

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 production 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

Agenda Item 5.b. – Monthly Summary of Operations

August 18, 2022

Page 2 of 2

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:

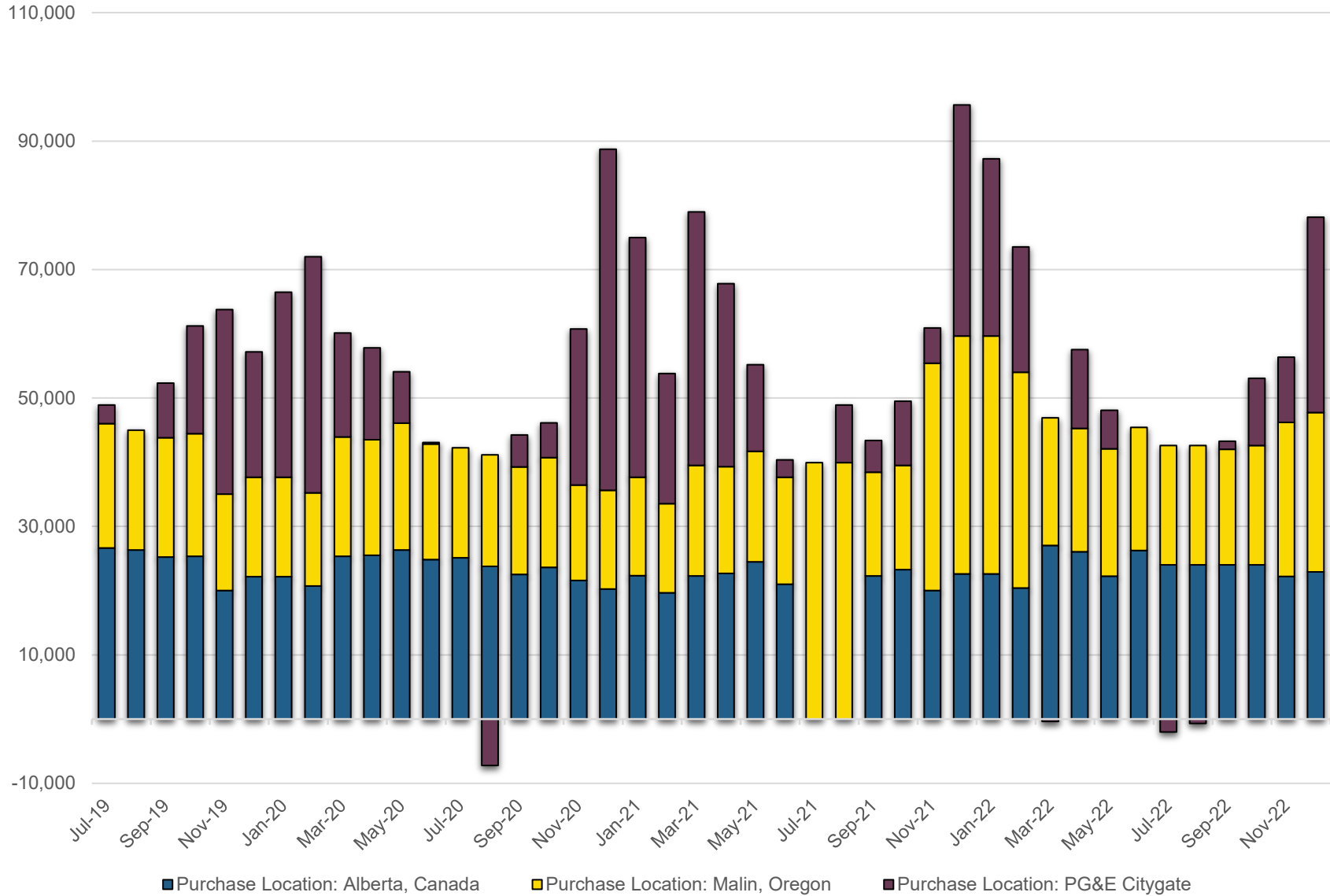
- Summary of Natural Gas Program (Presentation)
- Historical and Anticipated Gas Purchase Requirements
- Market Price Comparison
- Summary of Natural Gas Program, Fiscal Year 2021-2022

Reviewed:

