

MEMORANDUM

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



DATE: June 13, 2019

TO: ABAG POWER Executive Committee

FROM: Brian Mayhew
Chief Financial Officer, Metropolitan Transportation Commission

RE: Attachment 7A - Fiscal Year 2019-20 Operating Budget

Summary

The natural gas program budget for Fiscal Year 2019-20 reflects an increase of 2.0% compared to the previous fiscal year, from \$7.6 million to \$7.8 million. This is primarily the result of increased PG&E pass-through costs offsetting reduced commodity cost.

Revenue

The gas program operates as a not-for-profit entity, therefore revenue equals costs less interest and other income. The 2.0% revenue increase is due to an overall increase of 2.0% in expenses.

Cost of Energy

The cost of energy used is comprised of commodity, storage, and intra/interstate transportation costs. Commodity cost is impacted by local and regional market indices, fixed-price contracts, infrastructure maintenance, and member usage. The year-over-year decrease anticipates nearly identical program usage and a lower commodity cost enabled both by Canadian purchasing and lower domestic prices. Natural gas prices were volatile during most of Fiscal Year 2018-19, but are expected to return to regional historic averages (\$3-4.00/MMBtu) throughout FY 2019-20. Canadian prices are predicted to be within the range of \$0.80-2.25/MMBtu.

Pacific Gas and Electric (PG&E) pass-through costs represent 60% of the program budget and primarily consist of customer and transportation costs associated with local distribution. The California Public Utilities Commission (CPUC) determines "just and reasonable" rates requested by PG&E through rate case proceedings.

Program Expenses

Program expenses include software and data management licenses, professional fees for natural gas scheduling and brokerage filings, external legal expenses, bank charges, and staff costs. Staff costs will increase by approximately \$45,000 or 11.7% as a result of a negotiated salary increase and increase in the overhead rate. Other expenses have very little change as a result of a drop in audit fees for FY 2019-20.

Attachment 7A – Fiscal Year 2019-20 Operating Budget

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Recommended Action

The ABAG POWER Executive Committee is requested to review and approve as presented the Fiscal Year 2019-20 ABAG POWER operating budget of \$7,798,640.

A handwritten signature in dark ink, appearing to read "Therese W. McMillan", written over a horizontal line.

Therese W. McMillan

Attachments

ABAG POWER FY 19-20 Operating Budget

ABAG POWER FY 19-20 Operating Budget – Levelized Charges

Attachment 7A - FY 19-20 Operating Budget

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	YTD Actual As of 03/31/19	Projected¹ FY 2018-19	Amended Budget² FY 2018-19	Proposed FY 2019-20	% Change Inc./Dec
Revenue					
Sale of Energy	\$ 5,534,910	\$ 7,609,979	\$ 7,609,979	\$ 7,754,640	1.9%
Interest Income - Banks/LAIF	24,969	51,222	25,000	35,000	40.0%
Other Revenue	13,165	13,165	9,000	9,000	0.0%
Total Revenues	<u>5,573,044</u>	<u>7,674,366</u>	<u>7,643,979</u>	<u>7,798,640</u>	2.0%
Expense					
Cost of Energy					
Cost of Energy Used	2,205,989	2,841,626	2,789,521	2,517,915	-9.7%
PG&E Pass-Through Costs	<u>3,350,223</u>	<u>4,401,456</u>	<u>4,334,371</u>	<u>4,712,638</u>	8.7%
Total Cost of Energy	5,556,212	7,243,082	7,123,892	7,230,552	1.5%
Staff Cost					
Salary & Benefits	154,358	204,374	259,913	280,455	7.9%
Overhead	<u>81,455</u>	<u>107,849</u>	<u>125,749</u>	<u>150,212</u>	19.5%
Total Staff Cost	235,812	312,223	385,662	430,667	11.7%
Other Expense					
Billing Costs, external	6,847	8,457	10,500	10,500	0.0%
Brokerage and Import Bond fees	1,052	3,852	5,700	12,700	122.8%
Scheduling Agent fees	13,100	18,050	18,050	19,800	9.7%
Interest Expense/Bank Charges	6,403	8,544	9,500	9,500	0.0%
Legal Expenses (outside)	-	-	10,000	10,000	0.0%
Audit	50,776	63,470	77,875	69,000	-11.4%
Travel	87	87	1,000	1,000	0.0%
Catering	1,415	1,615	1,500	2,000	33.3%
Miscellaneous	<u>127</u>	<u>127</u>	<u>300</u>	<u>300</u>	0.0%
Total Other Expense	79,808	104,202	134,425	134,800	-
Total Expense	<u>5,871,832</u>	<u>7,659,507</u>	<u>7,643,979</u>	<u>7,796,019</u>	2.0%
Year End Balance	<u>(298,788)</u>	<u>14,859</u>	<u>-</u>	<u>2,621</u>	
Core Annual Usage (Dths):			601,477	608,514	1.2%
Noncore Annual Usage (Dths):			81,286	75,949	-6.6%
Core Gas Commodity ³ (\$/Dth):			\$4.12	\$3.71	-9.9%
Noncore Gas Commodity ³ (\$/Dth):			\$3.80	\$3.39	-10.7%
PG&E Pass-through (\$/Dth):			\$7.21	\$7.74	7.5%
Program Expenses ⁴ (\$/Dth):			\$0.71	\$0.76	7.0%
Core Total Rate (\$/Dth):			\$12.04	\$12.22	1.5%
Noncore Total Rate (\$/Dth):			\$4.51	\$4.15	-7.9%

