

Balancing Authority of Northern California

Regular Meeting of the Commissioners of BANC

2:00 P.M.

Wednesday, March 25, 2020

Telephonic Meeting Only

Balancing Authority of Northern California

NOTICE OF REGULAR MEETING AND AGENDA

Notice is hereby given that a regular meeting of the Commissioners of the Balancing Authority of Northern California (BANC) will be held on **March 25, 2020** at **2:00 p.m.** **The meeting will be telephonic only.**

The following call-in information is being provided as the forum by which members of the public may observe the meeting and offer public comment:

Phone number: 1-408-418-9388
Meeting number (access code): 625 789 237

AGENDA

- 1 Call to Order.**
- 2 Matters subsequent to posting the Agenda.**
- 3 Public Comment** – any member of the public may address the Commissioners concerning any matter on the agenda.
- 4 Consent Agenda.**
 - A. Minutes of the Regular Commission Meeting held on February 19, 2020.
 - B. BANC Operator Report (February).
 - C. Compliance Officer Report (March).
 - D. PC Committee Chair Report (March).
 - E. General Manager's Report and Strategic Initiatives Update.
- 5 Regular Agenda Items – Discussion and Possible Action.**
 - A. EIM Phase 2/EDAM Update.
 - i. Consider and Possibly Approve Resolution 20-03-16 *Approval of Revised 2020 Annual Budget for BANC.*
 - B. SB100 Effort Update.
 - C. Consider and Possibly Accept BANC 2019 Audited Financials.
 - D. Consider and Possibly Approve Resolution 20-03-15 *Accepting and Adopting the BANC Member Participation Percentages for 2020.*
 - E. 2020 Strategic Planning Session.
- 6 Closed Session:** Conference with legal counsel in anticipation of litigation pursuant to subdivision (c) of Cal. Gov't Code § 54956.9; one case.
- 7 Adjournment.**

Accessible Public Meetings - Upon request, BANC will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the requested materials and preferred alternative format or auxiliary aid or service at least 3 days before the meeting. Requests should be sent to: Kris Kirkegaard, 555 Capitol Mall, Suite 570, Sacramento, CA 95814 or to kirkegaard@braunlegal.com.

Balancing Authority of Northern California

Consent Agenda Items

- A. Minutes of the February 19, 2020 BANC Regular Meeting.**
- B. BANC Operator Report (February).**
- C. Compliance Officer Report (March).**
- D. PC Committee Chair Report (March).**
- E. General Manager's Report and Strategic Initiatives Update.**

MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS OF THE
BALANCING AUTHORITY OF NORTHERN CALIFORNIA (BANC)

February 19, 2020

On this date, a Regular Meeting of the Commissioners of the Balancing Authority of Northern California (BANC) was held at 35 Iron Point Circle, Suite 225, Folsom, CA 95630.

Representatives Present:

Member Agency	Commissioner
Modesto Irrigation District	James McFall
City of Redding	Dan Beans, Chair
City of Roseville	Michelle Bertolino
Sacramento Municipal Utility District	Paul Lau
City of Shasta Lake	James Takehara
Trinity Public Utilities District	Paul Hauser

Agency	Liaison
Western Area Power Administration	Sonja Anderson, Jeanne Haas

1. Call to Order: Chair Beans called the meeting to order at 2:01 p.m.
2. Matters Subsequent to Posting the Agenda: None.
3. Public Comment: Chair Beans invited comments from the public and none were given.
4. Consent Agenda: Mr. Hauser moved, Mr. McFall seconded, and the participating Commissioners unanimously approved the Consent Agenda items comprised of: (A) Minutes of the Regular Commission Meeting held on January 22, 2020; (B) BANC Operator Report for January; (C) Compliance Officer Report for February; (D) PC Committee Chair Report for February; and (E) General Manager’s Report and Strategic Initiatives Update.
5. Regular Agenda Items – Discussion and Possible Action:
 - A. Mr. Shetler updated the Commission on EIM Phase 2 and EDAM. With respect to EIM Phase 2, multiple items are still being worked through. For example, there is ongoing dialogue among participants regarding whether deviation band could be used to meet Resource Sufficiency/flex tests. There appears to be internal agreement regarding how WAPA Transmission will be handled. Regarding BANC Settlements, a group is working through cost codes with CAISO and determining how to allocate internally. Next steps include: determining a dispute resolution process for invoicing; metering; CVP participation in EIM; Resource Sufficiency (RS) & flex tests; WAPA rate and OATT Proceedings; a budget reforecast (settlements staffing, additional SMUD resource time for support). Recently, a workshop was held at SMUD, and work groups are being formed as needed. Budget revisions and potentially other topics will be put in front of the EIM Committee in March and brought forth to Commission for approval.

MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS OF THE
BALANCING AUTHORITY OF NORTHERN CALIFORNIA (BANC)

For EDAM, two days of public workshops were held at CAISO on February 11-12. While several questions were raised by various stakeholders, the initial reaction indicates that there is generally alignment between the EIM entities and CAISO at a high level. More challenges are expected as the details are worked out, i.e. requirements for RS obligations and how they are imposed, a transmission hurdle rate, etc. Additional dialogue will follow and workshop comments are due 2/26. Following this round of comments, CAISO will determine whether another round of workshops is appropriate or a straw proposal will be developed.

Mr. Braun briefly reviewed the Governance Review Committee (GRC) efforts. Comments are due Friday, and EIM entities have a draft of the comments ready to circulate for review, as does CMUA. A meeting of the GRC is scheduled for March 11 in Phoenix with presentations on open issues.

- B. Mr. Shetler reviewed BANC's involvement in state agency efforts to effectuate the Senate Bill 100 status with the Commission. BANC has been active with the other Balancing Authorities in California. BANC supports and promotes a net zero carbon approach. A workshop is scheduled for Monday, February 24, and a number of Balancing Authorities, including BANC, have been asked to participate on a panel. The presentation has been shared with the Resource Committee (RC) and is currently under review.
- C. Mr. Shetler reviewed the ongoing Sutter Energy Center (SEC) effort. SMUD has brought forward a proposal for BANC to become the contracting agent for SEC for the members in the 2024-2030 timeframe. This could help to address recent CAISO/NWPP Resource Adequacy concerns and assist in meeting EIM RS/Flex test requirements. The proposal has been reviewed by the BANC RC. Some BANC members have indicated a possible interest in capacity/energy in 2024-2030 timeframe. A BANC RC meeting was held in early February to review the proposal, and the result of the RC evaluation was a recommendation that the BANC Commission authorize the General Manager to develop a term sheet with Calpine to see what this arrangement might look like and report out through the RC. Roseville asked whether the resolution implied any commitment, and Mr. Shetler confirmed that no commitment is being made beyond entering negotiations and developing a term sheet. A question was also asked regarding what the next steps would be if not all members interested, and the response given by Mr. Shetler is that nothing had yet been determined. SMUD is not committed to taking on the whole plant; the idea presented is just one possibility for moving forward. The concept would be similar to that of BANC's phased EIM implementation (i.e., the initial project is between SMUD/Calpine; if interest from others, a participation agreement would be created and others would be allowed to join if so desired.)

Mr. Lau moved, Mr. McFall seconded, and a roll call vote was taken. The City of Shasta Lake abstained, and all other Commissioners voted in favor of Resolution 20-02-12 *Authorization to Negotiate Sutter Energy Center Term Sheet*.

- D. Mr. Shetler briefly reviewed the Public Safety Power Shutoff (PSPS) Proposal whereby California IOU fire mitigation plans call for the use of proactive PSPS protocols. CAISO initiated discussions with BANC regarding this proposal. At the Commission's last discussion, PSPS Load Shed examples were requested. Mark Willis reviewed several scenarios with the Commission.
- E. Mr. Shetler initiated a discussion regarding a GM Transition Plan and indicated that he currently plans to remain in his position through 2022. He plans to include a transition

MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS OF THE
BALANCING AUTHORITY OF NORTHERN CALIFORNIA (BANC)

plan discussion/review as part of this year's BANC strategic planning session (yet to be scheduled.) Any issues related to AB 5 will be addressed as part of the plan. Review and input will be requested from Commissioners prior to the planning session.

The meeting was adjourned at 2:40 p.m.

Minutes approved on March 25, 2020.

