWER, we continue to innovate the audit as follows:

- We will continue to utilize Connect to coordinate audit requests to reduce duplicative requests of management and expedite delivery of requests to appropriate team members.
- We will utilize Halo for Journals, a PwC developed data analytic tool which allows us to extract all financial transactions for the year and isolate certain transactions based on various tailored risk criteria.
- We will utilize the Automated Disclosure Checklist to enhance quality and efficiency to audit necessary disclosure requirements

Our continued commitment

Audit innovation tools

Our current technology used on the audit engagement today



Aura

Aura, our global ERP system, is used by our 100,000 auditors worldwide on every PwC audit. It involves a systematic, risk-based approach with workflow technology. This ensures that things are done one way – the right way – consistently and efficiently across the global engagement team. The result is all of the elements of our audit fitting together seamlessly – no duplication, no omissions.



Connect

Connect is our data sharing and collaborative workflow tool, providing fast, efficient and secure information sharing at every stage of the audit globally. It monitors the status of information flows on a real-time basis. **Connect Audit Manager (CAM)** is our global project management tool that will give you a real-time view of the status of all your global statutory audits. CAM will facilitate even greater project management, more visibility and control, and a global consistency across the global engagement team.



Halo

Halo is revolutionizing the PwC audit, providing greater assurance and deeper insight. It is market-leading assurance technology that tests and visualizes information, testing more, more often. We are able to share insights with management based on trends and anomalies identified in the data.



Digital Accountancy Forum and Awards
Audit Innovation of the Year

PwC's Halo

Winner 2016



Digital Accountancy Forum and Awards
Audit Innovation of the Year

PwC's GL.ai

Winner 2017

Next generation technology



GL.ai

GL.ai is a revolutionary bot that uses AI and machine learning to "x-ray" a business, analyzing billions of data points in milliseconds, seeing what humans can't and applying judgment to detect anomalies in the general ledger. It is the first module of PwC's Audit.ai.



Data Sieve

We have bespoke optical character recognition tools that utilize machine-learning technology and can be "trained" to scan contracts and extract the relevant information. This information is easily searchable and can be analyzed in several different ways. The technology is already being used to help clients implement the revenue and leases standards, for example.



Process mining

Our range of Halo tools can illustrate the journey that each transaction takes through the Organization's systems. This generates a detailed illustration of the transaction flows for each key process, showing not only the most common route that transactions take, but also when transactions follow an unexpected path.

This will enable us to compare expected data flows to reality and to properly understand the reliance companies are placing on automated and manual controls. This drives a higher-quality risk-based audit and also generates unique insight into the Organization's business.

Our diversity and inclusion strategy

“When you include a diversity of minds in the decision-making process, you inevitably have a better and stronger result.” - Tim Ryan, US Chairman and Senior Partner

An integrated approach

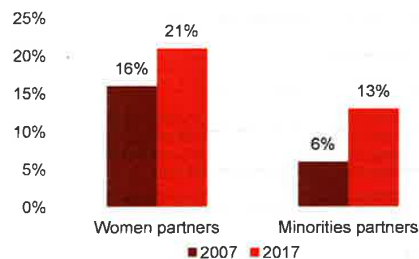
PwC has been on a journey to promote diversity and sustain an inclusive environment. Today, women and minorities comprise 45% and 33% of our firm, respectively. To better align our programs and initiatives with our people and business strategies, our diversity priorities are incorporated into our organization at many levels, starting with our core values of caring and working together, including:

- Our **“Blind Spots” program** is required for all new hires and promotees and available to all our people, and helps individuals gain awareness of unconscious biases and their consequences.
- We continued a series of **Color Brave™ conversations** about race that has helped break down barriers to employees bringing their best selves to work.

- We engage our people through **employee networking groups** for Black/African-Americans, Asians/Pacific Islanders, Latinos/Hispanics, women, working parents, veterans, people with disabilities and LGBT professionals.

Another testament of our progress is our 2017 new partner class—the most diverse in our history—with 45% women and minorities.

While we are proud of the progress we have made, there is still more we want to do to enhance our inclusive culture so that we can continue to attract talented people who have unique skills, experiences and ambitions.



As a result of our efforts to promote diversity and sustain an inclusive environment, the diversity of our partners has gone from 16% women and 6% minorities in 2007 to 21% women and 13% minorities in 2017.



Trending topics

Updates to authoritative guidance

GASB Statement No. 87, *Leases*

On June 28, 2017, the GASB issued its long-awaited revision to governmental lease accounting, Statement No. 87, *Leases*, which will bring substantially all leases on to lessees' balance sheets.

Lessees

For operating leases (which today are off-balance sheet), lessees will be required to recognize an asset for the right to use the leased item and a corresponding lease liability. This requirement is broadly consistent with leasing standards recently issued by the FASB and IASB, which differ significantly in other respects.

The GASB's rules closely follow the IASB's approach, eliminating all distinctions between operating and capital leases and treating all leases as financings (similar to capital lease accounting today). Lease liabilities will be considered long-term debt, and lease payments will be capital financing outflows in the cash flow statement. In the activity statement, lessees will no longer report rent expense for today's operating-type leases, but will instead report interest expense on the liability and amortization expense related to the asset.

Lessors

The GASB developed a unique model for lessors that differs significantly from both the FASB and IASB approaches. Under the GASB's rules, lessor accounting will mirror lessee accounting. Lessors will recognize a lease receivable and a corresponding deferred inflow of resources (with certain exceptions) while continuing to report the asset underlying the lease. Lease revenue will arise from amortizing the deferred inflow of resources in a systematic and rational manner over the lease term. Because the GASB's existing lease rules were derived from the FASB's original lease accounting rules (FASB Statement No. 13), GASB entities and FASB entities currently report leases similarly, recognizing a distinction between operating and capital leases.

The requirements of Statement No. 87 are effective for POWER in fiscal year 2021, with earlier application encouraged.

Cybersecurity

Cybersecurity



Consumer Intelligence Series: Protect.me

An in-depth look at what consumers want, what worries them, and how companies can earn their trust—and their business.

It's critical that companies understand and respond appropriately to their customers' cybersecurity concerns. To earn consumers' trust, you must vigorously protect customers' data while respecting individual privacy as you look for ways to monetize that data. Click on the image to read the publication.

The Global State of Information Security® Survey 2018

Strengthening digital society against cyber shocks

Across the globe, businesses are racing to implement new technologies, using data to innovate and grow in an increasingly interconnected world. But as companies become more reliant on cyber capabilities, they must also recognize and manage the associated risks. To compete in the emerging digital world, companies must protect themselves from cyber risks, and become more resilient to cyber shocks – large-scale events with cascading disruptive consequences. Click on the image to read the publication.





Appendices



Appendices

- Appendix I –Engagement letter

Appendix I – Engagement letter

CONTRACT APPROVAL SHEET

AGENCY:	ABAG	ConTracker #:		Contract No. (Acctg. use only):	
NAME OF CONTRACTOR/CONSULTANT:	PricewaterhouseCoopers, LLP				
PROJECT TITLE:	Annual Financial and Compliance Audit				
Amount	Approval by ED or Committee (specify)	Committee Approval Date <i>Attach most recent signed Comm. memo</i>	Grant/ Allocation Name	Grant No./ Allocation No./ Funding Source (Acctg.)	
Original Contract:	\$402,325	Admin	March 15, 2018	FY 2017-18: ABAG \$241,500 ABAG FAN \$77,875 ABAG POWER \$82,950 - 77,875	
				Federal Funds :	Yes* No X
<i>*If yes, please complete the form saved at J:\CONTRACT\Contract Formats\FORMATS\10c.pdf</i>					
Amend #1:	Abag Admin 401.0000.00.5717 \$241,500 -				
Amend #2:	Abag FAN 481.1711.22.5717 \$82,950 -				
Amend #3:	Abag Power 461.1707.20.5717 \$77,875 -				
Work Item:	Sole Source: Yes No <input checked="" type="checkbox"/> N/A delete 2 check marks. If yes, attach signed sole source justification				
Fiscal Years:	2017-18 to 2021-22				
Insurance Code:	Insurance Exceptions:				
Contractor Contact/Email:					
Contractor Address:					

\\MTCFS2U_Drive\CONTRACT\Contracts-New\CON 17-18\PwC\ABAG\Signature Sheet_ABAG.docx

REVIEW LIST

Project Manager:	<u>Debbie Atmaja</u>	Date:	<u>04/13/18</u>
	Debbie Atmaja	Pre Award Audit Required:	Yes No X
		Public Works:	Yes No X
Section Director:	<u>Brian Mayhew</u>	Date:	<u>4/13/2018</u>
Budget Review:	<u>Suzanne Bode-MTC/Sonia Elsonbaty-BATA/MTC SAFE/ABAG</u>	Date:	<u>4/18/18</u>
Contract Administration ¹ :	<u>Denise Rodrigues/Michael Brinton/Andrew Nguyen/Edward Phillips/Loren Hill</u>	Date:	<u>5/1/18</u>
IT Review:	<u>N/A</u>	Date:	
Office of General Counsel:	<u>Leslie D. Miessner w/edits</u>	Date:	<u>5/11/18</u>
Deputy Executive Director:	<u>Andrew B. Fremier²/Alix A. Bockelman³/Brad Paul⁴</u>	Date:	<u>5/11/18</u>
Finance Section:	<u>Brian Mayhew</u>	Date:	<u>4/13/2018</u>

Return to Contract Administration

RECEIVED

MTC LEGAL DEPT

¹ Includes DBE review for all federally-funded contracts.

² Reviews all procurements and contracts from OPS, EPS, TSS, BATA, BAHA, MTC SAFE, and BAIFA funded work.

³ Reviews all procurements and contracts from Planning, PAA, LPA and ADS.

⁴ Reviews all procurements and contracts from ABAG for Estuary Partnership, Energy Program, Insurance Program, and Finance Authority.

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PROFESSIONAL SERVICES AGREEMENT

between

ASSOCIATION OF BAY AREA GOVERNMENTS

and

PRICEWATERHOUSECOOPERS LLP

for

ANNUAL FINANCIAL AND COMPLIANCE AUDITS FOR FIVE AUDIT YEARS

FISCAL YEARS 2017-2018 to 2021-2022

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PROFESSIONAL SERVICES AGREEMENT
Between ASSOCIATION OF BAY AREA GOVERNMENTS
And PRICEWATERHOUSECOOPERS LLP
For ANNUAL FINANCIAL AND COMPLIANCE AUDITS

THIS AGREEMENT is made and entered into as of the April 15th of 2018, by and between the Association of Bay Area Governments (herein called "ABAG"), a public entity formed under the California Joint Exercise of Powers Act, Government Code § 6500, and PricewaterhouseCoopers LLP, (herein called "AUDITOR"), a Limited Liability Partnership organized under the laws of the state of California. Pursuant to the Request for Qualifications issued by ABAG on November 15, 2017, and revised by addendum on December 22, 2017 (the "RFQ"), ABAG may procure Services under this Agreement for itself and all of its funds and the following independent operating entities: Association of Bay Area Governments Financing Authority ("ABAG FAN"), and Association of Bay Area Governments Publicly Owned Energy Resources ("ABAG POWER"), which are bound to this Agreement by ABAG signature on their behalf.