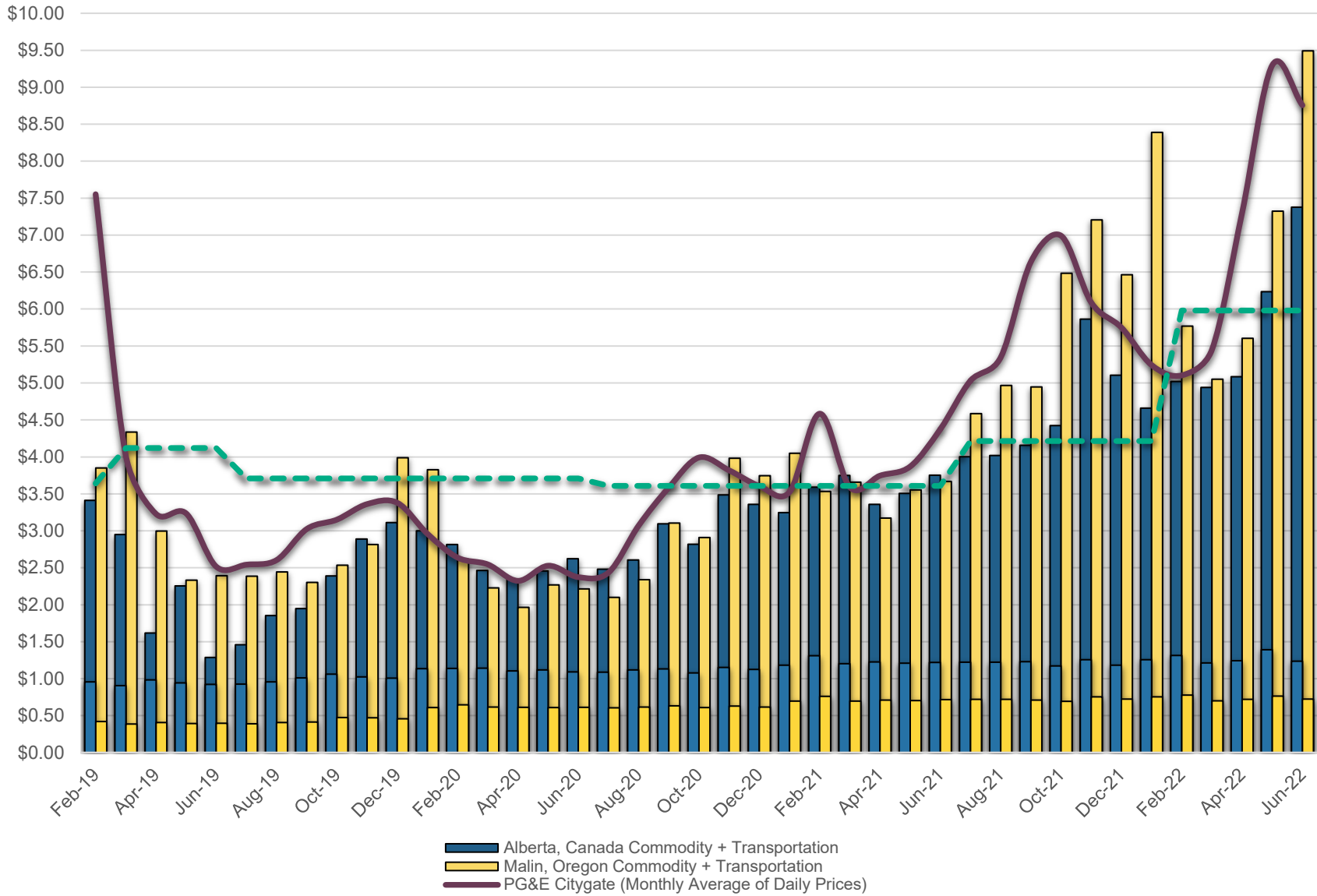
DocuSigned by:
Brad Paul
8C3380BA165B4D1...

Brad Paul

Historical and Anticipated Gas Purchase Requirements



Market Price Comparison



	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
				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															
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	
63	Monthly Savings			\$ (145,651)	\$ (169,669)	\$ (68,588)	\$ (66,631)	\$ (33,561)	\$ 13,759	\$ (29,003)	\$ 28,538	\$ 30,630	\$ (95,556)	\$ (49,015)	\$ (61,613)	
64	Cumulative 'Savings'			\$ (145,651)	\$ (315,321)	\$ (383,908)	\$ (450,539)	\$ (484,100)	\$ (470,342)	\$ (499,345)	\$ (470,807)	\$ (440,177)	\$ (535,733)	\$ (584,747)	\$ (646,360)	
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																
69	Additional Rate Comparisons															
70	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%	
75	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%	
80	Natural Gas Vehicle (G-NGV1/2) Cumulative Savings			-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																
87	Notes:															
88	¹ All gas quantities in Dth and rates in \$/Dth.															
89	² Weighted Average Cost of Gas (WACOG) at PG&E Citygate															
90	³ Includes costs to transport gas to PG&E Citygate from alternate delivery points, as well as physical storage costs.															
91	⁴ Includes scheduling fees, billing fees, administrative costs and misc. expenses; less interest income.															
92	⁵ PG&E charges billed to ABAG POWER via EDI process and passed through to customers. These costs do not necessarily tie directly to the actual gas usage shown above due to timing difference in reporting.															
93	⁶ From billing data															
94	⁷ Based on PG&E's G-NR1 rate schedule.															
95	⁸ Includes: Procurement Charge, Capacity Charge, Brokerage Fee, Shrinkage, and Storage.															
96	⁹ PG&E Transportation Charge; Customer Charge, and surcharge for Public Purpose Programs. Does not include Franchise Fees and City Taxes.															
97																
98																
99																
100																

UNAUDITED DRAFT