C. Anthony Braun, Secretary



BALANCING AUTHORITY OF NORTHERN CALIFORNIA

P.O. BOX 15830 • D109 • SACRAMENTO • CA 95852 -1830

TO: BANC Commission

RE: BANC Operator Report for February 2020

Operations:

- BA Operations: Normal
- Significant BA Issues: None
- NWPP Reserve Energy Activations
 - 2 contingency requiring activation of NWPP
 - 142 MW average generation lost
 - 172 MW maximum generation lost
 - Generating unit(s) and date(s) affected: Cosumnes 2/25
 - All recoveries within 7 minutes
- USF
 - 3 of 29 days with instances of USF mitigation procedure utilized
 - 3 days on Path 66
 - No operational impact on BANC
- BAAL Operation:
 - Maximum duration of BAAL exceedance: 10 minutes
 - Number of BAAL exceedance >10 minutes: 0
 - BAAL violation (BAAL exceedance >30 minutes): None
- Frequency Response (FR) Performance – Quarterly Metric:
 - 2019
 - Frequency Response Obligation (FRO): -13.1 MW/0.1 Hz
 - Q4 Frequency Response Measure (FRM): -27.7 MW/0.1 Hz
 - Q4 Number of Under-Performed Events: 2 out of 5
 - Q1~Q4 Frequency Response Measure (FRM): -28.4 MW/0.1 Hz (BANC met BAL-003-1.1 R1 for 2019)
 - 2020
 - Q1~Q4 Number of Under-Performed Events: 5 out of 20
 - Frequency Response Obligation (FRO): -14.7 MW/0.1 Hz

Monthly Notes:

- No additional notes or impacts for February 2020

A JOINT POWERS AUTHORITY AMONG

Modesto Irrigation District, City of Redding, City of Roseville, Trinity Public Utilities District,

City of Shasta Lake, and Sacramento Municipal Utility District

Compliance Officer Report

BANC Commission Meeting

March 2020

The following summarizes routine issues for the Commission's information and consideration. Any major issues or action items will be identified separately on the Commission agenda for action.

BA Compliance Issues:

- No significant operational Balancing Authority compliance events occurred.
- All required BA compliance reports and operating data were submitted to WECC.
- Compliance staff received and coordinated a response to a NERC Alert Recommendation to Industry regarding Coronavirus Disease (COVID-19) contingency planning (issued on March 10th). Those recommendations include measures to address: 1) situational awareness; 2) workforce hygiene and workplace practices; 3) business continuity planning; 4) supply chain concerns; and, 5) opportunistic social engineering attacks.
- BANC completed its 2019 Self-Certification submittal to WECC. There were no identified areas of concern.

BANC MCRC:

- The next BANC MCRC teleconference is scheduled to be held at 10:00 AM on Monday, March 24, 2020.

PC Committee Chair Report

BANC Commission Meeting

March 2020

The following summarizes Planning Coordinator-related issues for the Commission's information and consideration. Any major issues or action items will be identified separately on the Commission agenda for action.

BANC PC Committee Issues:

- SMUD staff continued work toward demonstrating compliance with PC-related NERC reliability standards.
- TPL-001-4 - Transmission System Planning Performance – Staff sent the Study Plan and study base cases for review on February 26th. Comments are due on March 20th.
- MOD-031-2 – Demand and Energy Data - Staff is collecting Loads and Resources (LAR) supplemental data (Part III) for the BANC PC participants and WAPA (Sierra Nevada Region), which is due March 24th. LAR data - Part 2 was submitted to WECC on February 29th.
- PRC-012-2 - Remedial Action Schemes - The effective date of this new PRC-012-2 standard is January 1, 2021. Staff sent a notification to the BANC PC participants on February 13th requesting RAS information from within their areas. Responses confirming no RAS have been received from the Cities of Redding and Roseville. Staff will perform a RAS study once every five full calendar years to comply with R4 of this standard. A study plan is currently under development.
- TPL-007-3 - GMD Transmission Performance – Staff held a meeting and discussed compliance related to R11 and R12 of this standard, which becomes effective on July 1, 2021. R11 states, “Each responsible entity, as determined in Requirement R1, shall implement a process to obtain GIC (Geomagnetic Induced Currents) monitor data from **at least one GIC monitor** located in the Planning Coordinator's planning area or other part of the system included in the Planning Coordinator's GIC System model.” Staff sent an email to PC participants asking whether there was at least one GIC monitor located within the BANC area. So far, there is no GIC monitor within any entity's area, including WAPA. SMUD is planning to install a GIC monitor in the SMUD area on behalf of BANC.
- Data Requests and Deadlines for BANC PC related NERC Standards – Staff developed an excel file to identify data requests by month for each standard. The file was sent to PC participants for review and comment on February 14th, and it was discussed at the BANC PC meeting. The file has been finalized and posted on the BANC members only website.

- A BANC PC Meeting was held at SMUD on February 25th. The BANC 2020 TPL-001-4 Annual Assessment Study Plan was discussed, and particularly selected study scenarios and sensitivity studies. There was significant discussion of FAC-014-2 regarding the definition of System Operating Limits and the exception pertaining to Modesto Irrigation District. Staff is currently working with MID to reach an agreement on how to document the exception if it is to be included in this year's FAC-014-2 study Report. Finally, staff informed BANC PC participants of new upcoming PC-related NERC standards, including PRC-012-2 RAS R4 (effective 1/1/2021), TPL-007-3 R11 and R12 (effective 7/1/2021) and TPL-001-5.

The table below shows the current status of all PC-related standards:

	PC Standard	Estimated % Complete	Notes
1	FAC-002-2 Interconnection Studies		No new and/or materially modifying transmission facilities within BANC area this year except Hurley-Procter Reconductoring Project.
2	FAC-010-3 SOL Methodology for Planning Horizon		No changes in SOL Methodology.
3	FAC-013-2 Transfer Capability for Near-Term Planning Horizon		Will start to develop a study plan in May, 2020
4	FAC-014-2 Establish and Communicate SOLs		Will start to develop a study plan in June, 2020
5	IRO-017-1 Outage Coordination		Will send out 2020 annual assessment report in October.
6	MOD-031-2 Demand and Energy Data	80%	2020 Loads and Resources supplement Data Request III sent to WECC end of March.
7	MOD-032-1 Data for Power System Modeling & Analysis		Ongoing activity.
8	MOD-033-1 System Model Validation		Data request in June, 2020.
9	PRC-006-3 Underfrequency Load Shedding		Data request in April, 2020
10	PRC-010-2 Undervoltage Load Shedding	100%	Study has been completed. The report was finalized on December 30 th , 2019. RSAW completed.
11	PRC-012-2 Remedial Action Schemes	10%	New Standard to be effective on 1/1/2021. A study plan will be sent out for comments on 3/20/2020.

	PC Standard	Estimated % Complete	Notes
12	PRC-023-3 Transmission Relay Loadability	10%	Study plan is under development; will be sent out for comments end of March.
13	PRC-026-1 Relay Performance During Stable Power Swings	10%	Study plan is under development, will be sent out for comments end of March.
14	TPL-001-4 Transmission System Planning Performance	20%	Study plan and base cases were sent out for review on 2/26/2020. Comments are due on 3/20/2020
15	TPL-007-3 GMD Transmission Performance	10%	SMUD Protection engineer is investigating the GIC device and its installation.

GM Report

BANC Commission Meeting

March 25, 2020

I wanted to summarize routine issues for the Commission's information and consideration. Any major issues or action items will be identified separately on the Commission agenda for action.

Outreach Efforts:

Refer to GM outreach report provided under separate distribution. In addition, here are some other noteworthy items:

LADWP/Seattle City Light/SRP/TID/Tacoma Power

Dialogue continues with these entities regarding EIM participation. Based upon the group's discussions, we have agreed to continue to interact on an informal basis to make sure we are on the same page on EIM issues from a POU perspective. We are routinely holding bi-weekly calls to provide updates and discuss issues. To date, we have collaborated with the other POUs on joint language to use in the EIM Entity agreement that we will all need to sign for EIM operations, on how to address market-based rate authority with DMM, potential common language for OATT revisions, and joint comments on the EIM governance issues. We have also used this forum to discuss POU positions regarding the EDAM development. In addition, we have worked with the other three entities to agree upon the joint funding of BBSW to monitor CAISO interfaces for us. We have also confirmed Tacoma Power and TID interest in participating in the group.

POU Western Markets Initiative

BANC continues to participate in this effort, which is being coordinated by APPA. The group continues to evaluate how best to represent the POUs in the ever-changing power markets in the West. Our next face-to-face meeting is scheduled for mid-May.

Coronavirus Restrictions

With the increased restrictions on public gatherings and travel, BANC is moving to more remote meeting attendance, both for our own internal member meetings as well as outside meetings for the foreseeable future. We will maintain this approach until public health authorities advise the restrictions can be relaxed. In addition, the BANC BA Operator (SMUD) has instituted measures to reduce coronavirus risks, including social distancing at the offices and restricted access to the control centers.

