Association of Bay Area Governments Publicly Owned Energy Resources ABAG POWER

Executive Committee

August 18, 2022 Agenda Item 5.b.

Report on Natural Gas Program

Subject:

Monthly Summary of Operations

Background:

Fiscal Year 2021-22

From July 2021 through June 2022, natural gas prices were extremely volatile, with average prices significantly higher than recent years. During this period, daily prices per dekatherm (\$/Dth) at PG&E's Citygate ranged from \$4.24 to \$10.37, with an unweighted average of \$6.42. PG&E's small commercial (G-NR1) procurement rate – the rate under which most ABAG POWER accounts would be categorized – averaged \$5.65 during this time.

The program continues to purchase gas exclusively on daily and monthly markets within California, Oregon, and Alberta, Canada. Due to expected high pricing, gas was not purchased from Canada in July and August. Further, as the result of extreme market volatility, gas suppliers are increasingly unwilling to provide variable quantity and index-based contracts, instead preferring fixed quantity and/or price transactions to minimize market exposure.

Preliminary (unaudited) financial statements through June 2022 indicate cumulative savings of -6.9% when compared to PG&E's G-NR1 rate.

Fiscal Year 2022-23

During July 2022, natural gas prices continued a prolonged run of extreme volatility. During the month, daily prices at PG&E's Citygate ranged from \$6.20 to \$10.01, with an unweighted average of \$7.93. PG&E's G-NR1 procurement rate was \$7.13.

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 chaotic supply and demand patterns caused by the global COVID-19 pandemic. Since then, rebounding demand has outstripped productions levels, that are rising yet are not expected to return to pre-pandemic levels until late-2022. Meanwhile, record-level liquefied natural gas (LNG) exports, low national storage inventories, and strong-weather driven demand have all contributed to elevated domestic pricing. These factors are exacerbated by geopolitical tensions caused by the war in Ukraine and subsequent commitments made by the U.S. to

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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.

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. In December 2021, acknowledging extraordinary volatility preventing staff from obtaining index-based supply, the Executive Committee provided staff authority until June 30, 2022, to enter fixed-price purchase contracts valued at less than \$1 million and for a term not to exceed four months. In February 2022, staff entered a four-month fixed-price contract for supply at Malin, Oregon.

Issues:

It is typical for the program to experience a double-digit savings deficit during the summer months due to the seasonal nature of the program's gas usage. When usage is higher in the winter months, the program's fixed costs are spread over a larger usage pool resulting in a lower rate per therm, which does not happen in the summer months as gas use is lower. A 10-20% performance premium approaching the winter season is typical. This year, the savings figure is also impacted by the application of a procurement credit (\$1.33/Dth/month) which significantly decreases PG&E's rate. The procurement credit has been fully amortized and does not apply to FY 2022-23.

Recommended Action:

None.

Attachments:

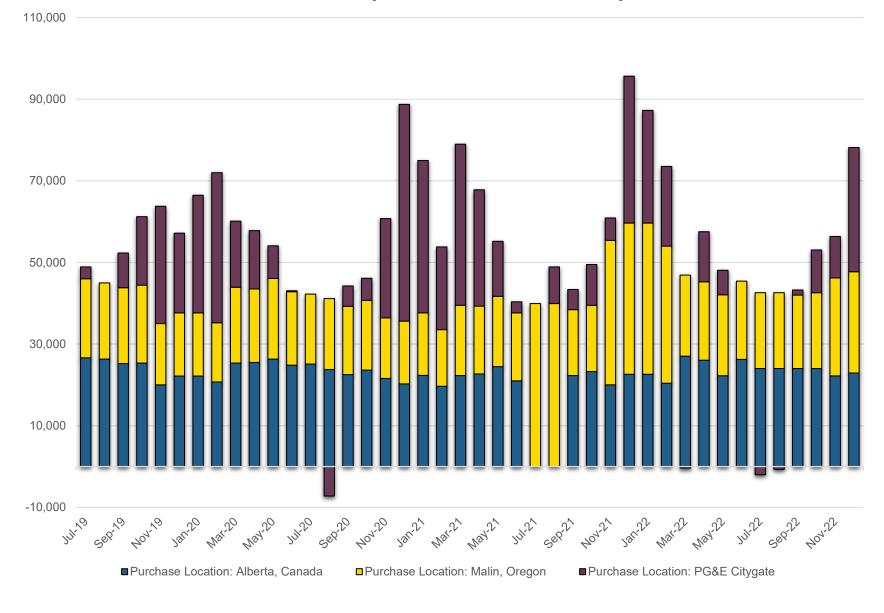
- Summary of Natural Gas Program (Presentation)
- Historical and Anticipated Gas Purchase Requirements
- Market Price Comparison
- Summary of Natural Gas Program, Fiscal Year 2021-2022