Notes:
¹ Actual March 2019 financials (unaudited) projected through June 2019

² Approved budget June 20, 2018, revised December 12, 2018, and February 20, 2019

³ Storage costs allocated to core accounts only

⁴ Program expenses minus interest income and PG&E Billing Credit

Attachment 7B - FY 19-20 Operating Budget - Levelized Charges

June 13, 2019

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Customer	Master Account	Estimated Annual Usage	Gas Cost	Distribution Shrinkage	Storage Costs	PG&E Pass-through Costs ¹	Program Expenses ²	Total Cost	FY 2019-20 Monthly Levelized Charge	FY 2018-19 Monthly Levelized Charge ³
rate (\$/th):			\$0.339	2.5%	\$0.024	\$0.792	\$521,467 \$0.076			
Core										
<u>Alameda, City</u>										
Alameda, City	ALAACPC001	54,728	\$18,527	\$465	\$1,337	\$43,320	\$4,169	\$67,818	\$ 5,660	\$ 5,302
Alameda Municipal Power	ALAACPC002	733	\$248	\$6	\$18	\$580	\$56	\$909	\$ 80	\$ 83
Alameda Total		55,461	\$18,775	\$471	\$1,355	\$43,900	\$4,225	\$68,726	\$ 5,730	\$ 5,385
Alameda City Housing Authority	ALAACPC003	48,398	\$16,384	\$411	\$1,182	\$51,976	\$3,687	\$73,640	\$ 6,140	\$ 6,115
Albany, City	ALBACPC001	12,172	\$4,121	\$103	\$297	\$9,635	\$927	\$15,084	\$ 1,260	\$ 1,125
Atherton, Town	ATHACPT001	5,179	\$1,753	\$44	\$127	\$4,100	\$395	\$6,418	\$ 540	\$ 490
Benicia, City	BENACPC001	68,520	\$23,196	\$582	\$1,674	\$54,237	\$5,220	\$84,909	\$ 7,080	\$ 6,188
Contra Costa County GSD	CONACPN001	1,247,199	\$422,207	\$10,590	\$30,469	\$987,226	\$95,020	\$1,545,511	\$ 128,800	\$ 125,833
Cupertino, City	CUPACPC001	42,302	\$14,320	\$359	\$1,033	\$33,485	\$3,223	\$52,421	\$ 4,370	\$ 3,885
Fremont, City	FREACPC001	189,973	\$64,310	\$1,613	\$4,641	\$150,374	\$14,473	\$235,412	\$ 19,620	\$ 16,439
Golden Gate Bridge	GOLACP0001	61,159	\$20,704	\$519	\$1,494	\$48,411	\$4,659	\$75,787	\$ 6,320	\$ 5,886
Gonzales, City	GONACPC001	16,369	\$5,541	\$139	\$400	\$12,957	\$1,247	\$20,284	\$ 1,700	\$ 1,240
Half Moon Bay, City	HALACPC001	2,381	\$806	\$20	\$58	\$2,557	\$181	\$3,623	\$ 310	\$ 485
Hercules, City	HERACPC001	26,615	\$9,010	\$226	\$650	\$21,067	\$2,028	\$32,981	\$ 2,750	\$ 4,490
Los Altos, City	LOSACPC001	25,099	\$8,497	\$213	\$613	\$19,867	\$1,912	\$31,103	\$ 2,600	\$ 2,458
Mill Valley, City	MILACPC001	74,031	\$25,061	\$629	\$1,809	\$58,599	\$5,640	\$91,738	\$ 7,650	\$ 6,844
<u>Millbrae, City</u>										
Millbrae, City	MILACPC003	20,694	\$7,006	\$176	\$506	\$16,381	\$1,577	\$25,644	\$ 2,140	\$ 2,646
Millbrae WWTP	MILACPC004	0	\$0	\$0	\$0	\$405	\$0	\$405	\$ 40	\$ 40
Millbrae Total		20,694	\$7,006	\$176	\$506	\$16,785	\$1,577	\$26,049	\$ 2,180	\$ 2,686
Milpitas, City	MILACPC002	157,191	\$53,213	\$1,335	\$3,840	\$124,425	\$11,976	\$194,788	\$ 16,240	\$ 15,136
Monte-Sereno, City	MONACPC001	946	\$320	\$8	\$23	\$749	\$72	\$1,172	\$ 100	\$ 94
Moraga, Town	MORACPT001	4,886	\$1,654	\$41	\$119	\$3,868	\$372	\$6,055	\$ 510	\$ 490
<u>Napa County</u>										
Napa County001	NAPACPN001	1,446	\$489	\$12	\$35	\$1,144	\$110	\$1,791	\$ 150	\$ 146
Napa County002	NAPACPN002	4,432	\$1,500	\$38	\$108	\$3,508	\$338	\$5,492	\$ 460	\$ 1,365
Napa County004	NAPACPN004	4,539	\$1,537	\$39	\$111	\$3,593	\$346	\$5,625	\$ 470	\$ 1,094
Napa County005	NAPACPN005	83,839	\$28,381	\$712	\$2,048	\$66,363	\$6,387	\$103,892	\$ 8,660	\$ 8,271
Napa County Total		94,255	\$31,908	\$800	\$2,303	\$74,608	\$7,181	\$116,800	\$ 9,740	\$ 10,875
<u>Oakland, City</u>										
Oakland, City	OAKACPC001	690,803	\$233,854	\$5,866	\$16,876	\$546,808	\$52,630	\$856,033	\$ 71,340	\$ 69,151
Oakland Zoological	OAKACPC002	14,609	\$4,945	\$124	\$357	\$11,564	\$1,113	\$18,103	\$ 1,510	\$ 1,469
Oakland Total		705,412	\$238,799	\$5,990	\$17,233	\$558,371	\$53,743	\$874,136	\$ 72,850	\$ 70,620

