

Association of Bay Area Governments Publicly Owned Energy Resources

ABAG POWER

Executive Committee

June 16, 2022

Agenda Item 5.b.

Report on Natural Gas Program

Subject:

Monthly Summary of Operations

Background:

From July 2021 through May 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 \$10.02, with an unweighted average of \$6.15. PG&E's small commercial procurement rate (G-NR1) – 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. Due to 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 April 2022 indicate cumulative savings of -6.3% 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 chaotic supply and demand patterns caused by COVID-19. Since then, rebounding demand has outstripped productions levels, which are rising but 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 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 increase exports of LNG to Europe (aiming 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.

Agenda Item 5.b. – Monthly Summary of Operations

June 16, 2022

Page 2 of 2

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 temporary authority, expiring 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 is not true for the summer months. A 10-20% performance premium approaching the winter season is typical and not out of the ordinary. 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.

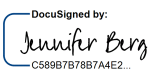
Recommended Action:

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

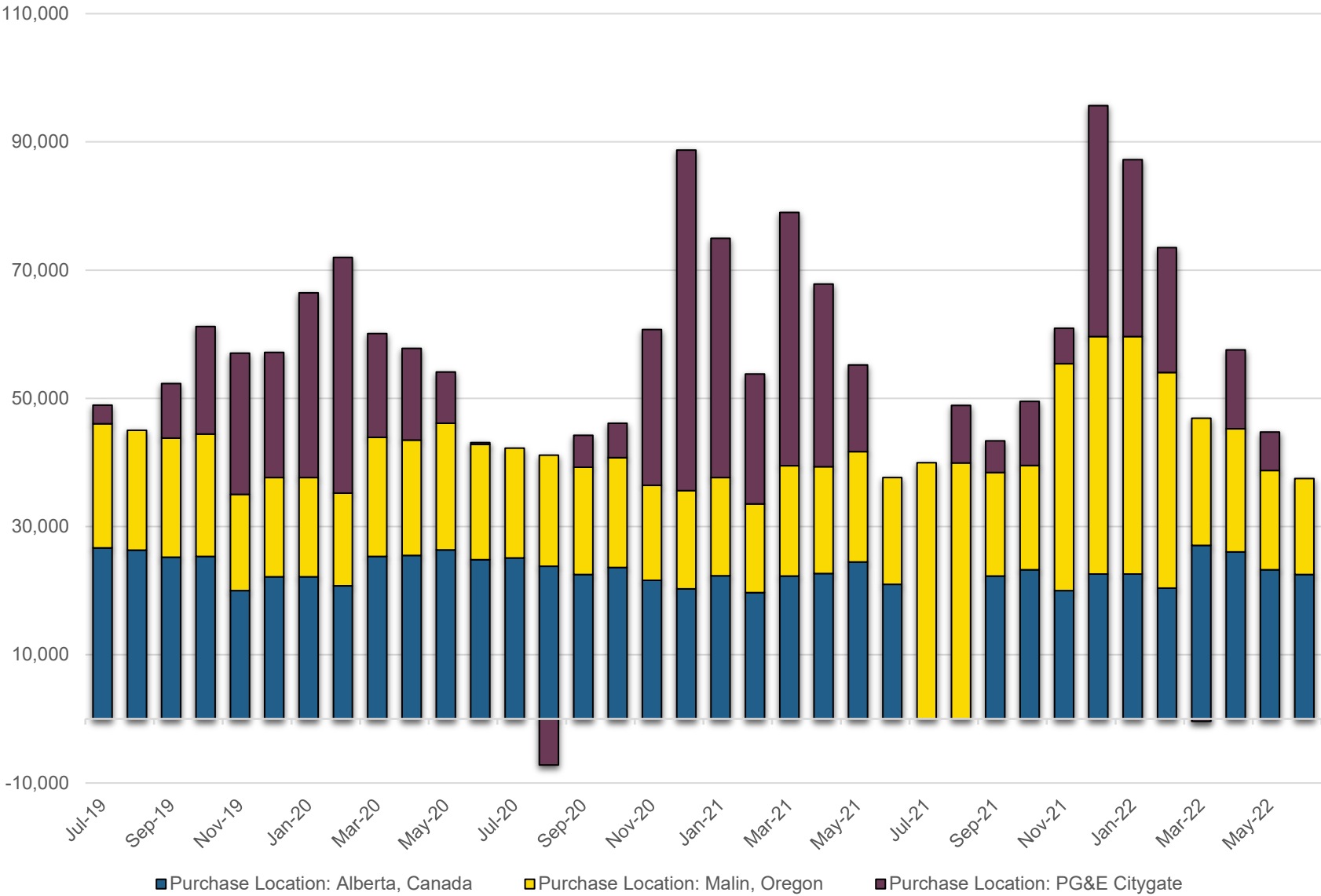
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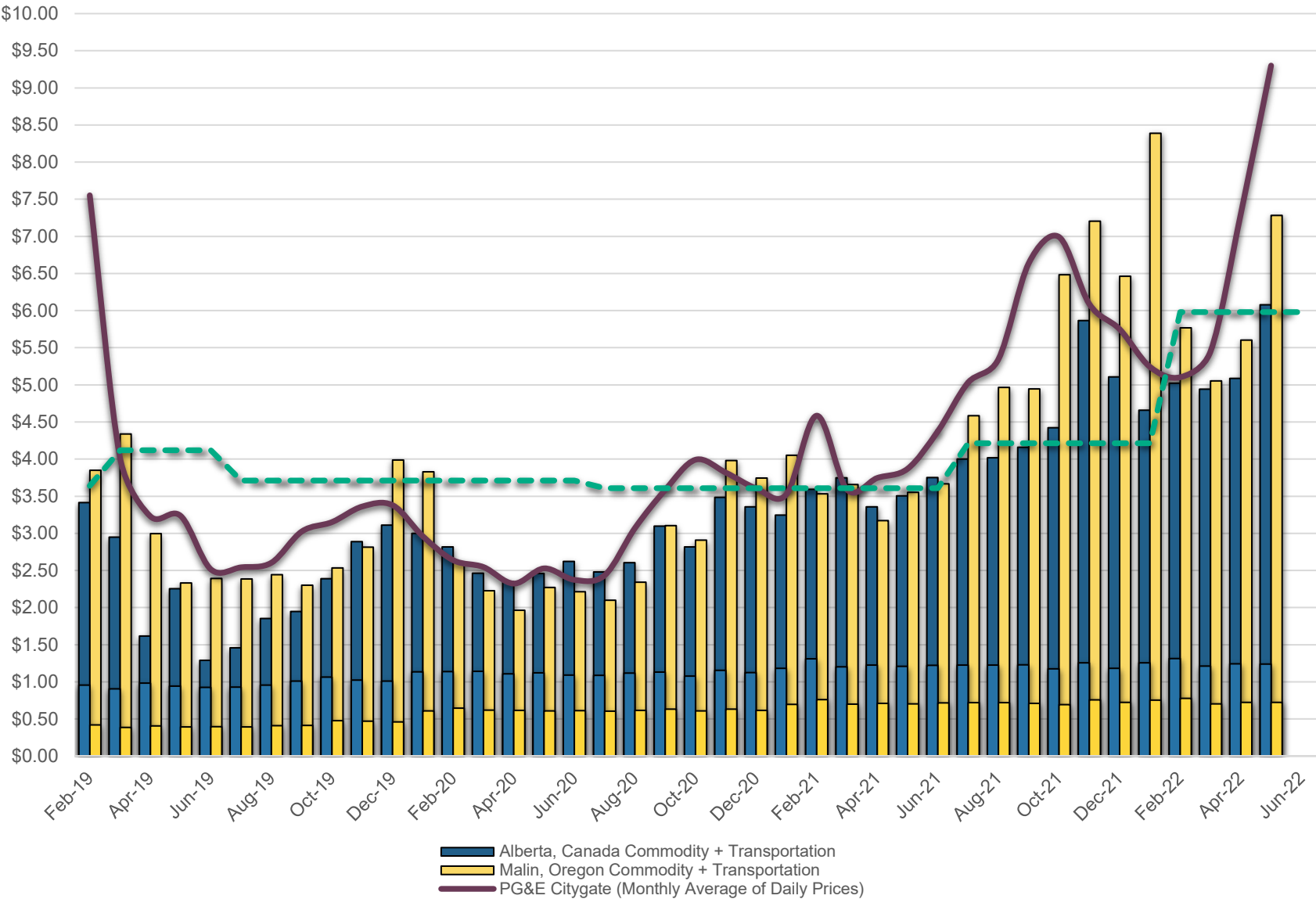
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Brad Paul