Reviewed:

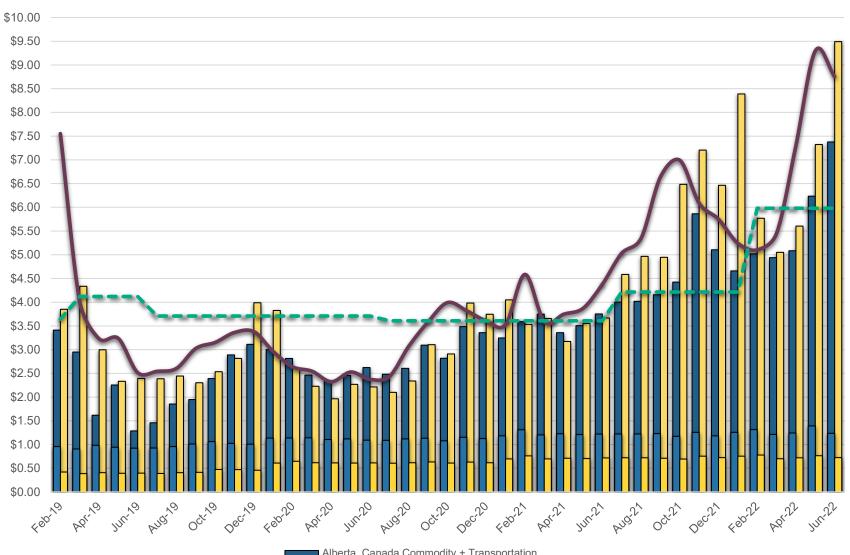
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Historical and Anticipated Gas Purchase Requirements



Market Price Comparison



Alberta, Canada Commodity + Transportation
Malin, Oregon Commodity + Transportation
PG&E Citygate (Monthly Average of Daily Prices)