Market Initiatives:

EIM Participation

The BANC EIM Phase 1 implementation effort was completed on April 3, 2019, with the successful go-live of BANC as the EIM Entity and SMUD as a Participating Resource. We are now monitoring EIM participation. SMUD provided a benefits update from their first quarter of operations at the July Commission meeting. We are working with SMUD to provide the benefits update presentation to a broader audience of BANC members. The second quarter of EIM Phase 1 operations benefits was issued by the CAISO in October and the third quarter in January, with both showing positive results for SMUD.

The BANC EIM Phase 2 effort is moving forward. The EIM Phase 2 Participation Agreement has been executed by all of the entities. The EIM Phase 2 Implementation Agreement has been executed by both BANC and the CAISO and was accepted by FERC effective 12/11/19. Staff is coordinating with the Phase 2 participants and Utilicast to move forward with Phase 2 implementation with several meetings and discussions underway. The main focus for the project is defining WAPA transmission use approach, defining how the deviation band will be handled under EIM, and determining cost allocations methodologies for the various EIM cost codes. We have reached a tentative agreement on the WAPA transmission and deviation band issues. The cost allocation methodologies effort is proceeding well with initial agreement on about 80% of the cost codes. We have initiated discussions on metering and Resource Sufficiency/Flex Ramp test approach. We are working with CAISO to resolve some of the unique issues associated with the BANC structure. In addition, we are working with WAPA to determine how to support them with draft BANC Business Practices that they can reference for their upcoming OATT and Rates processes. We have identified some suggested amendments to the budget for EIM Phase 2 Implementation, which will be discussed at the March Commission meeting for possible action.

EDAM Participation

The EDAM Feasibility Assessment is complete. The CAISO issued an initial EDAM issues white paper on October 10 and held a stakeholder webinar on October 17. The CAISO requested comments on the issues white paper by November 22, with the EDAM Entities filing joint comments and BANC also filing supporting comments. It is expected that the CAISO will use most of 2020 to conduct the formal stakeholder process, including development of a straw proposal for EDAM, followed by tariff filings at FERC. The EDAM Entities (including BANC) were active participants in the first EDAM public stakeholder workshop on February 11-12, 2020. Stakeholder comments have been submitted and the EDAM Entities are in the process of digesting the comments to determine next steps. The CAISO is expected to post an issue paper in early April. An EDAM go-live, if there is sufficient interest by EIM entities to participate, is currently estimated to be early 2022 timeframe at the earliest. With Commission approval at the February meeting, staff has

proceeded with executing the CES contract for market advice support for EDAM. In addition, a review of expenditures for the last half of 2019 and January 2020 indicated that the budget for BBSW support might not be sufficient for 2020. This will be discussed at the March Commission meeting for possible action.

WAPA:

Market Engagement

We have included WAPA-SNR in our EIM Phase 2 planning efforts and WAPA-SNR is an active participant in these efforts. As noted above, the main discussions with WAPA-SNR have been around the approach for use of WAPA-SNR transmission in EIM and how the deviation band will be handled in EIM. Also, as noted above, we are working proactively with WAPA-SNR to assist them in their OATT and Rates processes for EIM.

San Luis Transmission Project

WAPA-SNR has announced its intent to work with the Bureau of Reclamation and CDWR to construct the SLTP. BANC met with WAPA and the other parties to fully understand the implications of having this new transmission project in the BANC BA/WAPA-SNR sub-BA. The SLTP developers (DATC) have completed the open season on the additional capacity for the project. It is our understanding that DATC is in discussions with interested parties regarding participation in the SLTP. We will keep the Commission informed as more information becomes available.

Peak Reliability:

Closure Activities

Peak ceased operations as a registered RC on December 4, 2019. The final closure activities (terminating contracts, vacating facilities, etc.) are being handled by a closure administrator (Marie Jordan, former Peak CEO), with completion forecasted by 2nd Quarter 2020. Peak is forecasting under running its budget and that the Funding Parties will be receiving a rebate in mid-2020.

WECC

WECC Board Meetings

I attended the WECC Near-Term Priorities Workshop in Seattle on 2/20/2020 and the MAC and Board meetings on March 10-11, 2020, in Salt Lake City.

RC Services for the West

With the completion of the RC transition from Peak to the new RCs, WECC and NERC have refocused their efforts from monitoring transition to monitoring operations of the RCs. At the March 11 Board meeting, NERC CEO Jim Robb commended the

Western Interconnection for the successful transition of RC services from Peak to the new RC providers.

CDWR Delta Pumping Load:

BANC is coordinating with SMUD, CDWR, WAPA, and the CAISO regarding how the construction and pumping loads and ancillary services will be provided for this project. The CAISO has reached out to BANC/SMUD/WAPA-SNR regarding contacts for initiating discussions on how CAISO will supply energy for the construction loads in our footprints. With the Governor's announcement that the project will be downsized from two to one tunnel, CDWR has withdrawn the current applications and will be submitting revised environmental documentation. We expect at least a 2-3 year delay in any start to the project. However, CAISO has reinitiated outreach discussions on how they will support the boring machine loads for the project.

SB100 Implementation

As part of SB100, the CPUC, CEC, and CARB (Joint Agencies) are required to collaborate with the California BAs to develop a quadrennial report on the status of achieving the goals of SB100. The initial report is due 1/1/21. The four POU BAs (BANC, IID, LADWP, and TID) are collaborating on positions and responses. In addition, we have done outreach to the CAISO, PacifiCorp, NV Energy, and WAPA BA's in California to determine if there is benefit to all BAs coordinating on this effort. BANC filed comments with the agencies on 12/2/19. BANC stated that it supported the long-term goals of the State regarding GHG reductions. However, we also cautioned that the transition from the current mix of resources to the long-term resource mix needs to be done in an orderly manner to ensure that grid reliability and affordability can be maintained for the benefit of the end-use consumers. We also supported a "net zero" carbon approach to meeting the goals, at least on an interim basis. We are discussing how SB100 goals will impact BANC operations in the long-term with the Resource Committee and will be updating the Commission as these discussions evolve. I attended the SB100 workshop on 2/24/2020 and participated on a BA reliability panel. Subsequent to the workshop, staff worked with the other POU BAs (LADWP, IID, and TID) regarding comments to the Joint Agencies.

Sutter Energy Center

Based upon Commission concurrence at the February meeting, staff has initiated outreach to Calpine to schedule discussions on a potential term sheet.

Strategic Initiatives

An update of the 2019/2020 Strategic Initiatives is attached to this report.

BANC 2019/2020 Strategic Plan - Routine Initiatives - March 2020 Update

No./Priority	Focus Area	Initiative	Responsibility	Target Due Date	Status
1 Medium	INDEPENDENCE	Effectively oversee the BA operations.	Jim Shetler	Ongoing	See monthly Ops, PC, Compliance, & GM Reports
2 Medium		Develop long-term succession plan and traits for General Manager	Jim Shetler/Commission	Ongoing	Draft plan discussed with Commission
3 Medium		Organizational Issues: ~ Develop BANC procedures & processes as appropriate	Jim Shetler/BBSW	4th Qtr. 2020	Initial draft of business practices being developed
4 Medium	OUTREACH	Engage in industry forums (WECC, Peak, NWPPA, etc.)	Jim Shetler	Ongoing	Attend RC West, WECC Board, WEIL, & NWPP Exec. Forum meetings
5 Medium		Coordinate with other POU BAs (Ca and regionally)	Jim Shetler	Ongoing	Coordinating with SCL, SRP, LADWP, TP, & TID on EIM
6 Medium		Outreach to regulatory and legislative bodies on key issues	Jim Shetler/BBSW	Ongoing as Necessary	Attended CREPC/WIRAB Mtg. 10/8-9/19
7 Medium	ASSETS	Evaluate joint options for resource needs for BA	Resource Committee	4th Qtr. 2020	
8 Low	MEMBER SERVICES	Identify and outreach to potential new BANC members	Jim Shetler	Ongoing	Discussions with WAPA-SNR