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
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
4	Gas Purchases ⁽¹⁾															
5		Purchase 1 - Oregon	Qty	39,944	39,914	16,134	16,230	35,403	37,045	37,045	33,600	19,840	19,196			294,351
6			Price	\$3.88	\$4.26	\$4.25	\$5.81	\$6.59	\$5.88	\$7.78	\$5.13	\$4.22	\$4.22			
7																
8		Purchase 2 - California	Qty	0	9,000	4,950	10,000	5,500	36,000	27,600	19,516	-365	12,298			124,499
9			Price		\$5.29	\$7.02	\$6.93	\$6.35	\$6.03	\$5.36	\$5.13	\$5.15	\$7.76			
10																
11		Purchase 3 - Canada	Qty	0	0	22,294	23,280	20,009	22,599	22,599	20,412	27,052	26,049			184,294
12			Price			\$2.98	\$3.29	\$4.66	\$3.93	\$3.41	\$3.71	\$3.83	\$3.91			
13																
16		Total Quantity Purchased		39,944	48,914	43,378	49,510	60,912	95,644	87,244	73,528	46,527	57,543	0	0	603,144
17		Total Gas Purchase Cost	\$	155,083	\$ 217,786	\$ 169,772	\$ 240,181	\$ 361,464	\$ 523,889	\$ 512,957	\$ 348,361	\$ 185,443	\$ 278,265	\$ -	\$ -	\$2,993,201
18		Total Transportation Cost	\$	26,485	\$ 26,992	\$ 37,449	\$ 37,433	\$ 51,432	\$ 52,076	\$ 55,003	\$ 40,788	\$ 45,685	\$ 44,962	\$ 7,013	\$ -	\$425,318
19		Total Stranded Pipeline Capacity Cost	\$	1,790	\$ (13,129)	\$ 8,599	\$ 9,924	\$ 10,771	\$ 10,606	\$ 16,976	\$ 18,224	\$ 13,013	\$ 11,662	\$ -	\$ -	\$88,435
20		Backbone Shrinkage (Dths)		(497)	(511)	(1,388)	(1,371)	(1,552)	(1,792)	(1,500)	(1,328)	(1,781)				(11,720)
21		WACOG ⁽²⁾	\$	4.65	\$ 4.79	\$ 5.14	\$ 5.97	\$ 7.14	\$ 6.25	\$ 6.82	\$ 5.64	\$ 5.46	\$ 5.82			\$5.78
22																
23	Storage/Inventory															
24		Total Injections/Withdrawals (Dth)		2,478	5,487	5,310	2,449	(64)	(3,025)	(4,752)	(5,020)	(16,846)	4,215			(9,768)
25		Total Inventory Quantity (Dths)		19,409	24,896	30,206	32,655	32,591	29,566	24,814	19,794	2,948	7,163			
26		Total Inventory Value	\$	55,659	\$ 83,479	\$ 110,393	\$ 125,021	\$ 124,764	\$ 113,166	\$ 95,044	\$ 75,858	\$ 11,174	\$ 36,345			
27		Net Inventory Change in Value	\$	11,551	\$ 27,820	\$ 26,914	\$ 14,628	\$ (258)	\$ (11,598)	\$ (18,121)	\$ (19,186)	\$ (64,684)	\$ 25,171	\$ -	\$ -	\$ (7,763)
28		Avg. Inventory Rate (\$/Dth)	\$	2.87	\$ 3.35	\$ 3.65	\$ 3.83	\$ 3.83	\$ 3.83	\$ 3.83	\$ 3.83	\$ 3.79	\$ 5.07			
29		PG&E Monthly Storage Cost (\$)	\$	2,535	\$ 2,535	\$ 2,535	\$ 2,535	\$ 2,535	\$ 2,535	\$ 2,578	\$ 2,578	\$ 2,578	\$ 1,740	\$ -	\$ -	\$ 24,683
30		ISP Monthly Storage Cost (\$)	\$	10,041	\$ 10,041	\$ 10,041	\$ 10,041	\$ 10,041	\$ 10,041	\$ 10,041	\$ 10,041	\$ 10,041	\$ 11,990	\$ -	\$ -	\$ 102,360
31																
32	Gas Program Monthly Expenses															
33		Cost of Energy Used ⁽³⁾	\$	184,382	\$ 216,404	\$ 201,481	\$ 285,486	\$ 425,730	\$ 600,138	\$ 598,701	\$ 420,955	\$ 308,432	\$ 311,786	\$ 7,013	\$ -	\$ 3,560,508
