

ABAG POWER
Publicly Owned Energy Resources

Financial Statements
For the Year Ended June 30, 2025

ABAG Publicly Owned Energy Resources

Table of Contents

For the Year Ended June 30, 2025

	Page
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 7
Basic Financial Statements	
Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	
Summary of Significant Accounting Policies	11 - 14
Net Position	14
Cash and Cash Equivalents	14 - 15
Purchase Commitments	15
Risk Management	15

INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the financial statements of the ABAG Publicly Owned Energy Resources ("POWER"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the POWER's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the POWER, as of June 30, 2025, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore

(Continued)

is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the POWER's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the POWER's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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



Crowe LLP

San Francisco, California
October 14, 2025

ABAG Publicly Owned Energy Resources

Financial Statements for the year ended June 30, 2025

Management's Discussion and Analysis (unaudited)

Management's Discussion and Analysis

ABAG Publicly Owned Energy Resources (POWER) has prepared its financial report for the fiscal year ended June 30, 2025. This Management's Discussion and Analysis (MD&A) provides an overview of POWER's financial activities during the fiscal year and should be read in conjunction with the financial statements and the notes which follow.

A. Financial Highlights

- **Membership and Meter Growth** - In July 2024, the POWER program experienced a net increase of 16 new members, primarily school districts. This resulted in an increase in accounts from 732 gas meters to 970 gas meters, representing a 32.5% growth.
- **Gas Volume and Cost** - For FY 24-25, natural gas volume increased by approximately 33% compared to FY 23-24, rising from 6 million therms to 8 million therms. This increase in volume, relative to the prior fiscal year, led to a corresponding rise in the natural gas sold to over \$16 million.
- **True-Up Adjustment** - The true-up reconciliation for FY 24-25 resulted in a credit adjustment of approximately \$1.7 million. This credit will be applied to members' accounts in November 2025.
- **Consultant Cost Savings** - In February 2025, POWER reduced consultant costs by internalizing some services, resulting in an anticipated cost savings of \$120,000 per year. This reduction in external service expenses will positively impact the program's overall operating budget.
- **Working Capital Deposit** - In July 2024, POWER started the collection of the additional working capital deposit, pursuant to Resolution 23-06. This action strengthens the program's liquidity and financial stability.

B. Overview of the POWER Financial Statements

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

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

The *Statement of Net Position*, *Statement of Revenues, Expenses and Changes in Net Position*, and *Statement of Cash Flows* are presented on pages 8 – 10 of this report.

ABAG Publicly Owned Energy Resources
Financial Statements for the year ended June 30, 2025
Management's Discussion and Analysis (unaudited)

C. Financial Analysis

Statement of Net Position

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

	2025	2024
Assets		
Cash and cash equivalents	\$ 6,346,494	\$ 3,548,294
Receivables	264,875	1,140,659
Prepaid items	3,968	3,968
Natural gas inventory	480,208	426,508
Total Assets	7,095,545	5,119,429
Liabilities		
Current liabilities	3,530,165	2,845,701
Noncurrent liabilities	3,565,380	2,273,728
Total Liabilities	7,095,545	5,119,429
Net Position	\$ —	\$ —

Total assets increased by \$1,976,116 primarily due to the collections on the billings to members and investment income earned in fiscal year 2025. Fiscal year 2025 billings to members were relatively higher than the actual energy costs throughout the year.

Compared to fiscal year 2024, total liabilities increased by \$1,976,116 due to an increase in due to members, which resulted from a higher true-up payable to members. There is also an increase in deposits from members due to an increase in required working capital deposits from two to three months of estimated expenses that came into effect starting July 1, 2024. There were additional 16 participants of the School Project for Utility Rate Reduction (SPURR) that joined POWER during the fiscal year end 2025 that also resulted in an increased deposit from members.

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

ABAG Publicly Owned Energy Resources
Financial Statements for the year ended June 30, 2025
Management's Discussion and Analysis (unaudited)

Statement of Revenues, Expenses, and Changes in Net Position

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

	2025	2024
Operating Revenues		
Sale of natural gas & other revenues	\$ 16,055,896	\$ 10,313,564
Total Operating Revenues	16,055,896	10,313,564
Operating Expenses		
Cost of natural gas & PG&E passthrough	15,084,002	9,578,346
Contracted administrative services	923,566	572,576
Professional fees	278,664	216,765
Other expenses	79,142	26,800
Total Operating Expenses	16,365,374	10,394,487
Operating income (loss)	(309,478)	(80,923)
Nonoperating Revenues		
Interest income	309,478	80,923
Total Nonoperating Revenues	309,478	80,923
Change in Net Position	—	—
Total Net Position - Beginning	—	—
Total Net Position - Ending	\$ —	\$ —

Before the year-end adjustment, ABAG POWER showed a net positive change in net position of \$1,715,877 at the end of fiscal year 2025. The year-end adjustment distributes the year-end surpluses or deficits among gas program members, in accordance with the true-up process outlined in members' agreements, therefore, the net position has zero balance at fiscal year-end.