BANC 2019/2020 Strategic Plan - Routine Initiatives - March 2020 Update

No./Priority	Focus Area	Initiative	Responsibility	Target Due Date	Status
9 High	INDEPENDENCE	Manage implementation of EIM Phase 2 participation effort	Jim Shetler/SMUD	4/1/21	Routine EIM Committee meetings being held
10 High		Manage EIM Phase 1	Jim Shetler/SMUD	Ongoing	
11 High		EDAM evaluation effort ~ CAISO Stakeholder Process ~ CAISO Tariff Development	Jim Shetler/BBSW Jim Shetler/BBSW	3rd Qtr. 2020 1st Qtr. 2021	Coordinating with EDAM SC
12 Medium	OUTREACH	Evaluate opportunities to engage other entities in market development	Jim Shetler	Ongoing	Coordinating with SCL, SRP, LADWP, TID, & Tacoma
13 Medium		Regional Policy Issues: Monitor/ weigh-in where appropriate	Jim Shetler/Commission	Ongoing	
14 High		Regionalization: ~Monitor CAISO GRC effort	Jim Shetler/BBSW	3rd Qtr. 2020	GRC meeting; T. Braun selected
15 High		Coordinate with BAs on SB100 collaboration effort	Jim Shetler/BBSW	12/31/20	Participated in 2/24/20 reliability workshop Submitted BANC comments 3/9/20
16 Medium	ASSETS	Evaluate resource criteria for BANC long-term needs	Jim S./Res. Com.	4th Qtr. 2020	Holding discussions at Resource Committee
17 Medium	MEMBER SERVICES	Evaluate possible support to participants for EIM	Jim S.	4th Qtr. 2020	Finalized software EIM procurement options

Balancing Authority of Northern California

Agenda Item 5A

1. *Resolution 20-03-16 Approval of Revised 2020 Annual Budget for BANC.*

**Balancing Authority of Northern California
Resolution 20-03-16**

APPROVAL OF REVISED 2020 ANNUAL BUDGET FOR BANC

WHEREAS, the Balancing Authority of Northern California (“BANC”) Joint Powers Agreement (“JPA”) Section 11.4 describes both the responsibilities and the non-delegable duties of the BANC Commission which include approving an annual budget and approving assessments to each Member; and

WHEREAS, JPA Section 12 provides that the BANC Commission may assess each Member for its respective Participation Percentage share of funds required to carry out BANC’s purposes as specified in the annual budget; and

WHEREAS, BANC Resolution 12-02-03 established a process whereby Member assessments shall be required no less than two times per year; and

WHEREAS, the General Manager worked to develop a revised budget as a result of scope changes related to PA-4: EDAM Evaluation and PA-7: EIM Phase 2 Implementation; and

WHEREAS, the General Manager has prepared exhibits incorporating the revisions to PA-4: EDAM Evaluation, PA-7: EIM Phase 2 Implementation, EIM Phase 2 Implementation Budget Forecast by Year, EIM Phase 2 Implementation Budget Forecast by Participant, and 2020 BANC Budget Member Assessments for consideration and possible adoption by the Commission.

NOW, THEREFORE, BE IT RESOLVED that the Commissioners of the Balancing Authority of Northern California hereby:

1. Approve the amended sections to the 2020 Annual Budget for BANC in the form attached hereto as Attachment A.
2. Directs the BANC Treasurer to assess each BANC Member in accordance with Resolution 12-02-03 and WAPA in accordance with the existing agreement (19-SNR-02253) between BANC and WAPA.

PASSED AND ADOPTED by the Commissioners of the Balancing Authority of Northern California this 25th day of March, 2020, by the following vote:

		Aye	No	Abstain	Absent
Modesto ID	James McFall				
City of Redding	Dan Beans				
City of Roseville	Michelle Bertolino				
City of Shasta Lake	James Takehara				
SMUD	Paul Lau				
TPUD	Paul Hauser				

Dan Beans
Chair

Attest by: C. Anthony Braun
Secretary

2020 BANC Budget

March 2020 Revision

PA-4: EDAM Evaluation

PA-7: EIM Phase 2 Implementation

Staff has identified two participation agreements that need budget adjustments due to scope changes. The following provides background, summary of the issues, and recommendations:

PA-4: EDAM Evaluation

BACKGROUND

In reviewing the last 6 months of expenditures for PA-4: EDAM Evaluation, it is apparent that the scope of effort for legal support by BBSW is significantly larger than originally estimated for the 2020 Budget. The main drivers for this impact are:

1. Significantly more engagement by the BBSW team in the EDAM discussions both among the EDAM Entities and with the other EDAM stakeholders, including CAISO.
2. BANC's offer to assist with administrative and logistical support for the EDAM group during the stakeholder engagement effort, since the involvement tends to focus on discussions in Sacramento at the CAISO.

In addition, staff believes that the efforts will remain at a high level of BBSW engagement through at least the end of 2020.

IMPACT ON 2020 BUDGET

In preparing the 2020 estimate for PA-4, we assumed that the legal support involvement would remain at the prior year level of \$120,000/year. We reviewed expenditures for the first 6 months (August 2019 – January 2020) of the stakeholder engagement phase of the effort. Monthly expenditures have ranged from \$~15,000/month to \$~20,000/month, with an average of \$~17,500/month. Using the average monthly expenditure for the twelve months in 2020 results in an annual BBSW support cost of \$210,000. Staff is recommending that the legal support budget for PA-4 be increased by \$100,000 to \$220,000. Exhibit A provides an updated revision to PA-4: EDAM Evaluation.

PA-7: EIM Phase 2 Implementation

BACKGROUND

As the EIM Phase 2 effort has progressed, we have identified some changes in scope and budget that need to be reviewed with the Phase 2 participants for consideration of budget adjustments. The following scope changes are driving this update and review:

1. The original estimate for WAPA-SNR assumed a full-time dedicated position for support from Utilicast. After reviewing this with Utilicast and WAPA-SNR, it was decided that a full-time person was not needed and that support from Jeff Fruit and part-time Utilicast subject matter experts should suffice. This results in a reallocation of Utilicast costs among the participants, with a decrease in both total costs and 2020 costs for each participant. Total project cost reduction is estimated at \$~490,000
2. The shifting of Jeff Fruit's time to provide more support for WAPA-SNR requires some additional overall program management support. SMUD was requested, and agreed, to increase Craig Cameron's support time to 50%. This results in an increase of \$~51,000 for the Phase 2 effort.
3. The original EIM Phase 2 budget assumed the addition of 1 FTE by SMUD to support the BANC settlements effort. This was budgeted for 2021, but no budget was assumed for 2020. SMUD has requested that this new position be filled in mid-2020 to allow for orientation and training to support the April 2021 go-live date. In addition, SMUD is proposing that this position be at a senior analyst level. Since this is not a position that SMUD would have normally filled except for BANC's decision to implement EIM Phase 2, they are also requesting that this be funded at a fully loaded cost basis. Estimated increase for the project is \$295,200, with \$196,800 in 2020.
4. The final contract costs for the OATI and Power Settlements software came in at \$~140,000 higher than the original budget estimate.
5. The final EIM Implementation Agreement charge for CAISO implementation fees was \$5,000 higher than the budget estimate.

In addition, with the firmer understanding of the scope to complete EIM Phase 2 Implementation, we are recommending a reduction in contingency from 10% to 5%.

IMPACT ON 2020 BUDGET

Based upon the above explanations, there are pluses and minuses to the overall cost for PA-7; however, the net result is an increase in the 2020 costs and a slight decrease in total costs for EIM Phase 2 Implementation. In addition, WAPA will see a decrease in its costs for Phase 2, while the other participants will see increases. The following exhibits offer additional information:

Attachment A to Resolution 20-03-16

1. Exhibit B: Revised 2020 Budget for PA-7: EIM Phase 2 Implementation
2. Exhibit C: Revised EIM Phase 2 Implementation Budget Forecast by Year
3. Exhibit D: Revised EIM Phase 2 Implementation Budget Forecast by Participant

Based upon this reassessment, the result is an overall decrease in EIM Phase 2 implementation costs \$~170,000 and an increase for the 2020 PA-7 budget of \$~215,000.

Impact on 2020 Member Assessments

The changes in 2020 member and WAPA assessments due to the above described budget adjustments are summarized in Exhibit E.

Exhibit A – Revised PA-4: EDAM Evaluation

1. Participation Agreement #4 (PA-4) – Extended Day-Ahead Market (EDAM) Evaluation – Revision 1
 - a. Assumptions
 - i. BANC participates in the EDAM as an EIM/EDAM Entity
 - ii. All Participating Resources (SMUD, MID, WAPA-SNR, Roseville, and Redding) participate in effort. Cost allocation as follows:
 1. SMUD – 63.5%
 2. MID – 14.4%
 3. WAPA-SNR – 10.9%
 4. Roseville – 6.8%
 5. Redding – 4.4%
 - iii. EDAM program development, including initial cost/benefit analysis, finalized 3rd Qtr. 2019. Second cost/benefit analysis 3rd Qtr. 2020 after-market design finalized.
 - iv. Formal CAISO stakeholder process initiated 3rd Qtr. 2019 – 3rd Qtr. 2020
 - v. CAISO tariff filings and market implementation late 2020 - 2021
 - vi. EDAM “go-live” no earlier than Spring 2022
 - b. Estimated costs for EDAM evaluation under PA-4 are initial estimates based upon discussions among the EIM entities, CAISO, and BANC staff, including revised BBSW support.