RECITALS

WHEREAS, ABAG intends to retain AUDITOR to conduct an annual independent audit of ABAG, ABAG FAN, and ABAG POWER, and to render an opinion on the financial records (herein called "the Audit Project") and,

WHEREAS, the services required for the Audit Project cannot be performed satisfactorily by the officers and employees of ABAG, ABAG FAN, and ABAG POWER; and

WHEREAS, the parties hereto now wish to enter into an agreement ("the Agreement") pursuant to which AUDITOR will render professional services in connection with the Audit Project as hereinafter provided; and

WHEREAS, On May 30, 2017, ABAG and MTC entered into a Contract for Services under which MTC provides administrative and program services to ABAG. Effective July 1, 2017, the staffs of ABAG and MTC were consolidated. MTC staff now serve both the Association of Bay Area Governments and the Metropolitan Transportation Commission. As such, all interactions between ABAG and Consultant contained within this Agreement, shall be conducted by MTC staff on behalf of ABAG;

NOW, THEREFORE, the parties hereto agree as follows:

1. **SCOPE OF SERVICES**

AUDITOR's services are described in Attachment A, Scope of Work for the Audit Project, and Attachment A-1, Engagement Letter for the Audit Project, attached hereto and

incorporated herein by this reference. AUDITOR agrees to perform or secure the performance of all specified services within the maximum payment specified in Article 3.C, subject to the prior written approval of a work plan by Debbie Atmaja (herein called "Project Manager") or a designated representative. As Project Manager, Debbie Atmaja is responsible for communication with AUDITOR and the administration of this Agreement.

In addition to audit services, AUDITOR may be engaged for value added services including, but not limited to:

1. Performing SSAE 16 audits of service providers/organizations and the type(s) of SOC Reports.
2. Agreed-upon procedure engagements including reviews of project close-out audits and contract compliance.
3. Performing review, assessment, and providing recommendations for business and IT controls.
4. Performing review, assessment, and providing recommendations on financial and IT system related matters for program implementations.
5. Performing review for compliance of PCI DSS and requirements.

Such agreed-upon procedures shall be subject to approved funding added to the Agreement by a duly executed amendment and a separate engagement letter signed by the Chief Financial Officer.

2. PERIOD OF PERFORMANCE

AUDITOR's services for the Audit Project for the fiscal years 2017-2018, 2018-2019, 2019-2020, 2020-2021, and 2021-2022 hereunder shall commence on or after April 15, 2018 and shall be completed no later than December 31, 2022, unless earlier terminated, as hereinafter provided. At ABAG's sole discretion, the Agreement may be renewed for two (2) additional consecutive years covering Audit services for fiscal years 2022-2023 and 2023-2024, subject to the satisfactory negotiation of terms and the concurrence of ABAG. AUDITOR's services shall be performed in accordance with the schedule included in each signed engagement letter.

3. COMPENSATION AND METHOD OF PAYMENT

A. Compensation for Financial Audit. AUDITOR shall be paid, as full compensation for the satisfactory completion of the work of the Audit Project described in Attachment A for the Fiscal Year 2017-2018 audit, the firm fixed sum of four hundred two thousand three hundred

twenty five dollars (\$402,325), which includes all applicable surcharges such as taxes, insurance, and fringe benefits, as well as indirect costs, overhead and profit allowance, subcontractors costs, travel, materials and supplies. Compensation for the work of the Audit Project for Fiscal Years 2018-2019, 2019-2020, 2020-2021, and 2021-2022 shall be added by amendment and is subject to the Commission's annual budgetary approval process; provided, however, that if compensation for the Audit Project for Fiscal 2018-2019, 2019-2020, 2020-2021, and 2021-2022 is not approved, and if no amendment is signed for such compensation, AUDITOR shall not be required to perform audits for such Fiscal Years.

B. Progress Payments for Financial Audit. Payment for AUDITOR's services for the Annual Fiscal Year 2017-2018 audit shall be due in the amounts indicated below, upon acceptance by Project Manager of the following deliverables or milestones, described in detail in Attachment A:

Task	Deliverables	Date	Payment
1	Planning and scoping of audit	April 2018	\$80,000
1	Commencement of interim audit work	June 2018	\$60,000
1	Completion of interim audit work	July 2018	\$30,000
2	Delivery of detailed audit plan	July 2018	\$30,000
3	Commencement of year-end on-site audit work	August 2018	\$140,000
3	Completion of on-site audit work	October 2018	\$40,000
4	Delivery of draft financial audit reports	October 2018	\$20,000
5,6,7,8	Formal presentation of audit reports to the Audit Committees	October 2018	\$2,325
	Total for FY 2017-18 Audit Project		\$402,325

C. Maximum Payment. Subject only to duly executed amendments, it is expressly understood and agreed that in no event will the total compensation to be paid AUDITOR under this Agreement for the FY 2017-18 audit exceed the sum four hundred two thousand three hundred twenty five dollars (\$402,325), inclusive of out-of-pocket expenses.

D. Method of Payment. AUDITOR shall submit an invoice identifying the Audit Project deliverable or milestone for which payment is sought no later than thirty (30) days after ABAG's acceptance of such deliverable/milestone. Payment shall be made by ABAG within thirty (30) days of receipt of an acceptable invoice, approved by the Project Manager or a designated representative. All invoices shall be made in writing and delivered or mailed to ABAG as follows:

Attention: Accounting Section
Association of Bay Area Governments
Bay Area Metro Center
375 Beale St., Suite 800 San Francisco, CA 94105

4. KEY PERSONNEL ASSIGNMENTS

AUDITOR will use reasonable efforts to inform ABAG in advance of any key personnel changes. AUDITOR agrees that all personnel assigned to this work will be professionally qualified for the assignment to be undertaken.

5. AMENDMENTS

ABAG reserves the right to request changes in the services to be performed by AUDITOR. All such changes shall be incorporated in written amendments, which shall specify the changes in work performed and any adjustments in compensation and schedule. All amendments shall be executed by the Executive Director or a designated representative and AUDITOR and specifically identified as amendments to the Agreement. The Project Manager is not a designated representative, for purposes of approving an amendment.

Any services added to the scope of the Agreement by an amendment shall be subject to all applicable conditions of the Agreement. No claim for additional compensation or extension of time shall be recognized unless contained in a duly executed amendment.

6. TERMINATION

A. Termination for Convenience. ABAG may terminate this Agreement, in whole or in part, at any time by 30 days advance written notice to AUDITOR. Upon receipt of notice of termination, AUDITOR shall stop work under this Agreement on the termination date, and shall promptly submit its termination claim to ABAG. AUDITOR shall be reimbursed for costs incurred for incomplete deliverables up to the time of termination and a reasonable profit, plus reasonable termination costs, not to exceed the maximum amount payable for such deliverables. If AUDITOR has any property in its possession belonging to ABAG, AUDITOR will account for the same, and dispose of it in the manner ABAG directs.

B. Termination for Default. If AUDITOR does not deliver the work products specified in this Agreement in accordance with the contract or fails to perform in the manner called for in the Agreement, or if AUDITOR fails to comply with any other material provision of the Agreement, ABAG may terminate this Agreement for default. Termination shall be effected by serving a fifteen (15) day advance written notice of termination on AUDITOR, setting forth the manner in which AUDITOR is in default. If AUDITOR does not cure the breach or describe to ABAG's satisfaction a plan for curing the breach within the fifteen (15) day period, ABAG may terminate the Agreement for default. In the event of such termination for default, AUDITOR

will be entitled to be reimbursed for costs incurred for incomplete deliverables up to the time of termination, not to exceed the amount payable for such deliverables, such reimbursement to be offset by any costs incurred by ABAG to complete work required under the Agreement, except that in no event shall ABAG be required to reimburse AUDITOR for any costs incurred for work causing or contributing to the default.

C. If it is determined by ABAG that AUDITOR's failure to perform resulted from unforeseeable causes beyond the control of AUDITOR, such as a strike, fire, flood, earthquake or other event that is not the fault of, or is beyond the control of AUDITOR, AUDITOR shall not be in breach of this Agreement, and ABAG, after setting up a new delivery or performance schedule, may allow AUDITOR to continue work, or treat the termination as a termination for convenience.

7. INSURANCE REQUIREMENTS

AUDITOR shall, at its own expense, obtain and maintain in effect at all times for the duration of this Agreement the types of insurance and financial security listed in Attachment C, Insurance and Financial Security Provisions, attached hereto and incorporated herein, against claims, damages and losses due to injuries to persons or damage to property or other losses that may arise in connection with the performance of work under this Agreement. All policies will be issued by insurers acceptable to ABAG, generally with a Best's Rating of A- or better with a Financial Size Category of VIII or better.

8. INDEPENDENT CONTRACTOR

AUDITOR is an independent contractor and not an employee or agent of ABAG and has no authority to contract or enter into any other agreement in the name of ABAG. AUDITOR has, and hereby retains, full control over the employment, direction, compensation and discharge of all persons employed by AUDITOR who are assisting in the performance of services under this Agreement. AUDITOR shall be fully responsible for all matters relating to the payment of its employees, including compliance with social security, withholding tax and all other laws and regulations governing such matters. AUDITOR shall be responsible for its own acts and those of its agents and employees during the term of this Agreement.

9. INDEMNIFICATION

AUDITOR shall indemnify and hold harmless ABAG, ABAG FAN, and ABAG POWER, their Commissioners, directors, officers, agents, and employees from any and all claims, demands, suits, loss, damages, injury, and/or liability (including any and all costs and expenses in connection therewith), for bodily injury including death, and damage to real or personal tangible property, to the extent caused by any negligent or otherwise wrongful act or

omission of AUDITOR, its officers, agents, employees and subcontractors, or any of them, under or in connection with their performance under this Agreement; and AUDITOR agrees at its own cost, expense and risk to defend any and all such claims, actions, suits, or other legal proceedings brought or instituted against ABAG, ABAG FAN, and ABAG POWER, their Commissioners, directors, officers, agents, and employees, or any of them, arising out of such negligent or otherwise wrongful act or omission, and to pay and satisfy any resulting judgments.

10. DATA TO BE FURNISHED BY ABAG

All data, reports, surveys, studies, drawings, software (object or source code), electronic databases, and any other information, documents or materials ("ABAG Data") made available to AUDITOR by ABAG for use by AUDITOR in the performance of its services under this Agreement shall remain the property of ABAG and shall be returned to ABAG at the completion or termination of this Agreement. No license to such ABAG Data, outside of the Scope of Work of the Project, is conferred or implied by AUDITOR's use or possession of such ABAG Data.

11. OWNERSHIP OF WORK PAPERS AND AUDIT REPORTS

A. Working Papers: All working papers prepared or assembled by AUDITOR or obtained from others by AUDITOR in connection with the Services under this Agreement shall be the property of AUDITOR, in compliance with applicable professional standards. In addition, to the extent that AUDITOR utilizes any of its property (including, without limitation, any hardware or software of AUDITOR or any proprietary or confidential information or trade secrets of AUDITOR) in performing the Services hereunder, such property shall remain the property of AUDITOR and ABAG shall acquire no right or interest in such property.

