

Association of Bay Area Governments Publicly Owned Energy Resources

ABAG POWER

Executive Committee

December 15, 2022

Agenda Item 6.b.

Report on Natural Gas Program

Subject:

Monthly Summary of Operations

Background:

Fiscal Year 2022-23

From July to November, natural gas prices were extremely volatile, with average prices significantly higher than in recent years. Daily prices per dekatherm (\$/Dth) at PG&E's Citygate ranged from \$6.20 to \$15.91, with an unweighted average of \$8.67. PG&E's small commercial (G-NR1) procurement rate – the rate under which most ABAG POWER accounts would be categorized – averaged \$7.78 during this time.

The program continues to purchase gas exclusively on daily and monthly markets within California, Oregon, and Alberta, Canada.

Preliminary (unaudited) financial statements through June 2022 indicate a cumulative rate difference of +8.4% when compared to PG&E's G-NR1 rate.

Market Price Comparison

Current pricing is driven by limited production of oil and gas. During 2020, the Organization of Petroleum Exporting Countries (OPEC) imposed worldwide production limits in an attempt to balance unusual supply and demand patterns caused by the global COVID-19 pandemic. Rebounding demand has since outstripped production levels, that, while rising, are not expected to return to pre-pandemic levels until late-2022.

Adding to the cause of elevated domestic pricing is record-level liquefied natural gas (LNG) exports, low national storage inventories, and strong-weather driven demand and geopolitical tensions caused by the war in Ukraine and subsequent commitments made by the U.S. to increase exports of LNG to Europe so as to supplant Russian gas supply.

Historical and Anticipated Gas Supply

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

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Gas purchases are currently made on monthly and daily indices at three market locations. Fixed-price purchases are made only by exception and with Committee approval.

Issues:

None.

Recommended Action:

None.

Attachments:

- Summary of Natural Gas Program (Presentation)
- Historical and Anticipated Gas Purchase Requirements
- Market Price Comparison
- Summary of Natural Gas Program, Fiscal Year 2022-2023

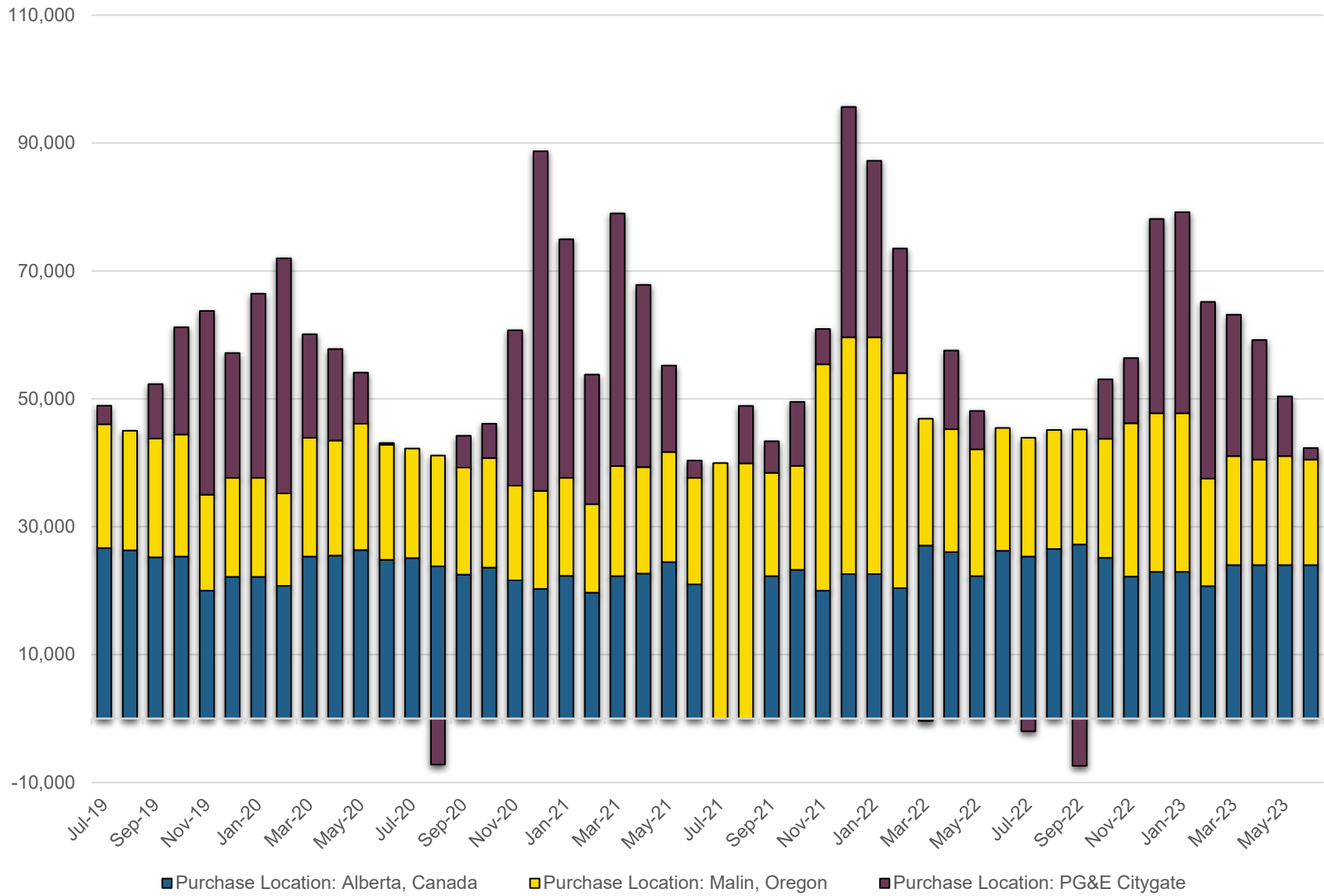
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Brad Paul

Historical and Anticipated Gas Purchase Requirements



Market Price Comparison