IMPLEMENTATION CATEGORY	Orig. COST ESTIMATE	Revised COST ESTIMATE	Revised SMUD	Revised MID	Revised WAPA-SNR	Revised Roseville	Revised Redding
Legal Support	\$120,000.00	\$220,000.00					
Consultant Support ~ Cost Eval. (Utilicast)	\$25,000.00	\$25,000.00					
~ Update Ben. Analysis (Brattle)	\$40,000.00	\$40,000.00					
~ Market Dev, Spt. (TBD)	\$50,000.00	\$50,000.00					
~ Total	\$115,000.00	\$115,000.00					
Total Estimate	\$235,000.00	\$335,000.00					
Contingency	\$45,000.00	\$45,000.00					
TOTAL for 2018	\$280,000.00	\$380,000.00	\$241,300.000	\$54,720.000	\$41,420.000	\$25,840.000	\$16,720.000

Exhibit B – Revised PA-7: EIM Phase 2 Implementation

1. Participation Agreement #7 (PA-7): EIM Phase 2 Implementation – Revision

1

a. Assumptions:

- i. MID, Redding, Roseville, and WAPA-SNR decide to move forward as Participating Resources. BANC will be the EIM Entity.
- ii. Initiate EIM Phase 2 Implementation with CAISO starting in September 2019 with go-live April 2021.
- iii. Cost estimates are based upon GridSME report, EIM Phase 2 GAP Analyses, and current estimates. Includes reallocation of Utilicast costs, increase in SMUD PM support, hiring senior settlements position mid-2020 to allow for orientation and training, final software estimates, and final CAISO implementation fee.
- iv. Costs will be shared among the four participants as follows:
 1. MID: 39.4%
 2. WAPA-SNR: 29.8%
 3. Roseville: 18.8%
 4. Redding: 12%

IMPLEMENTATION CATEGORY	COST ESTIMATE	MID	REDDING	ROSEVILLE	WAPA
Utilicast Support	\$614,426.60	\$242,084.08	\$73,731.19	\$115,512.20	\$183,099.13
Software Upgrades	\$1,080,000.00	\$425,520.00	\$129,600.00	\$203,040.00	\$321,840.00
SMUD PM & Settle. Support	\$403,800.00	\$159,097.20	\$48,456.00	\$75,914.40	\$120,332.40
Legal Support	\$128,000.00	\$50,432.00	\$15,360.00	\$24,064.00	\$38,144.00
CAISO Implementation Fees	\$135,000.00	\$53,190.00	\$16,200.00	\$25,380.00	\$40,230.00
Total Estimate	\$2,361,226.60	\$930,323.28	\$283,347.19	\$443,910.60	\$703,645.53
Contingency @~5%	\$131,086.52	\$51,648.09	\$15,730.38	\$24,644.27	\$39,063.78
TOTAL for 2020	\$2,492,313.12	\$981,971.37	\$299,077.57	\$468,554.87	\$742,709.31

Exhibit C - Revised EIM Phase 2 Implementation Budget Forecast by Year

IMPLEMENTAION CATEGORY	2019 BUDGET	2019 ACTUAL	2020 BUDGET	2020 REVISED	2021 BUDGET	2021 REVISED	TOTAL BUDGET	TOTAL REVISED
UTILICAST	\$324,675.00	\$213,505.40	\$936,000.00	\$614,426.60	\$234,000.00	\$174,280.00	\$1,494,675.00	\$1,002,212.00
SW Upgrades	\$250,000.00	\$-	\$700,000.00	\$1,080,000.00	\$250,000.00	\$260,000.00	\$1,200,000.00	\$1,340,000.00
SMUD PM Support	\$58,000.00	\$50,500.00	\$174,000.00	\$207,000.00	\$43,000.00	\$69,000.00	\$275,000.00	\$326,500.00
Settlements Support	\$-	\$-	\$-	\$196,800.00	\$-	\$98,400.00	\$-	\$295,200.00
Legal Support	\$42,000.00	\$39,000.00	\$126,000.00	\$128,000.00	\$32,000.00	\$33,000.00	\$200,000.00	\$200,000.00
CAISO Implementation Fees	\$33,000.00	\$35,000.00	\$134,000.00	\$135,000.00	\$33,000.00	\$35,000.00	\$200,000.00	\$205,000.00
Total	\$707,675.00	\$338,005.40	\$2,070,000.00	\$2,361,226.60	\$592,000.00	\$669,680.00	\$3,369,675.00	\$3,368,912.00
Contingency (10%/5%)	\$70,767.50	\$-	\$207,000.00	\$131,227.48	\$59,200.00	\$37,218.12	\$336,967.50	\$168,445.60
TOTAL	\$778,442.50	\$338,005.40	\$2,277,000.00	\$2,492,454.08	\$651,200.00	\$706,898.12	\$3,706,642.50	\$3,537,357.60

Exhibit D - Revised EIM Phase 2 Implementation Budget Forecast by Participant

IMPLEMENTATION CATEGORY	MID	MID	REDDING	REDDING	ROSE.	ROSE.	WAPA	WAPA	TOTAL	TOTAL
	ORIGINAL	REVISED	ORIGINAL	REVISED	ORIGINAL	REVISED	ORIGINAL	REVISED	ORIGINAL	REVISED
Utilicast	\$418,507.35	\$394,871.53	\$127,339.13	\$120,265.44	\$198,828.23	\$188,415.86	\$750,000.00	\$298,659.18	\$1,494,674.71	\$1,002,212.00
SW Upgrades	\$472,800.00	\$527,960.00	\$144,000.00	\$160,800.00	\$225,600.00	\$251,920.00	\$357,600.00	\$399,320.00	\$1,200,000.00	\$1,340,000.00
SMUD PM Support	\$108,350.00	\$128,641.00	\$33,000.00	\$39,180.00	\$51,700.00	\$61,382.00	\$81,950.00	\$97,297.00	\$275,000.00	\$326,500.00
Settlements Support	\$-	\$116,308.80	\$-	\$35,424.00	\$-	\$55,497.60	\$-	\$87,969.60	\$-	\$295,200.00
Legal Support	\$78,800.00	\$78,800.00	\$24,000.00	\$24,000.00	\$37,600.00	\$37,600.00	\$59,600.00	\$59,600.00	\$200,000.00	\$200,000.00
CAISO Implementation Fees	\$78,800.00	\$80,770.00	\$24,000.00	\$24,600.00	\$37,600.00	\$38,540.00	\$59,600.00	\$61,090.00	\$200,000.00	\$205,000.00
Total	\$1,157,257.35	\$1,327,351.33	\$352,339.13	\$404,269.44	\$551,328.23	\$633,355.46	\$1,308,750.00	\$1,003,935.78	\$3,369,674.71	\$3,368,912.00
Contingency (10%/5%)	\$115,725.74	\$66,367.57	\$35,233.91	\$20,213.47	\$55,132.82	\$31,667.77	\$130,875.00	\$50,196.79	\$336,967.47	\$168,445.60
TOTAL	\$1,272,983.09	\$1,393,718.89	\$387,573.04	\$424,482.91	\$606,461.05	\$665,023.23	\$1,439,625.00	\$1,054,132.56	\$3,706,642.18	\$3,537,357.60

Attachment A to Resolution 20-03-16

Exhibit E - Revision 1: 2020 BANC Budget Member Assessments

MEMBER	BASE BUDGET	PA-1: PA/PC	PA-2: RC West	PA-4: EDAM	PA-5: EIM Part.	PA-7: EIM P2 Imp	2020 REV TOTAL	2020 ORIG TOTAL
SMUD	\$1,640,238.14	\$149,000.00	\$-	\$241,300.00	\$3,490,730.50	\$-	\$5,521,268.64	\$5,457,768.64
MID	\$392,899.76	\$89,400.00	\$-	\$54,720.00	\$-	\$981,971.37	\$1,518,991.13	\$1,299,085.56
ROSEVILLE	\$186,982.41	\$31,290.00	\$46,061.32	\$25,840.00	\$-	\$468,554.87	\$758,728.60	\$653,280.63
REDDING	\$118,343.30	\$28,310.00	\$29,134.52	\$16,720.00	\$-	\$299,077.57	\$491,585.39	\$424,509.92
SHASTA LAKE	\$28,402.39	\$-	\$-	\$-	\$-	\$-	\$28,402.39	\$28,402.39
TPUD	\$25,000.00	\$-	\$-	\$-	\$-	\$-	\$25,000.00	\$25,000.00
BANC TOTAL	\$2,391,866.00	\$298,000.00	\$75,195.84	\$338,580.00	\$3,490,730.50	\$1,749,603.81	\$8,343,976.15	\$7,888,047.14
WASN	\$-	\$-	\$-	\$41,420.00	\$-	\$742,709.31	\$784,129.31	\$924,745.20
GRAND TOTAL	\$2,391,866.00	\$298,000.00	\$75,195.84	\$380,000.00	\$3,490,730.50	\$2,492,313.12	\$9,128,105.46	\$8,812,792.34