Total operating revenues increased by \$5,742,332 in fiscal year 2025 due to greater gas consumption because of an increase in membership, as well as a change in market gas prices.

Total operating expenses increased by \$5,970,887 in fiscal year 2025 compared to fiscal year 2024. The primary contributors to the overall increase in operating expenses were higher natural gas costs and an increase in local distribution transportation charges compared to prior year. The California Public Utility Commission (CPUC) approved a rate increase, which also resulted in an overall increase in the PG&E passthrough costs.

D. Notes to the Financial Statements

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

E. Economic Factors and Program Outlook for Fiscal Year 2026

Based on the broader natural gas economic outlook, forward contract gas prices are generally expected to fluctuate within a range of \$3.00 - \$6.00/Dth over the next two years. This expectation is

ABAG Publicly Owned Energy Resources

Financial Statements for the year ended June 30, 2025

Management's Discussion and Analysis (unaudited)

predicated on a balanced North American natural gas market, where supply is aligned with demand. A continued positive trend in total US natural gas production and the influence of competing commodity prices, notably oil and coal, will also play key roles in defining market price movements. However, it's crucial to recognize that weather volatility, infrastructure constraints, and regulatory developments (U.S. EPA, Methane Emissions Regulations) could trigger price deviations outside this range.

Key factors influencing the US natural gas market conditions for FY 2025 are:

- **Weather Conditions** - POWER staff monitors weather conditions on regular basis, as winter severity and summer heat waves will continue to be the most significant driver of natural gas demand and price volatility. A colder-than-average winter across key consuming regions (Northeast, Midwest) would significantly boost demand for heating, drawing down storage inventories and potentially spiking prices. Warmer-than-average winter would have the opposite effect, leading to lower prices. In addition, the Hurricane season in the Atlantic can disrupt natural gas production in the Gulf of Mexico and can lead to temporary shut-ins of production platforms and processing facilities, causing supply disruptions and price volatility.
- **Physical Infrastructure** - The US gas pipeline infrastructure is a complex and vital network. While significant investment has been made in new infrastructure, aging components require continuous monitoring, maintenance, and modernization to ensure safety and minimize environmental impacts. Planned and unplanned maintenance on pipelines and processing plants can temporarily reduce capacity, potentially causing localized price spikes. POWER staff closely monitors gas pipeline maintenance and capacity to maintain and balance the POWER gas pool, and to avoid gas flow cuts and penalties.
- **Gas Storage** - Inventory levels going into the winter heating season will be closely monitored. The amount of natural gas in storage heading into the winter heating season is a key indicator of market balance. Lower-than-average storage levels increase the risk of price spikes during cold weather. Also, the rate at which natural gas can be injected into or withdrawn from storage facilities affects the market's ability to respond to changes in demand.
- **Supply and Demand** - Natural gas-fired power plants will remain a major source of demand, particularly as coal-fired plants are retired. The economics of natural gas relative to renewable energy sources (solar, wind) will determine its share of the power generation mix. Furthermore, liquefied natural gas (LNG) exports will continue to be a significant driver of demand growth. Global LNG demand, especially from Mexico, Asia, and Europe, will influence the volume of U.S. LNG exports. Looking ahead, rising data center power demand in 2026 could trigger renewed volatility. POWER helps members navigate these market dynamics and secure predictable pricing.
- **Market Pricing** - The NYMEX Henry Hub natural gas futures contract is the benchmark price for natural gas in North America. Price differentials between Henry Hub and regional hubs (e.g., PG&E Citygate, AECO in Canada) can reflect transportation constraints and local supply/demand imbalances. POWER staff expect these differentials to fluctuate based on infrastructure conditions, and expect continued price volatility in natural gas markets, driven by the factors mentioned above.
- **Regulatory Environment** - Regulatory approvals for new pipeline projects can be lengthy and complex. Delays in these projects can constrain takeaway capacity and affect prices. Increased regulatory scrutiny on methane emissions from natural gas production and

ABAG Publicly Owned Energy Resources
Financial Statements for the year ended June 30, 2025
Management's Discussion and Analysis (unaudited)

transportation could lead to stricter regulations and higher compliance costs. In addition, environmental regulations related to hydraulic fracturing (fracking) and wastewater disposal can impact natural gas production.