B. Audit Reports: Consistent with professional auditing standards, the final audit reports prepared by AUDITOR and delivered under this Agreement shall be the property of ABAG, upon payment in full thereof. With the exception of photo copies, any reproduction of the final audit reports in any other format or document will require approval by AUDITOR in accordance with professional auditing standards. ABAG will have full ownership of all right, title and interest in and to such audit reports, including ownership of the entire copyright in the audit reports.

11.1 PERSONALLY IDENTIFIABLE INFORMATION

AUDITOR agrees to handle all personally identifiable information and confidential, non-public, or propriety information in accordance with AICPA and other applicable professional standards.

12. SUBCONTRACTS

AUDITOR shall not subcontract all or any portion of its services under this Agreement without the prior written approval of the Project Manager or a designated representative, and any attempt to do so shall be void and unenforceable. In the event that AUDITOR enters into one or more subcontracts pursuant to this Article, it is understood and agreed that the participating subconsultants shall be solely and directly responsible to AUDITOR, and ABAG, ABAG FAN, and ABAG POWER shall have no obligation to them. Failure of subcontractor to provide insurance in accordance with Article 7, INSURANCE REQUIREMENTS, shall be at the risk of AUDITOR unless such Insurance Requirement is waived or reduced in writing by ABAG.

13. ASSIGNMENT OF AGREEMENT

AUDITOR shall not assign this Agreement, or any part thereof, or any rights, obligations, claims or proceeds from claims against AUDITOR, without prior express written consent of ABAG and any attempt thereat shall be void and unenforceable.

14. RECORDS

AUDITOR shall maintain full and adequate books, records, and accounts in accordance with generally accepted accounting practices. All such books, records, accounts, and any and all work products, materials, and other data relevant to its performance under this Agreement shall be retained by AUDITOR for a minimum of four (4) years following the fiscal year of the last expenditure under this Agreement.

15. AUDITS

AUDITOR shall permit ABAG and its authorized representatives to have access to AUDITOR's books, records, accounts, and any and all work products, materials, and other data relevant to this Agreement, for the purpose of validating that AUDITOR's invoices comply with the Agreement during the term of this Agreement and for the period specified in Article 14. AUDITOR shall in no event dispose of, destroy, alter, or mutilate said books, records, accounts, work products, materials and data for that period of time.

AUDITOR further agrees to include in all its subcontracts hereunder a provision to the effect that the subcontractor agrees that ABAG or any of its duly authorized representatives shall have access to and the right to examine any directly pertinent books, documents, papers, and records of such subcontractor for the term specified above. The term "subcontract" as used in this clause excludes agreements not exceeding \$25,000.

ABAG of all facts of which it is aware bearing upon any possible interest, direct or indirect, which it believes any member, officer, agent or employee of ABAG (or an immediate family member, domestic partner or employer or prospective employer of such member, officer, agent or employee) presently has, or will have in the Agreement, or in the performance thereof, or in any portion of the profits thereunder. Willful failure to make such disclosure, if any, shall constitute grounds for cancellation and termination hereof by ABAG.

18.1 ORGANIZATIONAL CONFLICTS OF INTEREST

AUDITOR shall not engage the services of any subconsultant or independent contractor on any work related to this Agreement if the subconsultant or independent contractor, or any employee of the subconsultant or independent contractor, has an actual or apparent organizational conflict of interest related to work or services contemplated under this Agreement.

19. LAWS AND REGULATIONS

AUDITOR shall comply with any and all laws, statutes, ordinances, rules, regulations, and procedural requirements of any U.S. federal, state, or local government, and of any agency of such government, including but not limited to ABAG that are applicable to AUDITOR's performance under this Agreement. In particular, AUDITOR will comply with those laws, statutes, ordinances, rules, regulations and procedural requirements which are imposed on ABAG as a recipient of federal or state funds which are applicable to AUDITOR, as ABAG's auditor under this Agreement.

20. REMEDIES FOR BREACH

The duties and obligations imposed by the Agreement and the rights and remedies available thereunder shall be in addition to and not a limitation of any duties, obligations, rights and remedies otherwise imposed or available by law. No action or failure to act by ABAG or AUDITOR shall constitute a waiver of any right or duty afforded any of them under the Agreement, nor shall any such action or failure to act constitute an approval of or acquiescence in any breach thereunder, except as may be specifically agreed in writing.

21. CHOICE OF LAW

All questions pertaining to the validity and interpretation of the Agreement shall be determined in accordance with the laws of California applicable to agreements made and to be performed within the State.

22. MEDIATION

Prior to the initiation of any legal proceedings, the parties of this Agreement agree to submit all claims, disputes or controversies arising out of or in relation to the interpretation, application or enforcement of this Agreement to non-binding mediation. Such mediation shall be conducted under the auspices of the American Arbitration Association or such other mediation service or mediator upon which the parties agree. The Party seeking to initiate mediation shall do so by submitting a formal, written request to the other party to this Agreement. This section shall survive completion or terminations of this Agreement, but under no circumstances shall either party call for mediation of any claim or dispute arising out of this Agreement after such period of time as would normally bar the initiation of legal proceeding to litigate such claim or dispute under the laws of the State of California.

23. ENTIRE AGREEMENT

The Agreement is the entire agreement of the parties. AUDITOR represents that in entering into the Agreement it has not relied on any previous representations, inducements, or understandings of any kind or nature.

24. PARTIAL INVALIDITY

If any term or condition of the Agreement is found to be illegal or unenforceable, such term or condition shall be deemed stricken and the remaining terms and conditions shall remain valid and in full force and effect.

25. BENEFIT OF AGREEMENT

The Agreement shall bind and benefit the parties hereto and their heirs, successors, and permitted assigns.

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

ASSOCIATION OF BAY AREA
GOVERNMENTS

DocuSigned by:
Steve Heminger

021DA2847D43405...

Steve Heminger, Executive Director

PRICEWATERHOUSECOOPERS LLP

DocuSigned by:
Ian Fleming

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Ian Fleming, Partner

ATTACHMENT A

Scope Of Work for the Audit Project

Task 1. Entrance Conference/Interim Audit Work

The selected AUDITOR will meet with ABAG staff to discuss prior audit problems, changes and any interim work to be performed prior to closing. Additionally, the parties will establish the overall liaison for the audit and make arrangements for workspace and other needs of the AUDITOR (see *Task 3* below).

Pre-closing work will commence at the discretion of the AUDITOR, but not earlier than May 1st. ABAG staff completes its first closing mid-August, with a second closing done no later than the first week in September.

Task 2. Detailed Audit Plan

ABAG staff will prepare trial balances, supporting schedules, account analyses and other selected data and have all records ready for audit by third week of August. The preparation of confirmations will be the responsibility of ABAG.

The AUDITOR will provide ABAG, by the fourth week of June, both a draft detailed audit plan and a list of any additional schedules or confirmations to be prepared by the ABAG staff. ABAG will provide comments to the AUDITOR on the first week of July and a final detailed audit plan will be submitted on the second week of July.

Deliverable #1: Detailed Audit Plan (Draft and Final)
--

Task 3. On-Site Audit Work

ABAG Responsibilities

The appropriate ABAG staff will be available during the audit to assist the firm by providing information, documentation and explanations. In addition, clerical support will be made available to the AUDITOR for the preparation of routine letters and memoranda.

ABAG will provide the AUDITOR with reasonable work space, desks and chairs. The AUDITOR will also be provided access to a telephone, photocopying and fax machines subject to certain limitations to be determined at a future date.

Task 3.1. Audit Draft Report on the Financial Statements

The AUDITOR will audit the draft report on the ABAG, ABAG POWER, and ABAG FAN financial statements, notes and all required supplementary schedules according to the Project Schedule listed in Appendix A-1. Only one year of financial statement presentation is required for ABAG, ABAG POWER, and ABAG FAN.

Task 4. Draft Report on the Financials and OMB Uniform Guidance

Sub-Task 4.1 Fair Presentation of ABAG Financial Statements Report

The AUDITOR will prepare a report on the fair presentation of the basic financial statements in conformity with generally accepted accounting principles in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. ABAG's Comprehensive Annual Financial Report (CAFR) will be prepared in compliance with GASB 34. The AUDITOR will render its AUDITORS' report on the basic financial statements which will include both Government-Wide Financial Statements and Fund Financial Statements. The AUDITOR will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information pertaining to the General Fund and each major fund of ABAG.

The AUDITOR will audit for compliance with laws, regulations, contracts and grants applicable to the Transportation Development Act (TDA). This audit should include an opinion on compliance with specific requirements applicable to the TDA including Public Utilities Code Section 99245 as enacted and amended by statute and all allocations instructions and resolutions of the ABAG as required by Section 6666 of the California Code of Regulations.

Sub-Task 4.2 Report on Internal Control Structure (Statement of Auditing Standard 115)

The AUDITOR will prepare a report based on the AUDITOR's understanding of the control structure and assessment of control risk, which would include a separate analysis of the internal control structure used in the administering of federal financial assistance programs, and an electronic data processing review of ABAG's in-house accounting system.

Sub-Task 4.3 Report on Compliance with Applicable Laws and Regulations (OMB Uniform Guidance)

The AUDITOR will perform an audit under the OMB Uniform Guidance on the expenditures of federal grants in accordance with 2 CFR Part 200 and render the appropriate audit reports on Internal Control over Financial Reporting based upon the audit of ABAG's financial statements in accordance with Government Auditing Standards and the appropriate reports on compliance with requirement applicable to each major program, internal control over compliance and on the schedule of expenditures of federal award in accordance with 2 CFR Part 200. The OMB Uniform Guidance audit report will include appropriate schedule of expenditures of federal awards, footnotes, findings and questioned costs, including reportable conditions and material weaknesses, and follow up on prior audit findings where required.

Sub-Task 4.4 Report on Association of Bay Area Governments

The AUDITOR will provide an opinion and prepare a separate report on the fair presentation of ABAG financial statements in accordance with generally accepted

accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board.

Sub-Task 4.5 Report on ABAG Publicly Owned Energy Resources

The AUDITOR will provide an opinion and prepare a separate report on the fair presentation of ABAG POWER financial statements in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board.

Sub-Task 4.6 Report on ABAG Financial Authority for Nonprofit Corporations

The AUDITOR will provide an opinion and prepare a separate report on the fair presentation of ABAG FAN financial statements in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board.

The schedule of federal awards as well as reports on internal control structure and compliance (management letter), are to be issued as part of the comprehensive annual financial report.

The designated ABAG staff will complete their review of the report as expeditiously as possible.

During the period following submission of the draft, the AUDITOR will be available for any meetings that may be necessary to discuss audit reports. At a minimum, conferences with ABAG staff and Commissioners will be held on dates agreed upon by ABAG Project Manager and AUDITOR.