¹ Customer, Transportation, PPP, and Franchise Fee Charges

² Program expenses less interest income.

³ Weighted average of eight months originally approved charge and four months of the revised charge.

Attachment 7B - FY 19-20 Operating Budget - Levelized Charges

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Customer	Master Account	Estimated Annual Usage	Gas Cost	Distribution Shrinkage	Storage Costs	PG&E Pass-through Costs ¹	Program Expenses ²	Total Cost	FY 2019-20 Monthly Levelized Charge	FY 2018-19 Monthly Levelized Charge ³
						\$521,467				
rate (\$/th):			\$0.339	2.5%	\$0.024	\$0.792	\$0.076			
Orinda, City	ORACPC001	24,525	\$8,302	\$208	\$599	\$19,413	\$1,868	\$30,391	\$ 2,540	\$ 1,021
Pacifica, City	PACACPC001	25,020	\$8,470	\$212	\$611	\$19,805	\$1,906	\$31,005	\$ 2,590	\$ 2,677
Petaluma, City	PETACPC001	23,297	\$7,886	\$198	\$569	\$18,440	\$1,775	\$28,869	\$ 2,410	\$ 2,208
Pleasanton, City	PLEACPC001	193,620	\$65,545	\$1,644	\$4,730	\$153,261	\$14,751	\$239,931	\$ 20,000	\$ 17,553
Regional Admin. Facility	RAFACPC001	48,595	\$16,451	\$413	\$1,187	\$38,466	\$3,702	\$60,219	\$ 5,020	\$ 4,490
Richmond, City	RICACPC001	410,935	\$139,112	\$3,489	\$10,039	\$325,277	\$31,308	\$509,225	\$ 42,440	\$ 43,951
Salinas, City	SALACPC001	214,113	\$72,482	\$1,818	\$5,231	\$169,482	\$16,312	\$265,326	\$ 22,120	\$ 12,459
San Carlos, City	SANACPC003	26,547	\$8,987	\$225	\$649	\$21,013	\$2,023	\$32,897	\$ 2,750	\$ 3,500
<u>San Mateo County</u>										
San Mateo County006	SANACPC006	337,452	\$114,236	\$2,865	\$8,244	\$267,112	\$25,709	\$418,166	\$ 34,850	\$ 34,794
San Mateo County007	SANACPC007	241,822	\$81,863	\$2,053	\$5,908	\$71,544	\$18,424	\$179,791	\$ 14,990	\$ 26,891
San Mateo County008	SANACPC008	7,444	\$2,520	\$63	\$182	\$6,943	\$567	\$10,275	\$ 860	\$ 767
San Mateo County009	SANACPC009	3,120	\$1,056	\$26	\$76	\$2,470	\$238	\$3,866	\$ 330	\$ 438
San Mateo County011	SANACPC011	8,826	\$2,988	\$75	\$216	\$6,986	\$672	\$10,937	\$ 920	\$ 833
San Mateo County013	SANACPC013	53,990	\$18,277	\$458	\$1,319	\$42,736	\$4,113	\$66,904	\$ 5,580	\$ 5,563
San Mateo County015	SANACPC015	69,113	\$23,397	\$587	\$1,688	\$54,707	\$5,266	\$85,644	\$ 7,140	\$ 6,959
San Mateo County016	SANACPC016	7,151	\$2,421	\$61	\$175	\$5,660	\$545	\$8,861	\$ 740	\$ 740
San Mateo County Total		728,918	\$246,757	\$6,189	\$17,807	\$458,158	\$55,534	\$784,445	\$ 65,380	\$ 76,985
San Rafael, City	SANACPC001	65,828	\$22,284	\$559	\$1,608	\$52,106	\$5,015	\$81,573	\$ 6,800	\$ 7,261
Santa Clara County	SANACPN001	811,204	\$274,612	\$6,888	\$19,817	\$642,112	\$61,803	\$1,005,233	\$ 83,770	\$ 82,256