- **Specific Considerations for the Next 12 Months** - Global events, such as geopolitical tensions or conflicts, can impact energy markets and natural gas prices. The ongoing wars in the Middle East and in Ukraine and their impact on European energy supplies is a key example. Also, slower economic growth could dampen demand for natural gas, while stronger growth could boost demand.

POWER's operations are structured to provide cost certainty for its participants, minimizing exposure to economic swings. As a self-funding enterprise, POWER ensures users pay only for the natural gas they consume. Projected annual usage determines the amount of natural gas purchased and stored, with costs distributed to participants through predictable monthly billings. Any discrepancies between estimated and actual usage are reconciled at year-end, with adjustments reflected as payables or receivables. Consequently, POWER members are largely protected from short-term (intra-year) market price fluctuations.

Request for Information

This financial report is intended to provide citizens, taxpayers, and creditors with a general overview of POWER's finances. Questions about this report should be addressed to the Metropolitan Transportation Commission (MTC) Finance Department, ABAG Publicly Owned Energy Resources at 375 Beale Street, Suite 800, San Francisco, CA 94105.

ABAG Publicly Owned Energy Resources
Statement of Net Position
June 30, 2025

ASSETS

Current assets:

Cash and cash equivalents	\$ 6,346,494
Accounts receivable	264,875
Prepaid items	3,968
Natural gas inventory	<u>480,208</u>

TOTAL ASSETS	<u><u>7,095,545</u></u>
---------------------	-------------------------

LIABILITIES

Current liabilities:

Accounts payable	1,114,091
Due to members	2,315,877
Due to other government	<u>100,197</u>

Total current liabilities	<u><u>3,530,165</u></u>
----------------------------------	-------------------------

Non-current liabilities:

Deposits from members	<u>3,565,380</u>
-----------------------	------------------

Total non-current liabilities	<u><u>3,565,380</u></u>
--------------------------------------	-------------------------

TOTAL LIABILITIES	<u><u>7,095,545</u></u>
--------------------------	-------------------------

NET POSITION	<u><u>\$ —</u></u>
---------------------	--------------------

See accompanying notes to financial statements

ABAG Publicly Owned Energy Resources
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2025

OPERATING REVENUES

Sale of natural gas	\$ 16,038,920
Other operating revenues	<u>16,976</u>
TOTAL OPERATING REVENUES	<u>16,055,896</u>

OPERATING EXPENSES

Cost of natural gas	3,472,417
PG&E passthrough	11,611,585
Contracted administrative services	923,566
Professional fees	278,664
Other	<u>79,142</u>
TOTAL OPERATING EXPENSES	<u>16,365,374</u>

OPERATING LOSS (309,478)

Interest income	<u>309,478</u>
-----------------	----------------

TOTAL NONOPERATING REVENUES 309,478

CHANGE IN NET POSITION —

TOTAL NET POSITION - BEGINNING —

TOTAL NET POSITION - ENDING \$ —

See accompanying notes to financial statements

ABAG Publicly Owned Energy Resources

Statement of Cash Flows

For the year ended June 30, 2025

Cash flows from operating activities

Cash receipts from customers and others	\$ 18,440,273
Cash payments to suppliers and contractors for goods and services	(15,951,551)
Net cash provided by operating activities	<u>2,488,722</u>

Cash flows from investing activities

Interest received	<u>309,478</u>
Net cash provided by investing activities	<u>309,478</u>

Net increase / (decrease) in cash	2,798,200
Balances- beginning of year	<u>3,548,294</u>
Balances- end of year	<u>\$ 6,346,494</u>

Reconciliation of operating income / (loss) to net cash used for operating activities

Operating loss	\$ (309,478)
----------------	--------------

Adjustments to reconcile operating income net cash provided by operating activities:

Net effect of changes in:

Accounts receivable	875,784
Natural gas inventory	(53,700)
Accounts payable	451,480
Due to members	216,941
Due to other government	16,043
Deposits from members	<u>1,291,652</u>
Net cash provided by operating activities	<u>\$ 2,488,722</u>

See accompanying notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Operations

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

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

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

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

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

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

POWER's Operations

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

In July 2017 ABAG staff were consolidated into the Metropolitan Transportation Commission (MTC) and the POWER Board subsequently took action to appoint MTC staff to the relevant POWER officer positions in accordance with the bylaws. MTC staff will continue to provide administrative support to POWER in accordance with the ABAG-MTC Contract for Services. POWER paid MTC \$923,566 for these services in the fiscal year ended June 30, 2025. On the *Statement of Revenues, Expenses, and Changes in Net Position*, this amount is reflected as contracted administrative services.