	В	С	D	E		F	G	Н	1	J	K	L	М	N	0	Р	Q
2		-	•	Jul-2	:1	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Total
4 0	Gas Pu	urchases ⁽¹⁾				•											
5	Pι	Purchase 1 - Oregon	Qty		9,944	39,914	16,134	16,230	35,403	37,045	37,045	33,600	19,840	19,196	19,839	19,200	333,390
6			Price	:	\$3.88	\$4.26	\$4.25	\$5.81	\$6.59	\$5.88	\$7.78	\$5.13	\$4.22	\$4.22	\$4.22	\$4.22	
7																	
8	Pι	Purchase 2 - California	Qty		0	9,000	4,950	10,000	5,500	36,000	27,600	19,516	-365	12,298	6,000	0	130,499
9			Price			\$5.29	\$7.02	\$6.93	\$6.35	\$6.03	\$5.36	\$5.13	\$5.15	\$7.76	\$10.44	\$0.00	
10	_				_	_											
11	Pι	Purchase 3 - Canada	Qty		0	0	22,294	23,280	20,009	22,599	22,599	20,412	27,052	26,049	22,263	26,236	232,793
12			Price				\$2.98	\$3.29	\$4.66	\$3.93	\$3.41	\$3.71	\$3.83	\$3.91	\$4.86	\$6.24	
13 16	т.	otal Quantity Purchased		21	9,944	48,914	43,378	49,510	60,912	95.644	87.244	73,528	46,527	57,543	48,102	45.436	696,682
17		otal Gas Purchase Cost			5,083 \$	217,786											\$3,492,434
18		otal Transportation Cost			6.485 \$	26,992						\$ 40,788				\$ 244,724 \$ 44.788	\$507.573
19		otal Stranded Pipeline Capacity	/ Cost		1,790 \$	(13,129)					\$ 16.976			,		, , , , ,	\$111,366
20		Backbone Shrinkage (Dths)	y 000t		(497)	(511)	(1,388)	(1,371)	(1,552)	(1,792)	(1,500)	(1,328)	(1,781)	(1,466)	(1,441)	(1,720)	(16,347)
20		VACOG ⁽²⁾			4.65 \$	4.79	,	, , ,				\$ 5.64	5.46 \$. ,	,		\$5.88
22	• • • • • • • • • • • • • • • • • • • •	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		Ψ	4.00 ψ	4.70	φ 0.14	ψ 0.57	Ψ 7.14	Ψ 0.20	0.02	0.01	μ, υ.+υ ψ	0.01	Ų 0.00 ·	ψ 0.00	ψ0.00
	Storage	ge/Inventory									_						
24		otal Injections/Withdrawals (Dth	h)	2	2,478	5,487	5,310	2,449	(64)	(3,025)	(4,752)	(5,020)	(16,846)	4,215	3,975	10,870	5,077
25 26		otal Inventory Quantity (Dths)	•		,409	24,896	30,206	32,655	32,591	29,566	24,814	19,794	2,948	7,163	11,138	22,008	•
26	To	otal Inventory Value		\$ 55	5,659 \$	83,479	\$ 110,393	\$ 125,021	\$ 124,764	\$ 113,166		\$ 75,858 \$	11,173 \$	36,345	\$ 62,806	\$ 137,603	
27	Ne	let Inventory Change in Value		\$ 11	1,551 \$	27,820											\$ 93,495
28 29 30		lvg. Inventory Rate (\$/Dth)			2.87 \$	3.35					\$ 3.83	\$ 3.83				\$ 6.25	
29		PG&E Monthly Storage Cost (\$)			2,535 \$	2,535						\$ 2,578 \$				\$ 1,740	
30	IS	SP Monthly Storage Cost (\$)		\$ 10	0,041 \$	10,041	\$ 10,041	\$ 10,041	\$ 10,041	\$ 10,041	\$ 10,041	\$ 10,041 \$	10,041 \$	11,990	\$ 11,990	\$ 11,990	\$ 126,339
31																	
		rogram Monthly Expenses															
33		Cost of Energy Used ⁽³⁾		\$ 184	1,382 \$	216,404	\$ 201,481	\$ 285,486	\$ 436,500	\$ 610,744	\$ 615,677	\$ 439,178	321,445 \$	323,447	\$ 297,891	\$ 239,743	\$ 4,172,380
34	St	Staff Cost		17	7,198	24,121	17,900	66,474	35,279	31,710	31,697	29,291	27,904	44,381	31,468	34,714	\$ 392,139
35	Pr	Professional Fees & Related ⁽⁴⁾		39	9,026	39,367	25,637	55,274	27,196	18,012	15,765	10,317	11,658	12,230	10,605	27,061	292,148
36		Subtota	al	240	0,606	279,892	245,019	407,235	498,976	660,466	663,139	478,786	361,007	380,058	339,964	301,518	\$ 4,856,667
37		Rate (\$/Dth			6.26	\$7.35	\$6.32	\$8.13	\$8.51	\$7.85	\$7.76	\$6.68	\$5.45	\$6.94	\$7.33	\$8.70	\$7.28
38			,														
39	P	PG&E Pass-through Costs ⁽⁵⁾		135	5,969	229,147	254,979	281,641	406,766	610,143	717,125	675,085	857,611	355,036	521,463	570,193	5,615,159
40		Total ABAG POWER Cos	it .	\$ 376	5,576 \$	509,039	\$ 499,999	\$ 688,876	\$ 905,742	\$ 1,270,609	\$ 1,380,264	\$ 1,153,871	1,218,618 \$	735,094	\$ 861,427	\$ 871,711	\$ 10,471,826
41			•	Ψ 0.0	ν,υ.υ ψ	000,000	φ 100,000	ψ 000,010	000,1.12	Ψ 1,210,000	<u> </u>	ψ 1,100,011	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	7 100,001	Ψ 001,121	Ψ 01.1,1.1.	<u> </u>
	\ otuol	I (metered) Gas Usage															
43		Core ⁽⁶⁾		2	1,910	31,935	32,704	43,538	54,600	79,462	80,386	67,174	61,762	49,833	41,618	31,120	606,042
44		Jore of Core			6,529	6,125	6,050	6,548	4,037	4,634	5,058	67,174 4,472	61,762 4,471	49,833 4,909	41,618 4,744	31,120	61,116
45					8,439	38,060	38,754	50,086	58,637	84,096	85,444	71,646	66,233	54.742	46,362	34,659	667,158
46	10	otal Program Usage		3	0,439	30,000	36,754	50,086	56,637	64,096	65,444	7 1,046	00,∠33	54,742	40,362	34,059	007,158
	BAG	POWER Total Core Rate		\$ 1	10.52 \$	14.53	\$ 14.12	\$ 14.60	\$ 15.96	\$ 15.53	\$ 16.68	\$ 16.73	19.34 \$	14.07	\$ 19.86	\$ 27.02	
48	TDAG	TOWER Total Gore Rate		Ψ 1	10.52 ¥	14.55	φ 19.12	14.00	ψ 13.30	ψ 13.33	ψ 10.00	ψ 10.75	y 13.5 4 4	14.07	Ψ 13.00	Ψ 21.02	
49		- . (7)					1	-									
		Rate ⁽⁷⁾															
51		Procurement Charge ⁽⁸⁾			1.70	2.04	4.23	6.60	7.89	8.03	7.40	7.11	5.95	5.03	6.16	6.72	
52	Tr	ransportation/Other Charge ⁽⁹⁾			4.26	7.18	7.80	6.47	7.45	7.68	8.92	10.05	13.89	7.12	12.53	18.32	
53		Total PG&E Rate	Э	\$	5.96 \$	9.22	\$ 12.02	\$ 13.07	\$ 15.34	\$ 15.71	\$ 16.32	\$ 17.16	19.83 \$	12.15	\$ 18.68	\$ 25.04	
54																	
	/lonthi	ly Index Postings															
56		IGI Bidweek for PG&E Citygate	:	:	\$5.01	\$5.69	\$5.42	\$7.34	\$7.52	\$6.45	\$7.72	\$5.41	\$5.42	\$6.01	\$7.77	\$10.22	
57		Gas Daily Avg. for PG&E Citygat			\$5.08	\$5.35	\$6.64	\$6.99	\$6.09	\$5.75	\$5.24	\$5.10	\$5.45	\$7.30	\$9.30	\$8.76	
58		IGI Bidweek for Malin			\$3.87	\$4.25	\$4.24	\$5.79	\$6.45	\$5.74	\$7.64	\$4.99	\$4.35	\$4.88	\$6.56	\$8.77	
59		AB-NIT Month Ahead (7A US)			\$2.78	\$2.79	\$2.93	\$3.25	\$4.61	\$3.93	\$3.40	\$3.71	\$3.73	\$3.84	\$4.84	\$6.14	
60									<u> </u>			<u> </u>		<u> </u>	<u> </u>	<u> </u>	