<i>Deliverable #2</i>	Draft Report on Financials & the OMB Uniform
Guidance Audit	(ABAG, ABAG POWER, and ABAG FAN)

Task 5. Draft Management Comment Letters

The AUDITOR will prepare a draft management comment letters for review by ABAG, ABAG POWER, and ABAG FAN.

<i>Deliverable #3</i>	Draft and Final Management Comment
Letters (ABAG, ABAG POWER, and ABAG FAN)	

Task 6. Exit Conference

The AUDITOR will meet with ABAG staff and Audit Committee to summarize the results of the on-site work and to review significant findings. In addition, the AUDITOR will discuss the draft audit with executive staff and answer questions.

Task 7. Final Copies of Audit Report

Deliverable #4 Final Copies of Audit Report
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Twenty-five (25) bound copies each of the Required Communications, OMB Uniform Guidance Audit, ABAG, ABAG POWER, and ABAG FAN stand-alone audit should be delivered to the ABAG Project Manager no later than the first day of November.

In addition to the designated number of bound copies of the reports, one (1) camera ready copy of each report is required.

Task 8. Formal Presentation of Audit Report

The AUDITOR will be required to make a formal presentation of audit reports to the ABAG Administration Committee at its scheduled meeting on the fourth Wednesday of October.

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ABAG/PricewaterhouseCoopers
Financial and Compliance Audit
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ATTACHMENT A-1

Engagement Letter for the Audit Project

Dated DATE



April 13, 2018

Mr. Steve Heminger
Executive Director
Association of Bay Area Governments
Bay Area Metro Center
375 Beale Street Suite 800
San Francisco, CA 94105

Dear Mr. Heminger:

The purpose of this letter is to confirm our understanding of the terms of our engagement as independent accountants of the Association of Bay Area Governments ("ABAG"), ABAG Publicly Owned Energy Resources ("ABAG POWER"), and ABAG Finance Authority for Nonprofit Corporations ("ABAG FAN") (collectively referred to as the "Organization"). This letter should be read in conjunction with the Professional Services Agreement between ABAG on behalf of itself and its operating entities and PricewaterhouseCoopers LLP entered into on April 13, 2018 ("Agreement"). Should there be any conflict between this engagement letter and the Agreement, the parties intend for the terms of this engagement letter to prevail.

Services and related reports

We will audit the basic financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the Organization at June 30, 2018 and for the year then ending, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements. Upon completion of our audit, we will provide you with our written audit reports on the financial statements referred to above. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other matter paragraph(s). In conjunction with the audit of the basic financial statements, we will report on the supplementary schedule of expenditures of federal awards in relation to those basic financial statements taken as a whole as required by the U.S. Office of Management and Budget's 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "OMB Uniform Guidance").

In addition, we will provide you with our written report on our tests of the Organization's compliance with laws, regulations, and provisions of contracts and grant agreements and on our consideration of its internal control over financial reporting, as required under *Government Auditing Standards*. If that report discloses deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse, we will obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions.



We also will audit the Organization's compliance with the types of compliance requirements described in 2 CFR Part 200, Appendix XI *Compliance Supplement*, that are applicable to each of the Organization's major federal programs for the year ended June 30, 2018. Upon completion of the audit of compliance, we will provide you with our written report on the Organization's compliance with requirements applicable to each major federal program and on our consideration of its internal control over compliance, as required under the OMB Uniform Guidance. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other matter paragraph(s). If our auditing procedures disclose instances of noncompliance with those requirements, we will provide a schedule of findings and questioned costs as required by the OMB Uniform Guidance. We will assist the Organization in completing Part I: Item 6 *Auditor Information* of the Organization's *Data Collection Form for Reporting on Audits of States, Local Governments, Indian Tribes, Institutions of Higher Education and Nonprofit Organizations* required by the OMB Uniform Guidance (the "DCF"). The Organization will complete Part II, *Federal Awards* and we will complete Part III, *Information from the Schedule of Findings and Questioned Costs*, and Part IV Item 2, *Auditor Statement*, of the Organization's DCF.

If for any reason relating to the affairs or management of the Organization we are unable to complete the audit, we may decline to issue a report as a result of this engagement.

Under generally accepted accounting principles promulgated for governmental organizations in the United States of America, management's discussion and analysis (MD&A) and certain other information are required supplementary information (RSI). In connection with the Organization's presentation of RSI, we will apply certain limited procedures and report deficiencies in, or the omission of, such information. However, we have not been engaged to examine and, accordingly, will not express an opinion, or any other form of assurance, on RSI.

Our responsibilities and limitations

Audit of financial statements

Our audit will be conducted with the objective of our expressing an opinion on the basic financial statements. We will conduct our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. 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. Additionally, we may modify or redirect certain of the procedures applied in our audit of the basic financial statements in order that we may express an opinion on the supplementary schedule of federal awards in relation to the basic financial statements taken as a whole.



In making our risk assessments, we consider internal control relevant to the Organization'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 Organization's internal control. We will include in our report on our tests of internal control over financial reporting and in the schedule of findings and questioned costs any significant deficiencies, identifying those we believe to be material weaknesses, as required under *Government Auditing Standards*. Deficiencies in internal control that are not significant deficiencies will be communicated separately to the Organization.

We will design our audit to obtain reasonable, but not absolute, assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Absolute assurance is not attainable because there are inherent limitations of an audit that result in most of the audit evidence, on which we draw conclusions and base our opinion, being persuasive rather than conclusive and due to the characteristics of fraud. Our audit will not include a detailed audit of transactions, such as would be necessary to disclose errors or fraud that did not cause a material misstatement of the basic financial statements or other illegal acts having an indirect or immaterial financial statement impact. It is important to recognize that there are inherent limitations in the auditing process. An audit is based on the concept of selective testing of the data underlying the financial statements, which involves judgment regarding the areas to be tested and the nature, timing, extent and results of the tests to be performed. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*. Because of the characteristics of fraud, particularly those involving concealment through collusion, falsified documentation and management's ability to override controls, an audit designed and executed in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* may not detect a material fraud. Further, while effective internal control reduces the likelihood that errors, fraud, other illegal acts, or violations of provisions of contracts or grant agreements will occur and remain undetected, it does not eliminate that possibility. For these reasons we cannot ensure that errors, fraud, other illegal acts, or violations of provisions of contracts or grant agreements, if present, will be detected. Additionally, we are unable to, nor are we expected to, design our audit to obtain reasonable assurance of detecting abuse (as that term is defined in *Government Auditing Standards*), because the determination of abuse is subjective. Our tests will not be sufficient to enable us to provide assurance on the Organization's compliance with provisions of laws, regulations, contracts and grants. However, our report on such tests will identify any instances of fraud or illegal acts reportable under auditing standards generally accepted in the United States of America as well as significant violations of provisions of contracts or grant agreements and significant abuse reportable under *Government Auditing Standards*. Lesser violations of provisions of contracts or grants or abuse will be communicated separately to the Organization.

As required by *Government Auditing Standards*, we will follow up on known significant findings and recommendations from previous audits that directly relate to the objectives of the audit being undertaken, including those related to significant deficiencies, to determine whether the Organization has taken timely and appropriate corrective actions. We are required to report the status of any uncorrected findings and recommendations that were included in prior audit reports that affect the current financial statement audit.



In addition, the OMB Uniform Guidance requires us to follow up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the Organization, and report, as a current year audit finding, if we conclude that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding.

Audit of compliance with requirements applicable to federal programs

Our audit will be conducted with the objective of our expressing an opinion on compliance for each of the Organization's major federal programs. We will conduct our audit of compliance with requirements applicable to each major federal program in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*; and the OMB Uniform Guidance. Those standards and the OMB Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with those requirements that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We also will make a determination as to whether the Organization is a "low risk auditee" as defined in the OMB Uniform Guidance for purposes of determining the required coverage of our tests of internal control and compliance related to major federal programs. Our audit does not provide a legal determination of the Organization's compliance with those requirements. We will, however, include in the schedule of findings and questioned costs any instances of noncompliance required to be reported under the OMB Uniform Guidance.

We will consider the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the OMB Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. We will, however, include in our report on our tests of internal control over compliance and in the schedule of findings and questioned costs any significant deficiencies, identifying those we believe to be material weaknesses, as required under the OMB Uniform Guidance.

Other

We also are responsible for determining that the Executive Director, Chief Financial Officer and members of the Audit Committees are informed about certain other matters related to the conduct of the audit, including (i) any disagreements with management about matters that could be significant to the Organization's financial statements or our report thereon; (ii) any serious difficulties encountered in performing the audit; (iii) information relating to our independence with respect to the Organization; (iv) other matters related to the Organization's financial statements including its accounting policies and practices; and (v) all significant deficiencies and material weaknesses identified during the audit, as previously mentioned. Lastly, we are responsible for ensuring that the Executive Director, Chief Financial Officer and members of the Audit Committees receive copies of certain written communications between us and management, including management representation letters and written communications on accounting, auditing, internal control or operational matters.



The audit will not be planned or conducted in contemplation of reliance by any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.

Government Auditing Standards require that we communicate the results of our Firm's most recent external quality control review to you which is for the year ended June 30, 2015. This review resulted in an unqualified opinion on the Firm's system of quality control. A copy of that report is appended to this letter.

Management's responsibilities

Our audit will be conducted on the basis that management acknowledges and understands that they have responsibility for the preparation and fair presentation of the basic financial statements referred to above in accordance with accounting principles generally accepted in the United States of America. Management also acknowledges and understands their responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is responsible for informing us (i) about all known or suspected fraud affecting the Organization involving (a) management, (b) employees who have significant roles in internal control over financial reporting, and (c) others where the fraud could have a material effect on the financial statements; and (ii) of its knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, analysts, regulators, short sellers, or others. Management is responsible for (i) adjusting the financial statements to correct material misstatements and for affirming to us that the effects of any uncorrected misstatements aggregated by us are immaterial, both individually and in the aggregate, to the financial statements taken as a whole; and (ii) notifying us of all material weaknesses including other significant deficiencies in the design or operation of the Organization's internal control over financial reporting that are reasonably likely to adversely affect the Organization's ability to record, process, summarize and report external financial data reliably in accordance with generally accepted accounting principles. Management also is responsible for identifying and ensuring that the Organization complies with laws, regulations, and provisions of contracts and grant agreements applicable to its activities.

Management also acknowledges and understands their responsibility for providing us, on a timely basis, with access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters; additional information that we may request from management for the purpose of the audit; and unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence. As required by auditing standards generally accepted in the United States of America and *Government Auditing Standards* and by the OMB Uniform Guidance, we will make specific inquiries of management and others about the representations embodied in the financial statements, the effectiveness of internal control over financial reporting, and on compliance with the requirements applicable to each major federal program. As part of our audit process we will request from management written confirmation concerning representations made to us in connection with the audit. The results of our audit tests, the responses to our inquiries and the written representations comprise the evidential matter we intend to rely upon in forming our opinions on the financial statements and on compliance with the requirements applicable to each major federal program.