ABAG Publicly Owned Energy Resources
Financial Statements for the year ended June 30, 2025
Notes to Financial Statements

B. Basis of Presentation

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

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

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

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

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

New Accounting Pronouncements

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences and associated salary-related payments by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal year beginning after December 15, 2023, and all reporting periods thereafter. POWER adopted this standard for fiscal year ended June 30, 2025. The adoption of the standard has no impact on POWER's financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*, requires a government to assess and disclose information regarding certain concentrations or constraints and related events that may have a substantial impact and negatively affect the level of service a government provides. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The adoption of the standard has no impact on POWER's financial statements.

D. Cash and cash equivalents

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

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies

ABAG Publicly Owned Energy Resources

Financial Statements for the year ended June 30, 2025

Notes to Financial Statements

- Certificates of deposit issued by a nationally or state chartered bank
- Authorized pooled investment programs
- Commercial paper – Rated “A1” or “P1”
- Corporate notes – Rated “A” or better
- Municipal bonds – Rated “A1” or “P1” or better
- Mutual funds – Rated “AAA”
- Other investment types authorized by state law and not prohibited in MTC's investment policy.

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

POWER considers all balances in demand deposit accounts and associated sweep money market mutual funds, and the funds in government pools to be cash.

E. Due to Members

The due to members in POWER consists of the excess of revenues over expenses in the relevant period. POWER will match billings to members with the cost of gas provided and in effect, return any excess amounts previously billed to members as true-up adjustments in billings during the subsequent fiscal year. As of June 30, 2025, there was \$600,000 remaining from fiscal year 2024 true-up adjustments, as well as a true-up adjustment of \$1,715,877 in fiscal year 2025 that will be returned to members in the next fiscal year, which are recorded in the total due to members balance.

F. Prepaid Items

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

G. Natural Gas Inventory

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

H. Due to Other Government

The due to other government consists of the amount due to MTC for services provided in fiscal year 2025.

I. Deposits from Members

POWER maintains three member agreements that govern participation in the two programs. The natural gas aggregation program contains core (i.e. small usage) and non-core (i.e. large usage) agreements. The RNG program is governed by a single agreement. In all cases, upon execution of the relevant agreement,

ABAG Publicly Owned Energy Resources
Financial Statements for the year ended June 30, 2025
Notes to Financial Statements

the joining member is required to provide a working capital deposit to POWER prior to the transference of utility accounts to the POWER program. The member agreements provide POWER the right to increase working capital deposits. This deposit is refundable when the member leaves the program and all liabilities to POWER have been satisfied. The currently approved working capital deposit is calculated as follows:

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

J. Operating and Nonoperating Revenues and Expenses

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

K. Accounts Payable

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

L. Use of Estimates

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

2. NET POSITION

Net position represents residual interest in assets after liabilities are deducted. Net position consists of three sections: Net investment in capital assets, as well as restricted and unrestricted net position, if applicable. The net position remained at zero at June 30, 2025. POWER's financial reporting model reflects all surpluses and deficits as liabilities due to or receivables due from its members.

3. CASH AND CASH EQUIVALENTS

A. The composition of cash and cash equivalents at June 30, 2025 is as follows:

Cash at banks	\$ 637,606
Government Pool	
Local Agency Investment Fund	1,713
California Asset Management Program	5,707,175
Total cash and cash equivalents	<u>\$ 6,346,494</u>

The First American Government Obligations Fund is part of the overnight sweep fund utilized by U.S. Bank demand deposit accounts. The fund invests in U.S. government securities and repurchase agreements collateralized by such obligations. The fund is rated "AAA/Aaa" by Standard and Poor's and Moody's, respectively.

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

ABAG Publicly Owned Energy Resources
Financial Statements for the year ended June 30, 2025
Notes to Financial Statements

California Asset Management Program (“CAMP”) fund is a joint powers authority and common law trust. The Trust’s Cash Reserve Portfolio is a short-term money market portfolio, which seeks to preserve principal, provide daily liquidity and earn a high level of income consistent with its objectives of preserving principal. CAMP funds are available for immediate withdrawal. Therefore, the position in CAMP is classified as cash. CAMP’s money market portfolio is rated “AAA” by Standard & Poor’s.

State law and MTC policy do not limit investments in joint powers authority funds, county or state investment pools as a percentage of the portfolio.

B. Deposit Risk Factors

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

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

4. PURCHASE COMMITMENTS

During the fiscal year, POWER entered into two agreements with various energy suppliers to facilitate the sale and purchase of natural gas for a delivery period extending to July 31, 2025. The agreements constituted an estimated combined purchase commitment of \$323,052.

5. RISK MANAGEMENT

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