П	B C D)	Е	F	G	Н	1	J	K	L	М	N	0	Р	Q
2		•	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Total
61	Small Commercial (G-NR1) Rate Comparison	<u>1</u>		•											
62	Monthly Rate Difference (\$/Dth)		4.56	5.31	2.10	1.53	0.61	(0.17)	0.36	(0.42)	(0.50)	1.92	1.18	1.98	
	Monthly Savings	;	\$ (145,651) \$						(29,003) \$					(61,613)	
	Cumulative 'Savings'	,	\$ (145,651) \$						(499,345) \$						
67	Cumulative 'Savings'		-76.6%	-65.1%	-43.7%	-31.1%	-21.2%	-13.3%	-10.3%	-7.9%	-6.1%	-6.8%	-6.8%	-6.9%	
68															
	Additional Rate Comparisons														
	Large Commercial (G-NR2) Cumulative Savings	;	-89.3%	-74.2%	-50.3%	-36.4%	-25.5%	-17.0%	-13.7%	-11.1%	-9.1%	-10.0%	-9.9%	-9.8%	
	Residential (G1/GM) Cumulative Savings		-70.5%	-32.7%	-6.9%	-3.9%	-0.9%	0.9%	-0.2%	0.7%	0.6%	-1.1%	-0.5%	-0.6%	
	Natural Gas Vehicle (G-NGV1/2) Cumulative Sa	ivings	-90.9%	-40.3%	-9.9%	-6.2%	-2.7%	-0.7%	-1.5%	-0.1%	0.0%	-1.6%	-0.8%	-0.8%	
85															
86	Notes:														
88	¹ All gas quantities in Dth and rates in \$/Dth.														
89	² Weighted Average Cost of Gas (WACOG)														
90															
91															
92	⁵ PG&E charges billed to ABAG POWER via	a EDI pro	cess and passed	d through to cust	omers. These c	osts do not nece	ssarily tie directly t	o the actual gas ι	sage shown abov	ve due to timing di	fference in reporti	ng.			
93	⁶ From billing data									>					
94	⁷ Based on PG&E's G-NR1 rate schedule.														
95	8 Includes: Procurement Charge, Capacity C	Charge, Bi	rokerage Fee, SI	hrinkage, and St	orage.										
96	⁹ PG&E Transportation Charge; Customer C	-	-	-	-	not include Frai	nchise Fees and C	itv Taxes.							
97 98 99	,	J-,	9		3										
98															
99															
100															