Balancing Authority of Northern California

Agenda Item 5C

- 1. Report to Management and Governing Body.**
- 2. Audited Financial Statements for 2020.**

**BALANCING AUTHORITY OF
NORTHERN CALIFORNIA**

Sacramento, California

REQUIRED COMMUNICATIONS BY THE AUDITOR WITH THOSE
CHARGED WITH GOVERNANCE

As of and for the Year Ended December 31, 2019

BALANCING AUTHORITY OF NORTHERN CALIFORNIA

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REQUIRED COMMUNICATIONS BY THE AUDITOR WITH THOSE CHARGED WITH GOVERNANCE

To the Commissioners
Balancing Authority of Northern California
Sacramento, CA

We have completed our audit of the financial statements of the Balancing Authority of Northern California for the years ended December 31, 2019 and 2018, and have issued our report thereon dated February 21, 2019. This letter presents communications required by our professional standards.

***OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED
IN THE UNITED STATES OF AMERICA***

The objective of a financial statement audit is the expression of an opinion on the financial statements. We conducted the audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements prepared by management with your oversight are free of material misstatement, whether caused by error or fraud. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management or those charged with governance of their responsibilities.

As part of the audit we obtained an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. The audit was not designed to provide assurance on internal control or to identify deficiencies in internal control.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Our responsibility does not extend beyond the audited financial statements identified in this report. We do not have any obligation to and have not performed any procedures to corroborate other information contained in client prepared documents, such as official statements related to debt issues.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you at the presentation of the 2018 audit report.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Balancing Authority of Northern California are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Balancing Authority of Northern California during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES (cont.)

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant sensitive estimates.

Financial Statement Disclosures

The disclosures in the notes to the financial statements are neutral, consistent, and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified.

DISAGREEMENTS WITH MANAGEMENT

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

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

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

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter. This letter follows this required communication.

INDEPENDENCE

We are not aware of any relationships between Baker Tilly Virchow Krause, LLP and the Balancing Authority of Northern California that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the financial statements of Balancing Authority of Northern California for the year ended December 31, 2019, Baker Tilly Virchow Krause, LLP hereby confirms that we are, in our professional judgment, independent with respect to the Balancing Authority of Northern California in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants. We provided no services to the Balancing Authority of Northern California other than audit services provided in connection with the audit of the current year's financial statements.

OTHER AUDIT FINDINGS OR ISSUES

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

OTHER MATTER

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance of the RSI.

RESTRICTION ON USE

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

We welcome the opportunity to discuss the information included in this letter and any other matters. Thank you for allowing us to serve you.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
February 21, 2020

MANAGEMENT REPRESENTATIONS



BALANCING AUTHORITY OF NORTHERN CALIFORNIA

RELIABILITY • COLLABORATION • SUSTAINABILITY

February 21, 2020

Baker Tilly Virchow Krause, LLP
Ten Terrace Court
P.O. Box 7398
Madison, WI 53707-7398

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audits of the financial statements of Balancing Authority of Northern California (the Agency) as of December 31, 2019 and 2018 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Agency in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all financial information required by accounting principles generally accepted in the United States of America.
3. We acknowledge our 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, if any, are reasonable.

A JOINT POWERS AUTHORITY BETWEEN
Modesto Irrigation District, City of Redding, City of Roseville, Trinity Public Utilities District,
City of Shasta Lake and Sacramento Municipal Utility District

6201 S STREET, MS B356, SACRAMENTO, CA 95852-0830
WWW.THEBANC.ORG

6. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
7. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
8. We are not aware of any known actual, possible, pending, or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with accounting principles generally accepted in the United States of America, and we have not consulted a lawyer concerning litigation, claims, or assessments.

Information Provided

9. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Agency or summaries of actions of recent meetings for which minutes have not yet been prepared.
10. We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
11. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
12. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
13. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
14. We have disclosed to you all known related parties and all the related party relationships and transactions of which we are aware.

Other

15. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

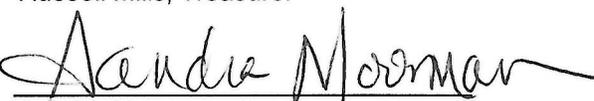
16. We have a process to track the status of audit findings and recommendations.
17. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
18. There are no:
 - a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
 - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
 - c. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
19. The Agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
20. The Agency has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
21. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
22. Deposits are properly classified, valued and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
23. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Sincerely,

Balancing Authority of Northern California

Signed: 
Jim Shetler, General Manager

Signed: 
Russell Mills, Treasurer

Signed: 
Sandra Moorman, Controller

Balancing Authority of Northern California

Financial Statements
as of December 31, 2019 and 2018
and
**Report of
Independent Auditors**

BALANCING AUTHORITY OF NORTHERN CALIFORNIA
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As of and for the Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Commissioners
Balancing Authority of Northern California
Sacramento, California

We have audited the accompanying financial statements of the Balancing Authority of Northern California as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Balancing Authority of Northern California's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Balancing Authority of Northern California'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 Balancing Authority of Northern California's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Balancing Authority of Northern California as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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, 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.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
February 21, 2020

**BALANCING AUTHORITY OF NORTHERN CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
For the Years Ended December 31, 2019 and 2018**

Using this Financial Report

This annual financial report for Balancing Authority of Northern California (Agency) consists of management's discussion and analysis and the financial statements, including notes to the financial statements. The basic Financial Statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Agency's accounting records are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board. The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission (FERC).

Overview of the Financial Statements

The following discussion and analysis of the financial performance of the Agency provides an overview of the financial activities for the years ended December 31, 2019 and 2018. This discussion and analysis should be read in conjunction with the Agency's financial statements and accompanying notes, which follow this section.

The Statements of Net Position provide information about the nature and amount of resources and obligations at a specific point in time.

The Statements of Revenues, Expenses and Changes in Net Position report all of the Agency's revenues and expenses during the periods indicated.

The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and debt financing, and other cash uses such as payments for debt service and capital additions.

The Notes to Financial Statements provide additional detailed information to support the financial statements.

Nature of Operations

The Agency is a joint powers authority consisting of the following California publicly owned utilities: the Sacramento Municipal Utility District (SMUD), the Modesto Irrigation District, the City of Redding, the City of Roseville, the Trinity Public Utilities District, and the City of Shasta Lake (collectively, Members). The Agency performs FERC approved Balancing Authority Area (BAA) and Planning Coordinator (PC) reliability functions that are overseen by North American Electric Reliability Corporation, nationally, and by Western Electricity Coordinating Council (WECC) in the West. The Agency also has the ability to acquire, construct, maintain, operate and finance projects for the Agency and for the benefit of any one or more of the Members. The Agency has no employees. The Agency has a contract with an industry professional to serve as the general manager. The Agency also has a contract with a legal firm to provide legal services for the Agency. An Agency Member, SMUD, serves as the Treasurer and Controller, Compliance Officer, BAA Operator and PC services provider.

Operational Highlights

The Agency continues to support the Members' desire to have the BAA provide a strong base for maintaining their independence and ability for self-determination. In 2019, the Agency's Commission reinforced its strategic direction for this goal with a focus on initiatives in the areas of:

- *Independence*
- *Assets*
- *Outreach*
- *Customer Services*

In the area of Independence, the Agency has been proactive at ensuring BAA operations are maintained in full compliance with industry standards. This has been accomplished through the proactive use of the Agency's Operations Committee and Member Compliance Review Committee. The Agency, through its compliance group, has been proactive in taking a risk-based approach to evaluating operational incidents, including near miss lessons-learned. The Agency has been actively engaged in evaluating market alternatives for its Members. This included the Northwest Power Pool (NWPP) market evaluation efforts. With the termination of the NWPP effort in late 2015, the Agency formally evaluated participation in the California Independent System Operator Corporation (CAISO) Energy Imbalance Market (EIM). This evaluation resulted in a decision for the Agency to become an EIM entity and allow phased-in participation by its Members. SMUD was the first Member to become a Participating Resource Provider, with go-live in April 2019. In addition, three other Members (Modesto Irrigation District, City of Redding, and City of Roseville) and Western Area Power Administration – Sierra Nevada Region (WAPA-SNR) have decided to participate in EIM with a go-live in April 2021. The Agency is also an active participant with other EIM Entities in evaluating the Extended Day Ahead Market (EDAM) with the CAISO. As proposed, EDAM will allow an expansion of CAISO participation for EIM entities into the day ahead market. Like EIM, EDAM participation would be voluntary, maintains the independence of the Agency BAA, and will not involve Members turning over operational control of their transmission or generation facilities to the CAISO. Based upon the results of an EDAM Feasibility Assessment conducted in 2019, the EIM Entities and CAISO have agreed to proceed with a formal stakeholder process to develop detailed EDAM design in 2020.

