

# Adoption of Resolution 23-06 to Increase the Working Capital Deposit Requirement

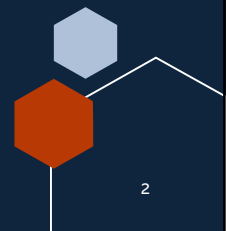
Board of Directors Meeting  
December 11, 2023



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## Today's Presentation

- General gas purchasing strategy
- Current market conditions and challenges
- Working capital deposits
- Recommended changes



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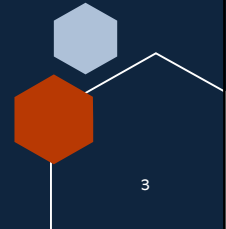
## General Gas Purchasing Strategy

### Goals:

- Cost Savings
- Price Stability

### Strategy:

Time Period	Longer-Term Fixed-Price Purchases	Shorter-Term Index-Based Purchases	Purchase Locations
Pre-2014	50%	50%	California, Oregon
2014-2018	20-40%	60-80%	California, Oregon
2018-2020	0%	100%	California, Oregon, Canada
2020+	0-25%	75-100%	California, Oregon, Canada



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## Current Market Conditions and Challenges

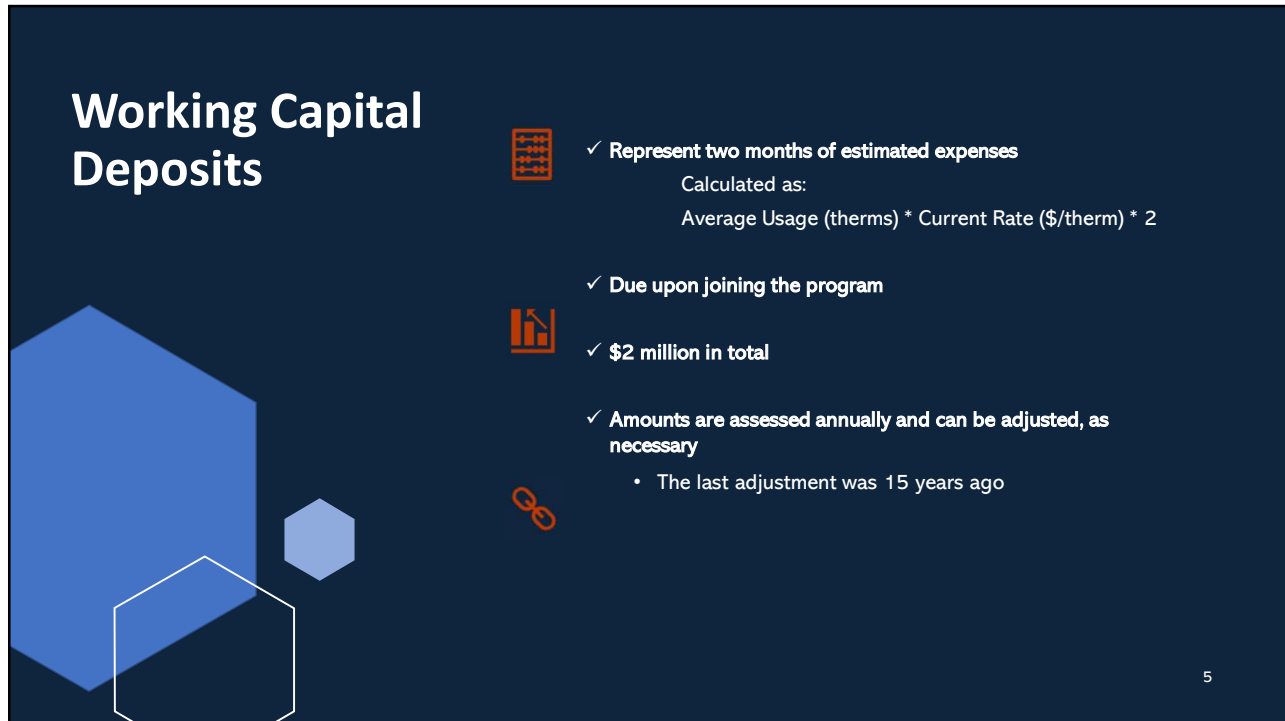
- Due to extreme market volatility throughout 2020-2023 – the highest prices since December 2000 – and at times an inability to obtain index-based purchases, ABAG POWER has re-introduced a greater percentage of fixed-price purchases
- Sustained high prices and extreme volatility have presented cash flow challenges that are difficult to remedy without mid-year revisions to levelized charges
  - Revising levelized charges creates confusion, takes time to implement, and disrupts predictable budgeting
- Working capital deposits provide a financial reserve for the program to weather volatile markets