Under *Government Auditing Standards*, management is responsible for (i) resolving audit findings and



recommendations directed to them and for having a process to track their status; (ii) taking timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that may be identified in our reports; and (iii) providing its views on our reported findings and recommendations, as well as management's planned corrective actions, the timing of such planned actions, and the organization official responsible for such actions. Additionally, management is responsible for following up and taking corrective actions on audit findings associated with the OMB Uniform Guidance, including preparation of a summary schedule of the current status of prior audit findings and management's views and corrective action plan on current audit findings.

Management is responsible for identifying in its accounts all federal awards received and expended and the federal programs under which they were received, and for preparation of the supplemental schedule of expenditures of federal awards that is required by the OMB Uniform Guidance. Management also is responsible for ensuring that the reporting package (financial statements, supplementary schedule of expenditures of federal awards, auditor's reports, and any summary schedules of prior audit findings and corrective action plans) is distributed to the appropriate parties. Additionally, management is responsible for completion and submission of the aforementioned data collection form (except for Part I: Item 6, Part III, and Part IV: Item 2) that is required under the OMB Uniform Guidance.

Management acknowledges and understands its responsibility for the preparation of the Other Supplemental Information in accordance with the applied criteria. Management also acknowledges and understands its responsibility to include our report on the Other Supplemental Information in any document that contains the Other Supplemental Information and indicates we have reported on it.

Other documents

Auditing standards generally accepted in the United States of America require that we read any annual report (or similar document) that contains our audit report. The purpose of this procedure is to consider whether other information in the annual report, including the manner of its presentation, is materially inconsistent with information appearing in the financial statements. We assume no obligation to perform procedures to corroborate such other information as part of our audit.

The Organization may wish to include our report on these financial statements in a registration statement proposed to be filed under the Securities Act of 1933 or in some other securities offering, including without limitation offerings under Rule 144A and other offerings exempt from registration under the Securities Act of 1933. You agree that the aforementioned audit report, or reference to our Firm, will not be included in any such offering without our prior permission or consent. Any agreement to perform work in connection with an offering, including an agreement to provide permission or consent, will be a separate engagement.

Additionally, regulations established by certain non-U.S. countries include a requirement for the auditor to be registered in that country if the Organization offers its securities to the public in the non-



U.S. country or provides financial information to a non-U.S. regulator or government. The potential consequences of our non-compliance with these regulatory regimes in a timely manner can be severe for both our Firm and the Organization. Accordingly, you will notify us of (i) your current or planned offering of securities on a regulated market in a non-U.S. country or (ii) when you have provided or plan to provide audited financial statements to a non-U.S. regulator or government in connection to your access to its public capital markets, whether or not you include or refer to our report or include reference to our Firm.

Release and indemnification

Because of the importance of oral and written management representations to an effective audit, the Organization releases and indemnifies PricewaterhouseCoopers LLP and its personnel from any and all claims, liabilities, costs, and expenses attributable to any knowing misrepresentation by management.

In no event shall PricewaterhouseCoopers LLP be liable to the Organization, whether a claim be in tort, contract or otherwise, for any consequential, indirect, lost profit or similar damages relating to PricewaterhouseCoopers LLP's services provided under this engagement letter, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of PricewaterhouseCoopers LLP relating to such services.

In the event that our report is subsequently included in a filing with the Securities and Exchange Commission (unless our report is included as a result of Rule 3-05 or Rule 3-14 of Regulation S-X), we and the Organization hereby agree that the preceding two paragraphs in this "Release and Indemnification" section of this letter and any paragraphs covering the same issues in our previous engagement letters for previously issued reports included in the filing will be null and void and will no longer confer any rights or obligations on the parties. Such engagement letters will be deemed to be amended accordingly at the time of such filing, without further action by either party. Any letters so amended will remain in full force and effect unless otherwise amended by the parties.

Dispute resolution procedures

Any controversy or claim between the parties arising out of or relating to this engagement letter, the services provided hereunder, or any prior audit engagement letters or services (a "Dispute") shall be submitted first to non-binding, confidential mediation, and if not resolved by mediation, then to binding arbitration as described herein. The mediation shall be conducted in accordance with these procedures and, except to the extent inconsistent with these procedures, the Mediation Procedure of International Institute for Conflict Prevention and Resolution ("CPR") then in effect.

A party shall submit a Dispute to mediation by written notice to the other party or parties. The mediator shall be selected by mutual agreement of the parties. If the parties cannot agree on a mediator, the CPR shall designate a mediator in accordance with its Mediation Procedure. Any mediator must be acceptable to all parties and must confirm in writing that he or she is not, and will not become during the term of the mediation, an employee, partner, executive officer, director, or substantial equity owner of PwC or any PwC audit client.

The mediator shall conduct the mediation as he/she determines, with the agreement of the parties. The mediation shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any applicable statutes protecting the confidentiality of mediations or settlement discussions. The mediator may not testify for either party in any later proceeding relating to the Dispute. The mediation proceeding shall not be recorded or transcribed.



Each party shall bear its own costs (including attorneys' fees) of the mediation. The parties shall share equally the fees and expenses of the mediator.

If the parties have not resolved a Dispute within 90 days after the written notice beginning the mediation process is served (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the Dispute shall be settled by binding arbitration. The arbitration shall be conducted in accordance with these procedures and, except to the extent inconsistent with these procedures, the Rules for Non-Administered Arbitration of the International Institute for Conflict Prevention and Resolution ("Rules") then in effect. The arbitration shall be conducted before a panel of three arbitrators selected using the screened process provided in the Rules. The arbitration panel, and not any federal, state or local court or agency, shall have exclusive authority to resolve any dispute regarding the extent to which a Dispute is subject to arbitration, or relating to the interpretation, applicability, enforceability or formation of the engagement letter.

Any Dispute between the parties, including any claims or defenses asserted, and the interpretation of the engagement letter shall be governed by the law of New York State, without giving effect to its choice-of-law rules. The arbitrators may render early or summary disposition of some or all issues, after the parties have had a reasonable opportunity to make submissions on those issues. Discovery shall be conducted in accordance with the Rules. Upon a showing that the evidence sought is material to the Dispute, hearing sessions attended by one or more panel members may be convened to secure (i) documents from third-party witnesses, if the production cannot reasonably be obtained by other means; and/or (ii) testimony from third-party witnesses who could not be compelled to attend the arbitration hearing at its scheduled location.

Judgement on an arbitration award may be entered in any court having jurisdiction. All aspects of the arbitration shall be treated as confidential, except to the limited extent necessary to obtain entry of the award by a court. The arbitration panel shall have no power to award non-monetary or equitable relief of any sort.

The arbitration panel shall have no power to award damages that are punitive in nature, that do not measure a party's actual damages, or that are inconsistent with the Release and Indemnification provisions or any other terms of the engagement letter. The parties further agree that if the arbitration panel determines to award pre- or post-judgment interest, any such interest shall be computed on a simple basis at a rate of three percent. The parties accept and acknowledge that any demand for arbitration must be issued within one year from the date the demanding party becomes aware or should reasonably have become aware of the facts that give rise to the alleged liability and, in any event, no later than two years after the cause of action accrued.

In the event that our report is subsequently included in a filing with the Securities and Exchange Commission (unless our report is included as a result of Rule 3-05 or Rule 3-14 of Regulation S-X), we and the Organization hereby agree that the preceding paragraph in this "Dispute resolution procedures" section of this letter and any paragraphs covering the same issues in our previous engagement letters for previously issued reports included in the filing will be null and void and will no longer confer any rights or obligations on the parties. Such engagement letters will be deemed to be amended accordingly at the time of such filing, without further action by either party. Any letters so amended will remain in full force and effect unless otherwise amended by the parties.



Other PricewaterhouseCoopers LLP firms and subcontractors

PricewaterhouseCoopers LLP is the U.S. firm of the global network of separate and independent PricewaterhouseCoopers firms (exclusive of PricewaterhouseCoopers LLP, the "Other PwC Firms"). PricewaterhouseCoopers LLP may, in its discretion, draw on the resources of and/or subcontract to its subsidiaries, the Other PwC Firms and/or third party contractors and subcontractors (each, a "PwC Subcontractor"), in each case within or outside the United States in connection with the provision of the services and/or for internal, administrative and/or regulatory compliance purposes. The Organization agrees that PricewaterhouseCoopers LLP may provide information PricewaterhouseCoopers LLP receives in connection with this agreement to the PwC Subcontractors for such purposes. PricewaterhouseCoopers LLP will be solely responsible for the provision of the services (including those performed by the PwC Subcontractors) and for the protection of the information provided to the PwC Subcontractors.

You agree that neither you nor any group entity will bring any claim, whether in contract, tort (including negligence) or otherwise against any PwC Subcontractor in respect of this engagement letter or in connection with the services herein. In the event that our report is subsequently included in a filing with the Securities and Exchange Commission (unless our report is included as a result of Rule 3-05 or Rule 3-14 of Regulation S-X), for independence purposes we and the Organization hereby agree that the immediately preceding sentence will be null and void and will no longer confer any rights or obligations on the parties. This letter will be deemed to be amended accordingly at the time of such filing, without further action by either party. The amended letter will remain in full force and effect unless otherwise amended by the parties.

Timing and fees

Completion of our work is subject to, among other things, 1) appropriate cooperation from the Organization's personnel, including timely preparation of necessary schedules, 2) timely responses to our inquiries, and 3) timely communication of all significant accounting and financial reporting matters. When and if for any reason the Organization is unable to provide such schedules, information and assistance, PricewaterhouseCoopers LLP and you will mutually revise the fee to reflect additional services, if any, required of us to complete the audit.

Our fee estimates are based on the time required by the individuals assigned to the engagement. We estimate our fees for this audit engagement will be \$402,325 (inclusive of out-of-pocket expenses), subject to the terms and conditions above. We will advise you should any other circumstances arise which may cause actual time to exceed that estimate.



Our fees will be billed as follows:

<u>Deliverable</u>	<u>Expected Date</u>	<u>Fee Amount</u>
Planning and scoping of audit	April, 2018	\$80,000
Commencement of interim audit work	June, 2018	60,000
Completion of interim audit work	July, 2018	30,000
Delivery of detailed audit plan	July, 2018	30,000
Commencement of year-end on-site audit work	August, 2018	140,000
Completion of on-site audit work	October, 2018	40,000
Delivery of draft financial audit reports	October, 2018	20,000
Formal presentation of audit reports to the Audit Committees	October, 2018	2,325
TOTAL		<u>\$402,325</u>

Invoices rendered are due and payable upon receipt.

Any additional services that may be requested and we agree to provide will be the subject of separate arrangements.

Other matters

PricewaterhouseCoopers LLP is owned by professionals who hold CPA licenses as well as by professionals who are not licensed CPAs. Depending on the nature of the services we provide, non-CPA owners may be involved in providing services to you now or in the future.

Compliance with the auditor independence rules is a shared responsibility between an organization and its independent auditor. Because the independence rules encompass not only the Organization but also its affiliates, as defined in AICPA Code of Professional Conduct 0.400.02, the Organization agrees to inform us periodically about the identity of each affiliate and will notify us in advance regarding any expected addition or removal of an affiliate, including, for example, due to changes in ownership or control and new acquisitions or significant investments. The Organization acknowledges that we will use this information confidentially to assess and/or reassess independence.