Regarding Assets, the Agency has finalized the arrangement with its BAA Operator, which is also a registered transmission operator, to determine relative responsibilities for funding facility assets. The Agency has started funding its fair share of these assets. The Agency also worked with the BAA Operator and WECC to finalize compliance responsibilities for any joint violations that might be imposed on the Agency and the BAA Operator. The Agency hired an outside consultant to develop a consolidated and integrated resource plan view for the Agency's footprint, which was completed in early 2018. This will assist the Agency in determining any operational impacts to the BAA with increased intermittent resources and potential assets that may be needed to manage the increased intermittency. The Agency is now working with its Members to understand how the implementation of Senate Bill (SB)100 requirements for "zero" carbon emissions from electric generation will impact future BA operations. This includes active engagement with the oversight agencies (California Public Utilities Commission, California Energy Commission, and California Air Resources Board) on how California will be evaluating the implementation of SB100.

In the area of Outreach, the Agency has been reaching out to the appropriate state and federal agencies regarding its BAA role. The Agency has been proactive in its engagement with WECC and the reliability coordinator (formerly Peak Reliability [Peak], now RC West). This includes involvement with such issues as data sharing, alternative funding for Peak, and the transition of Reliability Coordinator (RC) services from Peak to other providers. The Agency transitioned to the CAISO (RC West) for RC services in mid-2019. The Agency has also been proactive in

reaching out to other Publicly Owned Utilities BAAs in the West, engaging in the EIM Regional Issues Forum, and in CAISO regionalization discussions.

Regarding Customer Services, the Agency has worked with its Members to take on the role of PC for a part of the Agency's footprint. The Agency has contracted with SMUD to provide the PC services for participating Members. The initial study work was completed in 2017 and the Agency was fully compliant as a PC by January 1, 2018, for those Members that have elected to take PC service.

FINANCIAL POSITION

Statements of Net Position Summary (Dollars in thousands)

	December 31,			Change			
	2019	2018	2017	2019 vs. 2018		2018 vs. 2017	
Assets							
Current assets	\$ 3,683	\$ 2,494	\$ 2,092	\$ 1,189	47.7%	\$ 402	19.2%
Noncurrent assets	2,501	1,500	-0-	1,001	66.7%	1,500	100.0%
Total Assets	<u>\$ 6,184</u>	<u>\$ 3,994</u>	<u>\$ 2,092</u>	<u>\$ 2,190</u>	54.8%	<u>\$ 1,902</u>	90.9%
Liabilities							
Current liabilities	\$ 3,683	\$ 2,494	\$ 2,092	\$ 1,189	47.7%	\$ 402	19.2%
Noncurrent liabilities	2,501	1,500	-0-	1,001	66.7%	1,500	100.0%
Total Liabilities	<u>6,184</u>	<u>3,994</u>	<u>2,092</u>	<u>2,190</u>	54.8%	<u>1,902</u>	90.9%
Net position							
Unrestricted	-0-	-0-	-0-	-0-	0.0%	-0-	0.0%
Total net position	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	0.0%	<u>-0-</u>	0.0%
Total liabilities and net position	<u>\$ 6,184</u>	<u>\$ 3,994</u>	<u>\$ 2,092</u>	<u>\$ 2,190</u>	54.8%	<u>\$ 1,902</u>	90.9%

2019 Compared to 2018

ASSETS

Current Assets increased by \$1.2 million primarily due to receivable from Members for EIM related activities.

Noncurrent Assets increased by \$1.0 million primarily due to the additional Credit Support Collateral posted by the Agency to CAISO for EIM participation.

LIABILITIES

Current Liabilities increased by \$1.2 million primarily due to higher Accounts Payable to SMUD for Energy Management System and the increase in Advances from Members which represents cash contributions partially offset by cash used to pay operating expenses.

Noncurrent Liabilities increased by \$1.0 million due to the additional Credit Support Collateral to CAISO funded by Members.

2018 Compared to 2017

ASSETS

Current Assets increased by \$0.4 million primarily due to receivable from Members for EIM related activities.

Noncurrent Assets increased by \$1.5 million due to the Credit Support Collateral to CAISO funded by Members.

LIABILITIES

Current Liabilities increased by \$0.4 million primarily due to higher Accounts Payable to SMUD for EIM related activities and the increase in Advances from Members which represents cash contributions partially offset by cash used to pay operating expenses.

Noncurrent Liabilities increased by \$1.5 million due to the additional Credit Support Collateral posted by the Agency to CAISO for EIM participation.

RESULTS OF OPERATIONS

Summary of Revenues, Expenses and Changes in Net Position

(Dollars in thousands)

	December 31,			Change			
	2019	2018	2017	2019 vs. 2018		2018 vs. 2017	
Operating revenues	\$ 3,955	\$ 3,653	\$ 3,210	\$ 302	8.3%	\$ 443	13.8%
Operating expenses	(3,955)	(3,653)	(3,210)	(302)	-8.3%	(443)	-13.8%
Operating income	-0-	-0-	-0-	-0-	0.0%	-0-	0.0%
Change in net position	-0-	-0-	-0-	-0-	0.0%	-0-	0.0%
Net position - beginning of year	-0-	-0-	-0-	-0-	0.0%	-0-	0.0%
Net position - end of year	\$ -0-	\$ -0-	\$ -0-	\$ -0-	0.0%	\$ -0-	0.0%

2019 Compared to 2018

Operating Revenues increased by \$0.3 million primarily due to higher billings to Members for EIM expenses.

Operating Expenses increased by \$0.3 million primarily due to higher payments for EIM expenses.

2018 Compared to 2017

Operating Revenues increased by \$0.4 million primarily due to higher billings to Members for EIM expenses.

Operating Expenses increased by \$0.4 million primarily due to higher payments for EIM expenses

**BALANCING AUTHORITY OF NORTHERN CALIFORNIA
STATEMENTS OF NET POSITION**

	December 31,	
	2019	2018
ASSETS		
CURRENT ASSETS		
Unrestricted cash	\$ 1,176,786	\$ 1,018,248
Receivable from Members	2,254,306	1,475,334
Due from Members	251,986	-0-
Total current assets	3,683,078	2,493,582
NONCURRENT ASSETS		
Credit support collateral deposits	2,501,403	1,500,000
Total noncurrent assets	2,501,403	1,500,000
TOTAL ASSETS	\$ 6,184,481	\$ 3,993,582
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 1,575,557	\$ 652,402
Advances from Members	2,091,762	1,841,180
Other	15,759	-0-
Total current liabilities	3,683,078	2,493,582
NONCURRENT LIABILITIES		
Due to Members	2,501,403	1,500,000
Total noncurrent liabilities	2,501,403	1,500,000
TOTAL LIABILITIES	6,184,481	3,993,582
NET POSITION		
Unrestricted	-0-	-0-
TOTAL NET POSITION	-0-	-0-
CONTINGENCIES (Note 3)		
TOTAL LIABILITIES AND NET POSITION	\$ 6,184,481	\$ 3,993,582

The accompanying notes are an integral part of these financial statements.

BALANCING AUTHORITY OF NORTHERN CALIFORNIA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended December 31,	
	2019	2018
OPERATING REVENUES		
Member revenues	\$ 3,792,863	\$ 3,652,672
Other	162,358	-0-
Total operating revenues	3,955,221	3,652,672
OPERATING EXPENSES		
Operations	1,992,855	1,989,195
Administrative and general	1,962,366	1,663,477
Total operating expenses	3,955,221	3,652,672
OPERATING INCOME	-0-	-0-
CHANGE IN NET POSITION	-0-	-0-
NET POSITION - BEGINNING OF YEAR	-0-	-0-
NET POSITION - END OF YEAR	\$ -0-	\$ -0-

The accompanying notes are an integral part of these financial statements.