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# Working Capital Deposits

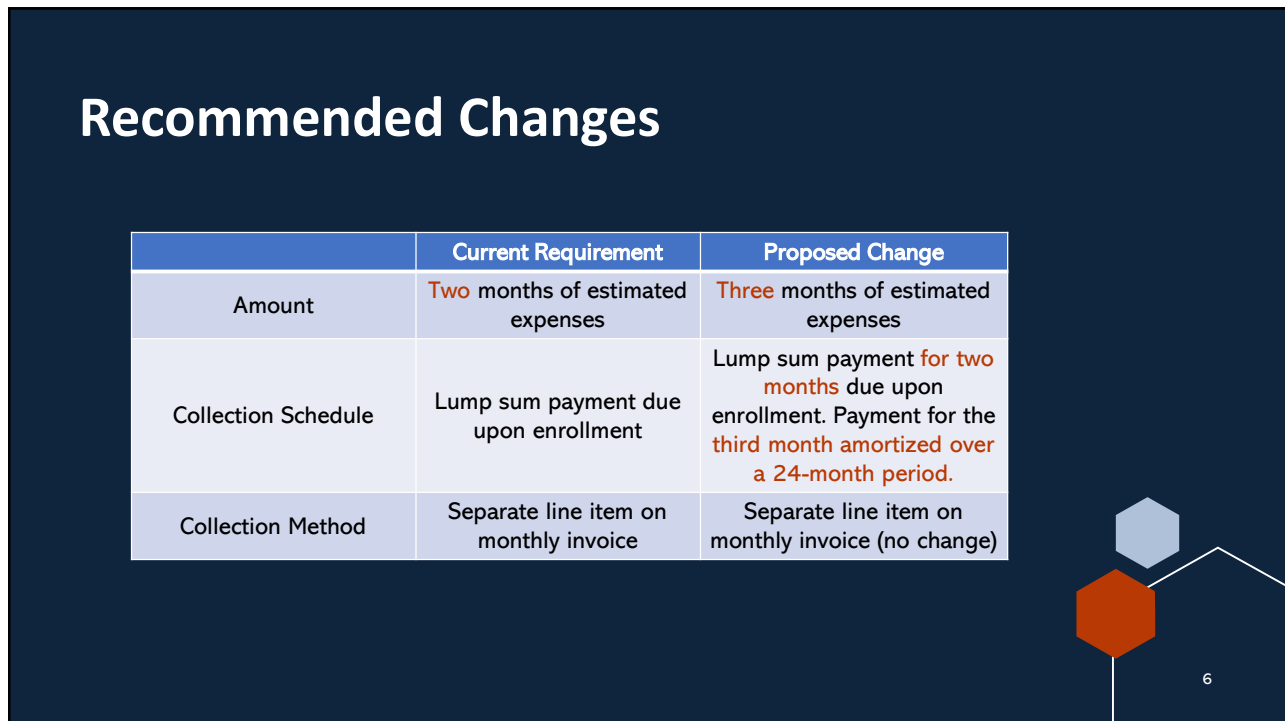
- ✓ Represent two months of estimated expenses  
 Calculated as:  
 $Average\ Usage\ (therms) * Current\ Rate\ (\$/therm) * 2$
- ✓ Due upon joining the program
- ✓ \$2 million in total
- ✓ Amounts are assessed annually and can be adjusted, as necessary
  - The last adjustment was 15 years ago



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# Recommended Changes

	Current Requirement	Proposed Change
Amount	Two months of estimated expenses	Three months of estimated expenses
Collection Schedule	Lump sum payment due upon enrollment	Lump sum payment for two months due upon enrollment. Payment for the third month amortized over a 24-month period.
Collection Method	Separate line item on monthly invoice	Separate line item on monthly invoice (no change)



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**Recommended Action:**  
Adopt Resolution 23-06 to

- 1) Increase the working capital deposit requirement from two months to three months
- 2) Establish a twenty-four-month collection period for the third month of estimated expenses

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**Thank you**

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