

Association of Bay Area Governments Publicly Owned Energy Resources

ABAG POWER

Executive Committee

December 15, 2022

Agenda Item 7.a.

Natural Gas Purchasing Strategy Policy Modification

Subject:

Approval of modification to the natural gas purchasing strategy to permit temporary authority for staff to enter into fixed-price natural gas purchase contracts valued at less than \$1 million and for a term not to exceed four months.

Background:

Given the extreme market volatility during FY 2021-22, suppliers were unwilling to enter winter transactions based on a daily index, even at reduced volumes or contract lengths. An inability to secure forward purchase contracts subjects the program to more time-sensitive, expensive, and risky “same-day” and “next-day” purchases that are also administratively burdensome since the transaction’s term is only one day.

In December 2021, to mitigate the risk of same-day and next-day purchases, staff requested a modification to the general gas purchasing strategy to permit temporary authority to enter into fixed-price purchase contracts valued less than \$1 million and for a term that does not exceed four months. The Executive Committee approved the staff recommendation, and in February 2022, staff entered a four-month fixed-price purchase contract that resulted in significant savings.

Extreme volatility has continued during the first half of FY 2022-23 and staff believe suppliers will again be unwilling to enter short-term index-based transactions. Unless suppliers are willing to offer index-based products, it is necessary for the program to again temporarily modify its strategy to reflect market conditions and enable risk management.

Since the prior authorization in FY 2021-22, there has been no change in the number of suppliers that ABAG POWER has an active base contract for the purchase and sale of natural gas. These entities are:

- BP Energy Company
- BP Energy Canada
- Cook Inlet
- DTE Energy
- Macquarie Energy
- Macquarie Energy Canada
- Shell Energy North America
- Shell Energy North America Canada
- Pacific Summit Energy
- United Energy Trading

Issues:

None.

Recommended Action:

The Executive Committee for ABAG POWER is requested to modify the natural gas purchasing strategy to permit temporary authority, expiring June 30, 2023, for staff to enter into fixed-price natural gas purchase contracts valued at less than \$1 million and for a term not to exceed four months.

Attachments:

None.

Reviewed:

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