34		Staff Cost		17,198	24,121	17,900	66,474	35,279	31,710	31,697	29,291	27,904	44,381	-	-	\$ 325,956
35		Professional Fees & Related ⁽⁴⁾		39,026	39,367	25,637	55,274	27,196	18,012	15,765	10,317	11,658	12,230	-	-	254,482
36		Subtotal		240,606	279,892	245,019	407,235	488,205	649,860	646,163	460,563	347,994	368,397	7,013		\$ 4,140,946
37		Rate (\$/Dth)		\$6.26	\$7.35	\$6.32	\$8.13	\$8.32	\$7.73	\$7.56	\$6.43	\$5.25	\$6.81			\$7.07
38																
39		PG&E Pass-through Costs ⁽⁵⁾		135,969	229,147	254,979	281,641	406,766	610,143	717,125	675,085	857,611	355,036	-	-	4,523,504
40		Total ABAG POWER Cost	\$	376,576	\$ 509,039	\$ 499,999	\$ 688,876	\$ 894,971	\$ 1,260,003	\$ 1,363,288	\$ 1,135,648	\$ 1,205,604	\$ 723,433	\$ 7,013		\$ 8,664,450
41																
42	Actual (metered) Gas Usage															
43		Core ⁽⁶⁾		31,928	31,953	32,722	43,556	54,617	79,480	80,404	67,190	61,761	49,227			532,838
44		Non Core		6,529	6,125	6,050	6,548	4,037	4,634	5,058	4,472	4,471	4,909			52,833
45		Total Program Usage		38,457	38,078	38,772	50,104	58,654	84,114	85,462	71,662	66,232	54,136			585,671
46																
47	ABAG POWER Total Core Rate			\$ 10.52	\$ 14.52	\$ 14.11	\$ 14.59	\$ 15.77	\$ 15.40	\$ 16.48	\$ 16.47	\$ 19.14	\$ 14.02			
48																
49																
50	PG&E 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	-	
52		Transportation/Other Charge ⁽⁹⁾		4.26	7.17	7.79	6.47	7.45	7.68	8.92	10.05	13.89	7.21			
53		Total PG&E Rate	\$	5.95	\$ 9.21	\$ 12.02	\$ 13.07	\$ 15.34	\$ 15.70	\$ 16.32	\$ 17.15	\$ 19.83	\$ 12.24	\$ 6.16	\$ -	
54																
55	Monthly Index Postings															
56		NGI 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		
57		Gas Daily Avg. for PG&E Citygate		\$5.08	\$5.35	\$6.64	\$6.99	\$6.09	\$5.75	\$5.24	\$5.10	\$5.45	\$7.30			
58		NGI 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		
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		
60																

All gas quantities in Dth and rates in \$/Dth.

² Weighted Average Cost of Gas (WACOG) at PG&E Citygate

³ Includes costs to transport gas to PG&E Citygate from alternate delivery points, as well as physical storage costs.

⁴ Includes scheduling fees, billing fees, administrative costs and misc. expenses; less interest income.

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.

⁶ From billing data

⁷ Based on PG&E's G-NR1 rate schedule.

⁸ Includes: Procurement Charge, Capacity Charge, Brokerage Fee, Shrinkage, and Storage.

⁹ PG&E Transportation Charge; Customer Charge, and surcharge for Public Purpose Programs. Does not include Franchise Fees and City Taxes.