We may be requested to make certain working papers available to government regulators pursuant to authority given to them by law or regulation. If requested, access to such working papers will be provided under the supervision of PricewaterhouseCoopers LLP personnel. Furthermore, upon request, we may provide copies of selected working papers to the above regulators. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

In the event we are requested or authorized by the Organization or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for the Organization, the Organization will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such a request.



The Organization agrees that it will not, directly or indirectly, agree to assign or transfer this engagement letter or any rights, obligations, claims or proceeds from claims against PricewaterhouseCoopers LLP arising out of or in any way relating to this engagement letter, any services provided hereunder, or any fees for this engagement or such services to anyone, except to an entity with which the Organization merges or an entity which acquires all or substantially all of the assets of the Organization and where, in either case, the assignee entity agrees to be bound by this provision. Any assignment or transfer by the Organization in violation of this paragraph shall be void and invalid.

This engagement letter reflects the entire agreement between us relating to the services covered by this letter. It replaces and supersedes any previous proposals, correspondence and understandings, whether written or oral. The agreements contained in this engagement letter shall survive the completion or termination of this engagement.

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* * * * *

We are pleased to have the opportunity to provide services to MTC. If you have any questions about this letter, please discuss them with Ian Fleming at (971) 544-4334. If the services outlined in this letter are acceptable, please sign one copy of this letter in the space provided and return it to Ian Fleming. You may return the signed copy by hand, mail, air courier, or attached to an email as a pdf, jpeg or similar file type sent to Ian at ian.fleming@pwc.com.

Very truly yours,

PricewaterhouseCoopers LLP

cc: Brian Mayhew, Chief Financial Officer
Members of the Audit Committees

The services and terms as set forth in this letter are agreed to.

Metropolitan Transportation Commission

By: DocuSigned by:
Steve Heminger
021DA2847D43405

Mr. Steve Heminger
Executive Director

5/16/2018

(Date)



November 30, 2015

System Review Report

Grant Thornton LLP
201 South College Street, Suite 2500
Charlotte, NC 28244-0100
T 704.632.3500
F 704.334.7701
www.GrantThornton.com

To the Partners of PricewaterhouseCoopers LLP
and the National Peer Review Committee of the AICPA Peer Review Board:

We have reviewed the system of quality control for the accounting and auditing practice of PricewaterhouseCoopers LLP (the "firm"), applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2015. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICLA, audits of carrying broker-dealers, and examinations of service organizations (Service Organization Controls [SOC] 1 and 2 engagements).

In our opinion, the system of quality control for the accounting and auditing practice of PricewaterhouseCoopers LLP, applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2015, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. PricewaterhouseCoopers LLP has received a peer review rating of *pass*.

Grant Thornton LLP

ATTACHMENT B

Project Schedule for the Audit Project

<u>Task</u>	<u>Deliverable/Description of Work</u>	<u>Completion Date</u>
1.	Entrance Conference Commencement of interim audit work Completion of interim audit work	May 2018 June 2018 July 2018
2.	<i>Deliverable #1.1</i> – Detailed Audit Plan (Draft) <i>Deliverable #1.2</i> – Detailed Audit Plan (Final)	July 2018 July 2018
3.	Commencement of on-site audit work Completion of on-site audit work	August 2018 October 2018
4.	<i>Deliverable #2</i> – Draft report on Financial Statements and OMB Uniform Guidance, Notes, and all required Supplemental Schedules.	October 2018
5.	<i>Deliver #3.1</i> – Management Comment Letters (Draft) <i>Deliver #3.2</i> – Management Comment Letters (Final) Final Review of Draft with ABAG Project Manager	October 2018
6.	Exit Conference	October 2018
7.	<i>Delivery #4</i> – Final Copies of Audit Reports delivered for Administration Committee Mailing	October 2018
8.	Formal Presentation of Audit Report to Administration Committee	October 2018

ATTACHMENT C
Insurance and Financial Security Provisions

A. **Insurance Coverages.** AUDITOR shall, at its own expense, obtain and maintain in effect at all times the following types of insurance against claims, damages and losses due to injuries to persons or damage to property or other losses that may arise in connection with the performance of work under its Agreement with ABAG, placed with insurers Best's Rating of A- or better with a Financial Size Category of VIII or better.

1. **Workers' Compensation Insurance** with Statutory limits, and Employer's Liability Insurance with a limit of \$1,000,000 per employee and \$1,000,000 per accident, and any and all other coverage of AUDITOR's employees as may be required by applicable law. Such policy shall contain a Waiver of Subrogation in favor of MTC except for claims caused by ABAG's willful misconduct in the performance of this Agreement. Such Workers Compensation & Employer's Liability may be waived, if and only for as long as AUDITOR is a sole proprietor or a corporation with stock 100% owned by officers with no employees.

2. **Commercial General Liability Insurance** for Bodily Injury and Property Damage liability, covering the premises and operations, and products and completed operations of AUDITOR with limits of liability of \$2,000,000 combined single limit per occurrence with a general aggregate liability of \$3,000,000, a products/completed operations liability limit of \$3,000,000 and Personal & Advertising Injury liability with a limit of \$2,000,000. Such policy shall contain a Waiver of Subrogation in favor of ABAG except for claims caused by Client's sole negligence in the performance of this Agreement.

Products and completed operations insurance shall be maintained for two (2) years following termination of this Agreement. ABAG, ABAG FAN, ABAG POWER, MTC and their commissioners, directors, officers, representatives, agents and employees shall be included as additional insureds with regards to commercial general liability for claims caused by AUDITOR's sole negligence in the performance of this agreement and subject to indemnity as required by law. Such insurance shall be primary and non-contributory solely with regards to AUDITOR's actions in the performance of this agreement, and contain a Separation of Insureds provision in which this insurance applies separately to each insured against whom claim is made or suit is brought.

3. **Business Automobile Insurance** for non-owned and hired automobiles, used or maintained by AUDITOR, with limits of liability of \$2,000,000 combined single limit per accident.

4. **Errors and Omissions/ Professional Indemnity Insurance** for errors and omissions and the resulting damages, including, but not limited to, economic loss to ABAG and having limits of \$3,000,000 per claim and in the aggregate. The policy shall provide coverage for all work performed by AUDITOR. No contract or agreement between AUDITOR and any subcontractor/AUDITOR shall relieve AUDITOR of the responsibility for providing this Errors & Omissions or Professional Liability coverage for all work performed by AUDITOR on the project.

B. AUDITOR's obligation to provide the insurance described herein may be satisfied in whole or in part by adequately funded self-insurance, upon evidence of financial capacity satisfactory to ABAG.

AUDITOR shall be responsible for payment of any deductible or retention on AUDITOR's policies without right of contribution from ABAG.

In the event that ABAG and/or MTC seeks coverage as an additional insured under any AUDITOR insurance policy that contains a deductible or self-insured retention, AUDITOR shall satisfy such deductible or self-insured retention to the extent of loss covered by such policy, for any lawsuit arising from or connected with any alleged act of AUDITOR. If any insurance specified above is written on a "Claims-Made" (rather than an "occurrence") basis, then in addition to the coverage requirements above, AUDITOR shall:

1. Ensure that the Retroactive Date is shown on the policy, and such date must be before the date of its Agreement with ABAG or the beginning of any work under such Agreement;
2. Maintain and provide evidence of similar insurance for two (2) years following project completion;

All insurance specified above shall remain in force until all work or services to be performed are completed.

C. AUDITOR must notify ABAG if any of the above required coverages are non-renewed or cancelled, only in the event a policy is not replaced with a policy that meets the requirements of this section or there is a lapse in coverage. The failure to procure or maintain required insurance will constitute a material breach of its Agreement with ABAG.

D. Certificates of Insurance. Prior to commencement of any work hereunder, CONSULTANT shall deliver to Ebix, ABAG's authorized insurance consultant, insurance documentation (including Certificates of Liability Insurance, Evidences of Property Insurance, endorsements, etc.) verifying the aforementioned coverages. Such evidence of insurance shall make reference to all provisions and blanket endorsements referred to above and shall be signed by the authorized representative of the Insurance Company shown on the insurance documentation. **The Project name shall be clearly stated on the face of each Certificate of Liability Insurance and/or Evidence of Property Insurance.**

CONSULTANT shall submit certificates of insurance to:

**Association of Bay Area Governments
Insurance Compliance
P.O. Box 100085-M8
Duluth, GA 30096**

or

Email to MTC@Ebix.com

or

Fax to 1-888-617-2309

The foregoing requirements as to the types and limits of insurance coverage to be maintained by AUDITOR are not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by AUDITOR pursuant hereto, including, but not limited to, liability assumed pursuant to the Indemnification section of its Agreement with ABAG.

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



August 10, 2018

RE: Request for Information (RFI) for Renewable Natural Gas Supply and Natural Gas Offset Products

Dear Interested Party,

ABAG Publicly Owned Energy Resources (ABAG POWER) is seeking responses to a Request for Information (RFI) regarding the potential procurement for Renewable Natural Gas (RNG) and natural gas offset products or Renewable Natural Gas Attributes (RNGA). ABAG POWER is investigating the desirability and feasibility of procuring RNG and/or RNGA for use in its natural gas aggregation program for local governmental agencies. ABAG POWER seeks careful consideration and response to questions provided in this RFI from suppliers of these products, and other industry representatives with knowledge of these issues. Responses to the RFI will be used to inform the development of future procurements for these products. An RFI is available for download on the MTC website at <https://mtc.bonfirehub.com>.

Participation in this RFI process will not impact (positively or negatively) ABAG POWER's consideration of any proposal or bid submitted in response to any potential resulting RFP or procurement.

ABAG POWER may contact responders, via email, phone or through one-on-one meetings, to discuss the information provided in response to this RFI.

Interested responders are asked to provide the information requested in Section 6, Submission Instructions of this RFI by **4:00 PM on Wednesday, September 05, 2018**. Responses received after this date and time will not be considered. All responses relating to the RFI must be submitted in accordance with the instructions contained in Section 6, Submission Instructions.

MTC Point of Contact: Michael Brinton, Contracts Manager
Bay Area Metro Center
375 Beale Street, San Francisco, CA 94105
E-mail: mbrinton@bayareametro.gov

Thank you for your interest.

Sincerely,

Brad Paul
Deputy Executive Director,
Local Government Services

J:\CONTRACT\Procurements\LCPs\POWER\Renewable Natural Gas

REQUEST FOR INFORMATION

ABAG POWER – Renewable Natural Gas

1 Introduction

ABAG Publicly Owned Energy Resources (ABAG POWER) is seeking responses to a Request for Information (RFI) regarding the potential procurement for Renewable Natural Gas (RNG) and/or Renewable Natural Gas Attributes (RNGA). ABAG POWER is investigating the desirability and feasibility of procuring RNG and/or RNGA for use in its natural gas aggregation program for local governmental agencies. ABAG POWER seeks careful consideration and response to questions provided in this RFI from suppliers of these products, and other industry representatives with knowledge of these issues. Responses to the RFI will be used to inform the development of future procurements for these products.