Santa Rosa, City	SANACPC005	283,320	\$95,911	\$2,406	\$6,921	\$224,263	\$21,585	\$351,086	\$ 29,260	\$ 29,659
Saratoga, City	SARACPC001	13,409	\$4,539	\$114	\$328	\$10,614	\$1,022	\$16,616	\$ 1,390	\$ 1,302
Union City	UNIACPC001	9,614	\$3,255	\$82	\$235	\$7,610	\$732	\$11,914	\$ 1,000	\$ 937
Vallejo, City	VALACPC001	188,913	\$63,952	\$1,604	\$4,615	\$149,535	\$14,393	\$234,099	\$ 19,510	\$ 14,063
Vallejo Sani.& Flood Control Dist	VALACPD001	86,151	\$29,164	\$732	\$2,105	\$68,193	\$6,564	\$106,757	\$ 8,900	\$ 9,053
Watsonville, City	WATACPC001	70,172	\$23,755	\$596	\$1,714	\$55,545	\$5,346	\$86,956	\$ 7,250	\$ 7,417
Winters, City	WINACPC001	2,713	\$918	\$23	\$66	\$2,147	\$207	\$3,362	\$ 290	\$ 281
TOTAL - Core		6,085,137	\$2,059,968	\$51,671	\$148,657	\$4,712,638	\$463,604	\$7,436,538	\$ 619,910	\$ 603,836
Rate (\$/th)			\$0.339	\$0.008	\$0.024	\$0.774	\$0.076	\$1.222		
Total ABAG POWER Commodity Cost - Core:					\$0.371					
Member Rate - Core:					\$0.448					

¹ Customer, Transportation, PPP, and Franchise Fee Charges

² Program expenses less interest income.

³ Weighted average of eight months originally approved charge and four months of the revised charge.

Attachment 7B - FY 19-20 Operating Budget - Levelized Charges

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Customer	Master Account	Estimated Annual Usage	Gas Cost	Distribution Shrinkage	Storage Costs	PG&E Pass-through Costs ¹	Program Expenses ²	Total Cost	FY 2019-20 Monthly Levelized Charge	FY 2018-19 Monthly Levelized Charge ³
rate (\$/th):			\$0.339	2.5%	\$0.024	\$0.792	\$521,467 \$0.076			
Non-Core										
San Mateo County		373,106	\$126,306	\$253			\$28,426	\$154,984	\$ 12,920	\$ 15,736
Santa Rosa, City (Co-gen)		222,201	\$75,220	\$150			\$16,929	\$92,299	\$ 7,700	\$ 6,910
Watsonville, City (Co-gen)		164,179	\$55,579	\$111			\$12,508	\$68,198	\$ 5,690	\$ 7,907
TOTAL - Non-core		759,486	\$257,105	\$514	\$0	\$0	\$57,862	\$315,481	\$ 26,310	\$ 30,553
Rate (\$/th)			\$0.339	\$0.001	\$0.000	\$0.000	\$0.076	\$0.415		
Total ABAG POWER					Commodity Cost - Non-core:		\$0.339			
					Member Rate - Non-core:		\$0.415			
GRAND TOTAL (Core + Non-core)		6,844,623	\$2,317,072	\$52,185	\$148,657	\$4,712,638	\$521,467	\$7,752,019	\$ 646,220	\$ 634,389
									% Change:	2%
									Working Capital Deposits:	\$ 2,000,785
									Months:	\$ 3.10

¹ Customer, Transportation, PPP, and Franchise Fee Charges

² Program expenses less interest income.

³ Weighted average of eight months originally approved charge and four months of the revised charge.