

Association of Bay Area Governments Publicly Owned Energy Resources

ABAG POWER

Executive Committee

June 16, 2022

Agenda Item 6.a.

Fiscal Year 2021-22 Operating Budget Amendment

Subject:

Approval of fiscal year (FY) 2021-22 operating budget amendment in the amount of \$456,687, for a total budget not to exceed \$10,476,105, with no changes to members' levelized charges for the period ending June 30, 2022.

Background:

As of April 30, 2022, the program's year-end expenditures are projected to exceed the approved operating budget. This deficit is caused by sustained, extraordinarily high natural gas market prices and recent increases to Pacific Gas and Electric Company's (PG&E) pass-through costs.

The program's general purchasing strategy attempts to balance risk exposure with cost savings and price stability, but ultimately the market price for natural gas is subject to forces of supply and demand that are beyond the control of the program. PG&E and other core transport agents are also subject to these prices to varying degrees.

This proposed amendment increases the overall expense budget by \$456,687 (5%), from \$10,019,418, to \$10,476,105 to align with current year-end projections. The amendment does not include an accompanying adjustment to revenue; therefore, there is no change to members' levelized charges. Any difference between budgeted and actual costs will be reflected in the FY 21-22 true-up, implemented during FY 22-23.

Issues:

Starting in June 2021, market prices began a nearly year-long rise to current levels, necessitating a budget amendment in February 2022. The program's working capital deposits (\$2 million) were sufficient to address the relatively minor deficit through the first half of the year prior to the adjustment of members' levelized charges in March 2022. Working capital deposits will continue to be used to address cashflow deficits during the current fiscal year.

Recommended Action:

The ABAG POWER Executive Committee is requested to review and approve as proposed the Fiscal Year 2021-22 ABAG POWER Operating Budget amendment in the amount of \$456,687, for a total budget not to exceed \$10,476,105, with no changes to members' levelized charges for the period ending June 30, 2022.

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Attachments:

- Fiscal Year 2021-22 Operating Budget Amendment (06/16/22) (Summary Approval)

Reviewed:

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Jennifer Berg
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for

Brad Paul

	YTD Actual As of 04/30/22	Projected FY 2021-22	Amended FY 2021-22 (02/17/22)	Proposed Amendment (06/16/22)	\$ Change Inc./ (Dec)	% Change Inc./ (Dec)
Revenue						
Sale of Energy	7,895,280	10,008,240	10,008,240	10,008,240	\$ -	0%
Interest Income - Banks/LAIF	2,117	8,469	5,000	5,000	\$ -	0%
Other Revenue	4,509	9,018	9,200	9,200	\$ -	0%
Total Revenue	7,901,907	10,025,728	10,022,440	10,022,440	\$ -	0%
Expense						
Cost of Energy						
PG&E Pass-through Costs	4,523,504	5,428,205	4,770,212	5,226,899	\$ 456,687	10%
Gas Commodity & Shrinkage Costs	3,000,963	3,601,156	3,711,895	3,711,895	\$ -	0%
Intra/Interstate Pipeline Transportation	506,740	608,088	570,859	570,859	\$ -	0%
Gas Storage	127,043	152,451	170,371	170,371	\$ -	0%
Total Cost of Energy	8,158,250	9,789,900	9,223,337	9,680,024	\$ 456,687	5%
Staff Cost						
Salary & Benefits	220,688	264,825	276,473	276,473	\$ -	0%
Overhead	105,268	126,322	138,403	138,403	\$ -	0%
Total Staff Cost	325,956	391,147	414,876	414,876	\$ -	0%
Consultant Services						
Program Design Services	82,838	82,838	150,000	150,000	\$ -	0%
Gas Scheduling Services	89,000	106,800	106,800	106,800	\$ -	0%
Database Hosting Services	18,545	18,545	18,545	18,545	\$ -	0%
Financial Reporting	0	0	0	0	\$ -	0%
Brokerage Services	7,028	8,433	12,000	12,000	\$ -	0%
External Legal Support	0	0	0	0	\$ -	0%
Electronic Data Interchange Services	5,588	6,706	7,750	7,750	\$ -	0%
Total Consultant Services	202,999	223,322	295,095	295,095	\$ -	0%
Other Expenses						
Audit	46,799	70,000	70,000	70,000	\$ -	0%
Interest Expense/Bank Charges	1,698	2,038	9,500	9,500	\$ -	0%
Catering	0	0	1,500	1,500	\$ -	0%
Market Pricing Subscriptions	1,718	1,718	1,660	1,660	\$ -	0%
Travel	0	0	1,000	1,000	\$ -	0%
Industry Memberships & Conferences	300	300	1,450	1,450	\$ -	0%
Insurance	700	700	700	700	\$ -	0%
Postage	268	268	0	0	\$ -	0%
Miscellaneous	0	0	300	300	\$ -	0%
Total Other Expense	51,483	75,024	86,110	86,110	\$ -	0%
Total Expense	8,738,687.68	10,479,393	10,019,418	10,476,105	\$ 456,687	5%
Surplus / Deficit	-836,781	-453,665	3,022	-453,665	-456,687	