2 Background

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

ABAG POWER provides a public sector approach to pooled purchasing where each member agency is granted a voice in program operations and decisions through its representative to the ABAG POWER Board of Directors and Executive Committee.

Gas Aggregation Program

ABAG POWER currently offers natural gas supply services for the municipal load of 38 local governments and special districts in the Pacific Gas and Electric Company (PG&E) service territory. ABAG POWER supplies natural gas to smaller “core” customers, as well as larger “non-core” facilities. Initiated in 1996, the natural gas purchasing pool is now completing its twenty-second year of operation. ABAG POWER purchases natural gas on behalf of members and arranges for it to be delivered to the PG&E system for distribution. The goal of ABAG POWER’s Natural Gas Program is to provide both cost savings and price stability. In addition, ABAG POWER members seek to provide sustainable and environmentally responsible products and programs for their communities.

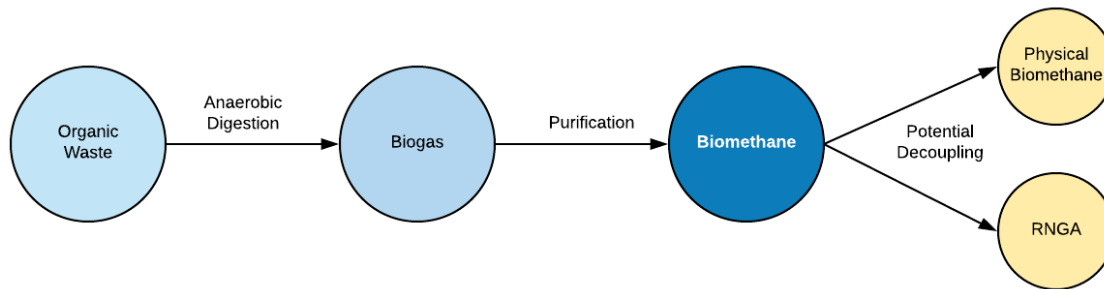
For the purposes of this RFI, the following definitions apply:

Biogas: A gaseous form of methane produced by the breakdown of organic matter (biomass). Typical materials for the production of biogas are: agricultural waste, manure, municipal waste, plant material and sewage.

Renewable Natural Gas (RNG): A biogas which has been upgraded to a quality similar to conventional fossil natural gas, and has the ability to be distributed to customers via the existing gas distribution system. (RNG shall be construed as an interchangeable term as biomethane.)

Request for Information
ABAG POWER – Renewable Natural Gas
Page 3

Renewable Natural Gas Attributes (RNGA): A tradeable commodity representing the environmental benefits of biogas. RNGA may be sold separate from biogas or RNG.



RNG provides various benefits to users, including:

- Reducing greenhouse gases by capturing methane that would otherwise escape, in turn assisting California meet its ambitious greenhouse gas goals
- Promoting the development of clean California-sourced energy that can take over many of the roles of traditional fossil fuels, further reducing greenhouse gases
- Serving as a consistent generation source of renewable energy, unlike variable production sources such as solar and wind.

3 RFI Purpose

ABAG POWER is in the process of determining whether to add physical renewable natural gas (RNG) and/or gas offset products (RNGA) to the current natural gas supply offered to member agencies.

The assessment includes determining the following key areas:

- The availability of RNG and RNGA products for customers on PG&E’s distribution system.
- Process and protocols for ensuring the gas products contain the attributes stated
- Contract restrictions related to product delivery.

The purpose of this RFI is to obtain feedback and input from a variety of suppliers and consultants with knowledge of RNG and RNGA products to help inform potential future procurement of these products.

Answers to the questions listed in Section 6.3, Questions of this RFI will assist in completing ABAG POWER’s assessment of alternatives in the key areas identified in Section 2, Background above, providing insight into how to best structure the procurements and resulting contracts, address potential challenges, and encourage qualified parties to propose on the procurements.

Request for Information
ABAG POWER – Renewable Natural Gas
Page 4

The goal of the procurement(s) is to obtain reasonably priced products that help local governmental agencies achieve their sustainability and Climate Action Plan goals while also diversifying ABAG POWER and California's fuel supplies.

4 General Conditions

- a. This RFI does not commit ABAG POWER to award a contract or to pay any costs incurred in the preparation of a response to this RFI.
- b. Information shared in response to this RFI, either in written materials or orally shall not bind ABAG POWER in any manner.
- c. Any decision to engage one or more responders in discussions shall be at ABAG POWER's sole discretion.

This RFI and any material submitted in response to this RFI are subject to public inspection under the California Public Records Act (Government Code § 6250 *et seq.*), unless exempt by law. Other than proprietary information or other information exempt from disclosure by law, information submitted to ABAG POWER will be made available for inspection consistent with the Public Records Act.

If a Respondent believes any content submitted contains trade secrets or other proprietary information that the respondent believes would cause substantial injury to the respondent's competitive position if disclosed, the Respondent may request that ABAG POWER withhold from disclosure such proprietary materials by marking each page containing proprietary information, including financial information, if any, as confidential and shall include the following notice at the front of its response:

"The data on the following pages of this response, including financial information, marked along the right margin with a vertical line, contain technical or financial information that constitute trade secrets and/or that, if disclosed, would cause substantial injury to the respondent's competitive position. The Respondent requests that such data be used for review by ABAG POWER only, but understands that exemption from disclosure will be limited by ABAG POWER's obligations under the California Public Records Act. [List pages]."

Failure to include this notice with relevant page numbers shall render any confidential/proprietary" markings inadequate. Individual pages shall accordingly not be treated confidentially. By submitting a response with portions marked as confidential or proprietary, a Respondent represents it has good faith belief that such portions are exempt from disclosure under the California Records Act. **Any language purporting to render the entire response confidential or proprietary will be regarded as ineffective and will be disregarded.**

In the event properly marked data is requested pursuant to the California Public Records Act, the Respondent will be advised of the request. If the response requests that ABAG POWER withhold such data from disclosure and ABAG POWER complies with the Respondent's request, the Respondent shall assume all responsibility for any challenges resulting from the

Request for Information
ABAG POWER – Renewable Natural Gas
Page 5

non-disclosure; indemnify and defend ABAG POWER and hold it harmless from and against all claims, legal proceedings, and resulting damages and costs (including but not limited to attorneys' fees that may be awarded to the party requesting such information); and pay any and all costs and expenses relating to the withholding of the Respondent information. Respondent shall also be responsible for providing a redacted version of their submittal. Respondent agrees that ABAG POWER's sole involvement in any litigation resulting from ABAG POWER's withholding of records shall be to retain the records until otherwise ordered by a court.

If the Respondent does not follow all of the requirements in this section for withholding proprietary information as exempt from disclosure under the California Public Records Act, ABAG POWER shall have no obligation to withhold the information from disclosure, and the Respondent shall not have a right to make a claim or maintain any legal action against ABAG POWER or its commissioners, officers, employees or agents in connection with such disclosure.

5 Schedule

The tentative schedule of the RFI process is as follows:

- September 5, 2018 at 4:00 PM PST: Deadline for the RFI response submission.

6 Submission Instructions

Interested parties must submit one electronic proposal, uploaded to <https://mtc.bonfirehub.com> by 4:00 PM PST on September 5, 2018.

6.1 Respondent Information

The Cover Letter shall be addressed as follows:

Michael Brinton, Contracts Manager
Bay Area Metro Center
375 Beale Street, Suite 800
San Francisco, CA 94105

The Cover Letter must include company name, name of person responsible for the RFI submission, title (position), telephone, and email address.

6.2 Qualifications and Experience Summary

Provide a brief summary of your qualifications and experience for responding to this RFI as well as any products, services or technologies related to the goals of the RFI.

6.3 Questions:

Your careful consideration and response is appreciated so that ABAG POWER may obtain meaningful feedback for inclusion in the preparation of future procurement documents. If a question is not applicable to your company's area of expertise or operations, please write "N/A" in response to the question. Please respond to all applicable questions in as much

Request for Information
ABAG POWER – Renewable Natural Gas
Page 6

detail as possible. You may copy the questions below and provide your response in a separate file.

1. Availability of RNG and RNGA.
 - a. Please provide your understanding of the availability of RNG and RNGA products in the California market.
 - i. Is RNG available to end customers through PG&E's gas distribution system? If not, how is the gas distributed and consumed?
 - ii. Are existing state and federal monetary incentives sufficient to promote the growth of RNG? Are there programs other than California's Low Carbon Fuel Standard and the Environmental Protection Agency's Renewable Fuel Standard available to offset the higher costs of RNG?
2. Certification of RNG and RNGA.
 - a. Please describe any industry standard definitions for RNG and RNGA products.
 - b. Please describe the process and protocols for certifying that the RNG and/or RNGA products meet the standards identified.
3. Pricing.
 - a. Provide available market price estimates for RNG and RNGA products. Please provide prices to PG&E Citygate or note alternate price location. Also, please note source of price estimates.
4. Contract Terms.
 - a. Describe any known restrictive contract terms related to agreements to purchase RNG and/or RNGA products. E.g., maximum/minimum contract length, maximum/minimum purchase quantity, etc.
 - b. Provide an example of a purchase/sale agreement for RNG/RNGA products,
5. Other Information
 - a. Please describe any quantitative information regarding the greenhouse gas reduction benefits provided by use of RNG as opposed to non-renewable natural gas.
 - b. Please describe any knowledge of existing programs or entities that plan to or are currently integrating RNG into a larger natural gas portfolio.
 - c. What other recommendations or suggestions do you have that ABAG POWER should consider when procuring RNG and/or RNGA?
 - d. What other recommendations or suggestions do you have to make a procurement of RNG and/or RNGA attractive to your firm?

MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



DATE: August 15, 2018

TO: ABAG POWER Executive Committee

FROM: Gerald Lahr, ABAG POWER Manager

RE: Canadian Natural Gas Supply and Transport Agreements

Background

At its June 20, 2018 meeting, the ABAG POWER (“POWER”) Executive Committee authorized the Metropolitan Transportation Commission Executive Director, or his designee, to negotiate and enter into necessary agreements to allow for the potential future purchase and transport of natural gas from locations within Canada. Since then, staff has identified several required agreements including:

1. Gas supply/purchase agreements with vendors demonstrating an ability and willingness to deliver gas at POWER’s desired receipt points
2. Acceptance of ABAG POWER’s pro-rata share of pipeline capacity along three pipelines: two within Canada and one ranging from the U.S.-Canada border to the California border
3. Customer Use Agreements with the above three operators governing the use of electronic systems to manage acceptance of pipeline capacity and daily transportation nominations
4. International Import/Export Licenses:
 - a. Short-Term Natural Gas Export License from Canada’s National Energy Board
 - b. Blanket Authorization from the U.S. Department of Energy to import natural gas

Gas Supply/Purchase Agreements

To enable the purchase of gas within Canada, staff has currently identified three suppliers with the ability and willingness to deliver gas at POWER’s desired receipt points within Canada. POWER has existing satisfactory business relationships with the U.S.-based operations for each entity; however, purchasing in Canada requires separate agreements with the suppliers’ Canadian subsidiaries. The suppliers were initially selected as a result of the following due diligence criteria:

1. Ability and willingness for a supplier to deliver gas at POWER’s desired receipt points
2. Review of publicly available annual reports including operating and financial review, corporate governance, and environmental and social values
3. Industry knowledge, responsiveness, and competency of staff
4. Review of Dun & Bradstreet’s Business Credit Report to assess the risk of doing business with potential business partners and vendors by identifying a company’s risk of late payment and past payment behavior.