**BALANCING AUTHORITY OF NORTHERN CALIFORNIA
STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Members	\$ 4,176,248	\$ 3,712,618
Payments to vendors	(4,017,710)	(3,903,123)
Net cash provided by (used in) operating activities	158,538	(190,505)
Net increase (decrease) in cash	158,538	(190,505)
Cash - beginning of the year	1,018,248	1,208,753
Cash - end of the year	\$ 1,176,786	\$ 1,018,248
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	\$ -0-	\$ -0-
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Receivable from Members	(778,972)	(592,043)
Due from Members	(251,986)	-0-
Credit support collateral deposit	(1,001,403)	(1,500,000)
Accounts payable	923,155	249,549
Other payable	15,759	-0-
Advances from Members	250,582	151,989
Due to Members	1,001,403	1,500,000
Net cash provided by (used in) operating activities	\$ 158,538	\$ (190,505)

The accompanying notes are an integral part of these financial statements.

BALANCING AUTHORITY OF NORTHERN CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2019 and 2018

NOTE 1. ORGANIZATION AND OPERATIONS

The Balancing Authority of Northern California (Agency) is a joint powers authority (JPA) consisting of the following California publicly owned utilities: the Sacramento Municipal Utility District (SMUD), the Modesto Irrigation District, the City of Redding, the City of Roseville, the Trinity Public Utilities District, and the City of Shasta Lake (collectively, Members). The Agency performs Federal Energy Regulatory Commission approved Balancing Authority Area (BAA) and Planning Coordinator (PC) reliability functions that are overseen by the North American Electric Reliability Corporation, nationally, and by the Western Electricity Coordinating Council in the West. The Agency also has the ability to acquire, construct, maintain, operate and finance projects for the Agency and for the benefit of any one or more of the Members.

The Agency has no employees. The Agency has a contract with an industry professional to serve as the general manager. An Agency Member, SMUD, serves as the Treasurer and Controller, Compliance Officer, BAA Operator and PC service provider.

The Agency's Commission is comprised of one commissioner from each Member. The Members pay its participation percentage share of the costs associated with the operation of the Agency, with a minimum cost share of \$25 thousand per calendar year. The participation percentage of each Member is based on their proportional share of the annual retail load from the previous calendar year.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accounting records of the Agency are maintained in accordance with Generally Accepted Accounting Principles for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The Agency's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents. Cash and cash equivalents include all debt instruments purchased with an original maturity of 90 days or less.

Custodial Credit Risk. This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Agency's deposits may not be returned or the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. The Agency does not have a deposit policy for custodial credit risk. At December 31, 2019 and 2018, \$926 thousand and \$768 thousand of the Agency's bank balance were uninsured, respectively.

Credit Support Collateral Deposits. The Agency entered into an Energy Imbalance Market (EIM) participation agreement with the California Independent System Operator (CAISO), which allows participants to buy and sell power close to the time electricity is consumed. In 2019 and 2018, the Agency posted \$2.0 million and \$1.0 million for collateral deposit to cover the EIM settlement activity credit requirements, respectively. In addition, to meet minimum requirements for the EIM participants not having enough asset value, the Agency deposited \$0.5 million with CAISO. These deposits are recorded as noncurrent assets.

Receivable from Members. The Agency records as a Receivable from Member the costs incurred related to the EIM activities.

Advances from Members. Members provide cash to the Agency in advance for operations costs. These advances are recognized as operating revenue as expenses are incurred.

Due From (To) Members. The Due from Members represents proceeds from CAISO for Members EIM power trading activities. The Due to Members represents amounts posted by Members for the Credit Support Collateral Deposits to CAISO.

Net Position. The Agency classifies its net position as unrestricted.

Operating Revenues. The Agency invoices its Members for their respective participation percentage in accordance with the JPA agreement.

Operating Expenses. Operating expenses include the operations and administrative expenses of the Agency.

Subsequent Events. Subsequent events for the Agency have been evaluated through February 21, 2020, which is the date that the financial statements were available to be issued.

Reclassifications. Certain amounts in the 2018 financial statements have been reclassified in order to conform to the 2019 presentation.

Recent Accounting Pronouncements. In January 2017, GASB issued Statement of Governmental Accounting Standards (SGAS) No. 84, *“Fiduciary Activities”* (GASB No. 84). This statement establishes standards of accounting and financial reporting for fiduciary activities. GASB No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement of fiduciary net position reports the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position of the fiduciary activities. The statement of changes in fiduciary net position reports the additions to and deductions from the fiduciary fund(s). This statement also provides for the recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This statement is effective for the Agency in 2019. The Agency has assessed the financial statement impact of adopting the new statement, and since the Agency has no fiduciary activities, this statement has no impact on the Agency.

In June 2017, GASB issued SGAS No. 87, “**Leases**” (GASB No. 87). The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The lease liability should be measured at the present value of payments expected to be made during the lease term. As payments are made the lease liability is reduced and an outflow of resources (interest expense) is recognized for the interest on the liability. The lease asset should be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The lease receivable should be measured at the present value of the lease payments expected to be received during the lease term. Any payments received are first allocated to accrued interest receivable and then to lease receivable. The deferred inflow of resources should be recognized as inflows of resources (revenue) in a systematic and rational manner over the term of the lease. The lessor should not derecognize the asset underlying the lease. A lease is defined as a contract that conveys control of the right to use another entity’s nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this statement. The lease term is defined as the period during which a lessee has a noncancellable right to use an underlying asset, plus the following periods, if applicable. A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources (expenses) or inflows of resources (revenues), respectively, based on the payment provisions of the lease contract. This statement is effective for the Agency in 2020. The Agency is currently assessing the financial statement impact of adopting this statement.

In March 2018, GASB issued SGAS No. 88, “**Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements**” (GASB No. 88). The primary objective of this statement is to improve the information that is disclosed in notes to financial statements related to debt, including direct borrowings and direct placements. GASB No. 88 also clarifies which liabilities should be included when disclosing information related to debt. This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. GASB No. 88 also requires additional information related to debt be disclosed, including unused lines of credits; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. This statement is effective for the Agency in 2019. The Agency has assessed the financial statement impact of adopting the new statement, and since the Agency has no debt, this statement has no impact on the Agency.

In June 2018, GASB issued SGAS No. 89, “**Accounting for Interest Cost Incurred before the End of a Construction Period**” (GASB No. 89). The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is

incurred for financial statements. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity. The GASB has allowed that provided the criteria for regulated operations are met and the entity has elected regulatory accounting, qualifying interest cost may be capitalized as a regulatory asset. This statement is effective for the Agency in 2020. The Agency has assessed the financial statement impact of adopting the new statement, and since the Agency has no borrowings for construction, this statement has no impact on the Agency.

NOTE 3. CONTINGENCIES

General Contingencies. In the normal course of operations, the Agency may be party to various claims, disputes and litigation. There are no such matters pending. Thus, there are no such actions that could have a material adverse impact on the Agency's financial position or results of operations.

Balancing Authority of Northern California

Agenda Item 5D

1. **Resolution 20-03-15 *Accepting and Adopting the BANC Member Participation Percentages for 2020.***
2. **Attachment A to Resolution 20-03-15.**

**Balancing Authority of Northern California
Resolution 20-03-15**

**ACCEPTING AND ADOPTING THE BANC MEMBER
PARTICIPATION PERCENTAGES FOR 2020**

NOW, THEREFORE, BE IT RESOLVED that the Commissioners of the Balancing Authority of Northern California hereby:

1. Accept the 2020 Participation Percentages, attached hereto as Exhibit A, to be effective January 1, 2020.

PASSED AND ADOPTED by the Commissioners of the Balancing Authority of Northern California this 25th day of March, 2020, by the following vote:

		Aye	No	Abstain	Absent
Modesto ID	James McFall				
City of Redding	Dan Beans				
City of Roseville	Michelle Bertolino				
City of Shasta Lake	James Takehara				
SMUD	Arlen Orchard				
TPUD	Paul Hauser				

Dan Beans
Chair

Attest by: C. Anthony Braun
Secretary

Attachment A to Resolution 20-03-15

2020 (based on 2018 numbers)

Member	2018 Retail Sales	2018 Retail Sales %	Rounded for 2020	Final for 2019	Diff	Final for 2020
MID	2485	16.57%	16.60%	16.50%	0.10%	16.60%
Redding	764	5.09%	5.10%	5.00%	0.10%	5.10%
Roseville	1200	8.00%	8.00%	7.80%	0.20%	8.00%
SMUD	10234	68.24%	68.20%	68.80%	-0.60%	68.20%
Trinity	118	0.79%	0.80%	0.70%	0.10%	0.80%
Shasta	196	1.31%	1.30%	1.20%	0.10%	1.30%
	<u>14997</u>	<u>100.0%</u>	<u>100.00%</u>	<u>100.00%</u>		<u>100.00%</u>

Conclusion for 2020: because there was a change of more than 0.2% in any Member's share from the 2019 participation percentage, the 2020 participation percentages are updated.