The general terms and conditions for these transactions are governed by an industry standard trading-partner agreement titled a Base Contract for Sale and Purchase of Natural Gas (“Base Contract”). Executing a Base Contract does not commit either party to a transaction, therefore there is no financial impact associated with the agreement. Individual gas purchase/sale transactions are initiated and



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governed by a bidding process in accordance with MTC’s procurement and finance requirements. While these are not the only suppliers able to provide gas in Canada, staff finds it reasonable to select the recommended firms – BP Energy Canada, Macquarie Energy Canada, Shell Canada Energy – for Base Contracts given the impending timeline for which POWER must elect to accept/reject pipeline capacity, and the ability to capitalize on comparatively low Canadian commodity prices.

Acceptance of Pipeline Capacity

Pacific Gas & Electric Company (PG&E) currently contracts for capacity on each of the pipelines necessary for the objective of transporting gas from Canada to the Bay Area. Every four months, PG&E offers ABAG POWER an allocation of the pro-rata share of the pipeline capacity it holds. For capacity offered and not accepted, PG&E attempts to recover costs through an auction but POWER retains full cost responsibility for the capacity offered to it. Historically, ABAG POWER has elected to accept capacity on the Redwood pipeline; reject capacity on all the other pipelines; and then accept the program’s share of the proceeds from PG&E’s auction of the rejected capacity. However, the past few years have seen comparatively low Canadian gas prices at the AECO pricing point, and the proceeds from PG&E’s auction of the associated pipeline capacity have not been sufficient to offset the price differential to PG&E delivery points.



The earliest opportunity for ABAG POWER to accept pipeline capacity on the Canadian (NOVA/Foothills) and interstate (Gas Transmission Northwest (GTN)) pipelines is mid-September. The following opportunity is four months later. It is advantageous for POWER to accept the capacity offered to it by PG&E rather than contract for its own capacity due to favorable terms associated with the PG&E capacity, i.e.: a shorter contract length (four months) and a lower contract rate.

As an option, staff is also reviewing an agreement to re-sell POWER’s allocation of PG&E’s pipeline capacity. This option may allow POWER to gain the value of the capacity without entering into agreements for the actual transport of physical gas.

Customer Use Agreements

In addition to electing to accept PG&E’s capacity on a pipeline, POWER is required to execute a Customer Use Agreement (“CUA”) with TransCanada Corporation, the pipeline owner and operator for



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GTN, NOVA, and Foothills. The agreement enables electronic capacity assignment, gas scheduling, and accounting mechanisms. Two CUAs with TransCanada must be executed: one to govern the Canadian assets, and another with TransCanada U.S. to govern the use of GTN.

International Import/Export Licenses

The U.S. Department of Energy's (DOE) Natural Gas Act prohibits the import or export of natural gas from or to a foreign country without prior approval from DOE. Parties who want to enter into natural gas transactions with foreign sellers and buyers must file for an import and/or export authorization under the rules and procedures found in DOE's regulations. While the process is not complicated, applications are required to be filed at least 90 days in advance of the proposed import and/or export.

Similarly, Canada's National Energy Board (NEB) requires an application for an export license. For natural gas license applications, the NEB uses a written process that includes a public comment period for impacted persons. Following the public comment period, the Board will complete its assessment of the application, and either approve or deny the application. The issuance of a license must also be approved by the Governor in Council.

Both applications can be submitted online for "Short Term" authorization for up to two years. The associated filing fee is modest (\$50).

Next Steps

Staff and MTC's legal team are conducting a review of agreements and language received to-date, including:

- Supply agreements with BP Energy Canada, Macquarie Energy Canada, and Shell Energy Canada
- Customer Use Agreements with TransCanada and TransCanada U.S.

Staff has not yet completed a thorough review of the requirements and timelines associated with the import and export licenses. Additionally, MTC's legal team has engaged external counsel to initiate discussion regarding potential risk to ABAG/MTC.

MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



DATE: August 15, 2018

TO: ABAG POWER Executive Committee

FROM: Gerald Lahr, ABAG POWER Manager

RE: Departure of Executive Committee Chair and Appointment of Dan Schoenholz (City of Fremont) to the Committee

On May 11, 2018, Tonya Gilmore, Chair of the ABAG POWER Executive Committee, resigned as Assistant to the City Manager of the City of Orinda and as POWER's Chair. Ms. Gilmore's departure results in a vacancy of Chair to the Executive Committee. The election for the offices of Chair and Vice Chair are made by the ABAG POWER Board of Directors at its annual meeting, scheduled this year for October 25, 2018.

Pursuant to Section 8.6.2 of ABAG POWER's Bylaws (Vice Chair of the Board), "the Vice Chair of the Board fulfills all the duties of the Chair in his/her absence". The current Vice Chair, Dave Brees, will fulfill the duties of the Chair and inherit the authority for which to do so until the ABAG POWER Board votes to elect a Chair at its annual meeting in October.

The agenda for the August 15, 2018 meeting of the ABAG POWER Executive Committee (Meeting No. 2018-04) includes the following as an action item:

Item: 8
Description: Appointment of New Executive Committee Member
Action: ABAG POWER Vice Chair to appoint Dan Schoenholz (City of Fremont) to the Executive Committee.

Pursuant to Section 7.1.4 (Vacancies) of the bylaws, "In the event a vacancy on the Executive Committee occurs, the Chair may appoint a new member who will serve on the Executive Committee with all rights and duties until the new member is either ratified or disapproved at the next meeting of the Board".

Vice Chair Dave Brees, in the absence of a Chair, will appoint Dan Schoenholz (City of Fremont) to the ABAG POWER Executive Committee in accordance with the above authorities provided by the Bylaws.

Attachments: Attachment 8A1 – Executive Committee and Key Personnel

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Adopted ABAG POWER 2018 Meeting Schedule

February 21, 2018

11:00 – 1:00pm
375 Beale Street
San Francisco, CA 94105

June 20, 2018

11:00 – 1:00pm
375 Beale Street
San Francisco, CA 94105

October 25, 2018

11:00 – 2:00pm
375 Beale Street
San Francisco, CA 94105

April 18, 2018

11:00 – 1:00pm
375 Beale Street
San Francisco, CA 94105

August 15, 2018

11:00 – 1:00pm
375 Beale Street
San Francisco, CA 94105

December 12, 2018

11:00 – 1:00pm
375 Beale Street
San Francisco, CA 94105

ABAG POWER EXECUTIVE COMMITTEE & KEY PERSONNEL

INDIVIDUAL	AGENCY	DESIGNATION	TITLE	PHONE	EMAIL
Angela Walton	City of Richmond	Member	DIMO Administrative Manager	(510) 621-1610	Angela_Walton@ci.richmond.ca.us
Chris Schroeder	City of Milpitas	Member	Purchasing Officer	(408) 586-3161	CSchroeder@ci.milpitas.ca.gov
Dan Schoenholz	City of Fremont	Member	Deputy Community Development Director	(510) 494-4438	DSchoenholz@fremont.gov
Dave Brees	City of Los Altos	Vice Chair	Special Projects Manager	(650) 947-2888	DBrees@losaltosca.gov
Melissa Morton	VSFCD	Member	District Manager	(707) 644-8949 x221	MMorton@vsfcd.com
Misty Mersich	City of Cupertino	Member	Sustainability Manager	(408) 777-3362	MistyM@cupertino.org
Steve Heminger	MTC	ABAG POWER President	Executive Director	(415) 778-5210	sheminger@bayareametro.gov
Brian Mayhew	MTC	ABAG POWER CFO	Chief Financial Officer	(415) 778-6730	bmayhew@bayareametro.gov
Brad Paul	MTC	Staff	Deputy Executive Director, Local Government Services	(415) 820-7955	bpaul@bayareametro.gov
Adrienne Weil	MTC	Acting Legal Counsel	General Counsel	(415) 778-5320	aweil@bayareametro.gov
Jerry Lahr	MTC	ABAG POWER Secretary	Energy Programs Manager	(415) 820-7908	jlahr@bayareametro.gov
Ryan Jacoby	MTC	Staff	Energy Programs Coordinator	(415) 820-7956	rjacoby@bayareametro.gov



ABAG POWER ANNUAL BOARD MEETING

October 25, 2018 (11:00 a.m. to 2:00 p.m.)

Association of Bay Area Governments
Bay Area Metro Center
375 Beale Street, San Francisco, CA 94105
(Conference Room: CR-109 Yerba Buena)

Vice Chair: Dave Brees

1. **Welcome** Brees
ATTACHMENT 1A - ABAG POWER JPA MEMBER LIST
 2. **Public Comments** Brees
 3. **Approval of Minutes from October 26, 2017 Annual Board Meeting** Brees **Action**
ATTACHMENT 3A - MINUTES OF OCTOBER 26, 2017
 4. **ABAG-MTC Local Government Services [?]** Paul **Action**
Staff will provide an update on the ABAG-MTC staff consolidation, and the new MTC Local Government Services section.
 5. **Staff Report and Review of Natural Gas Program** Lahr **Info.**
Staff will report the results of the Natural Gas Program for the 2017 – 2018 fiscal year.
ATTACHMENT 5A - STAFF REPORT ON NATURAL GAS PROGRAM
ATTACHMENT 5B - SUMMARY OF NATURAL GAS PROGRAM FY2017-18
ATTACHMENT 5C – REPORT ON RNG RFI [?]
 6. **Financial Review** Mayhew **Info.**
Staff will review preliminary financial statements for FY 2017-18
ATTACHMENT 6A – FINANCIAL REPORTS MEMO
ATTACHMENT 6B1 – PRELIMINARY INCOME STATEMENT
ATTACHMENT 6B2 – PRELIMINARY BALANCE SHEET
 7. **Election of ABAG POWER Officers (Chair and Vice Chair)** Brees **Action**
ATTACHMENT 7A - PROPOSED EXECUTIVE COMMITTEE FOR FY 18-19
- Break for Lunch**
8. **[Guest Speaker? Biogas/RNG issues]** ? **Info.**
Presentation.
 9. **San Francisco Bay Area Regional Energy Network (BayREN)** Berg **Info.**
Staff will summarize the programs and accomplishments to date.



Adjourn approximately 2:00 p.m.

THE BOARD MAY TAKE ANY ACTION, INCLUDING NO ACTION, ON ANY ITEM ON THIS AGENDA.

DRAFT