

ABAG Publicly Owned Energy Resources (ABAG POWER)

Executive Committee

June 17, 2020

Agenda Item 7.a.

Natural Gas Program

Subject: Fiscal Year 2020-21 Operating Budget

Background: The natural gas program budget for Fiscal Year (FY) 2020-21 reflects a decrease of 3%, from \$7.8 million to \$7.6 million, compared to the previous fiscal year.

Revenue

The gas program operates as a not-for-profit entity; therefore, revenue equals costs less interest and other income. The decrease in revenue is due to a corresponding decrease in expenses.

Cost of Energy

The cost of energy is comprised of pass-through, gas commodity and shrinkage, transportation, and storage costs.

Pacific Gas and Electric Company (PG&E) pass-through costs represent 59% 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 public proceedings. These costs have increased significantly in recent years, driven by PG&E’s requested cost recovery for safety improvements. The decrease in budgeted costs is attributable to a projected decline in usage.

Commodity costs are impacted both by the program’s usage and market factors including supply and demand, purchase location and contract structure. The year-over-year decrease anticipates less gas purchased and sustained, relatively low commodity costs. Shrinkage refers to the loss of a small volume of gas during compression and long-distance transport. Because of shrinkage, the program must purchase more gas than is actually used.

Intra- and inter-state pipeline transportation costs are dependent upon the program’s gas purchasing strategy, which details where, and in which amounts, gas is purchased. Pipeline transportation rates are determined by state or federal agencies which regulate pipeline operators.

ABAG Publicly Owned Energy Resources (ABAG POWER)

Executive Committee

June 17, 2020

Agenda Item 7.a.

Natural Gas Program

Storage costs are expected to decline because of a shift from PG&E to a third-party provider. The program has exclusively used PG&E-provided storage since 2013.

Staff Cost

Staff costs will decrease by approximately \$14,000 or 3% as a result of a decrease in staff time allocated to the program.

Consultant Services

As detailed in the natural gas scheduling services recommendation, staff propose modestly increasing the amount of funding for gas scheduling services to incorporate a consulting services role. Database hosting services will decrease because the program incurred one-time costs during FY 2019-20 associated with transitioning its utility database.

Other Expenses

There are no significant changes proposed to Other Expenses.

Issues:

None.


Recommended Action:

The ABAG POWER Executive Committee is requested to review and approve as presented the Fiscal Year 2020-21 ABAG POWER operating budget of \$7,602,440 and accompanying levelized charges

Attachment:

ABAG POWER FY 2020-21 Operating Budget
ABAG POWER FY 2020-21 Levelized Charges

Reviewed:

DocuSigned by:

6/11/2020
8C3380BA165B4D1...
Brad Paul

	YTD Actual As of 04/30/20	Projected FY 2019-20	Adopted Budget FY 2019-20	Proposed FY 2020-21	% Change Inc./Dec
Revenue					
Sale of Energy	\$ 6,511,940	\$ 7,755,120	\$ 7,754,640	\$ 7,558,440	-3%
Interest Income - Banks/LAIF	\$ 27,043	\$ 36,058	\$ 35,000	\$ 35,000	0%
Other Revenue	\$ 6,624	\$ 6,624	\$ 9,000	\$ 9,000	0%
Total Revenue	<u>\$ 6,545,607</u>	<u>\$ 7,797,802</u>	<u>\$ 7,798,640</u>	<u>\$ 7,602,440</u>	-3%
Expense					
Cost of Energy					
PG&E Pass-through Costs	3,942,153	4,730,153	\$ 4,712,638	\$ 4,500,755	-4%
Gas Commodity & Shrinkage Costs	1,197,276	1,397,276	\$ 2,094,257	\$ 1,844,335	-12%
Intra/Interstate Pipeline Transportation	353,942	423,942	\$ 275,000	\$ 542,670	97%
Gas Storage	167,344	185,732	\$ 148,657	\$ 127,618	-14%
Total Cost of Energy	<u>5,660,715</u>	<u>6,737,103</u>	<u>\$ 7,230,552</u>	<u>\$ 7,015,378</u>	-3%
Staff Cost					
Salary & Benefits	180,159	216,359	\$ 280,455	\$ 266,243	-5%
Overhead	102,078	122,478	\$ 150,212	\$ 150,854	0%
Total Staff Cost	<u>282,237</u>	<u>338,837</u>	<u>\$ 430,667</u>	<u>\$ 417,097</u>	-3%
Consultant Services					
Gas Scheduling Services	\$ 16,500	\$ 19,800	\$ 19,800	\$ 30,400	54%
Database Hosting Services	\$ 21,996	\$ 21,996	\$ 32,350	\$ 20,000	-38%
Brokerage Services	\$ 6,927	\$ 8,327	\$ 12,000	\$ 12,000	0%
External Legal Support	\$ -	\$ -	\$ 10,000	\$ 10,000	0%
Electronic Data Interchange Services	\$ 5,597	\$ 6,797	\$ 7,750	\$ 7,750	0%
Total Consultant Services	<u>\$ 51,020</u>	<u>\$ 56,920</u>	<u>\$ 81,900</u>	<u>\$ 80,150</u>	-2%
Other Expenses					
Audit	\$ 42,256	\$ 42,256	\$ 69,000	\$ 70,000	1%
Interest Expense/Bank Charges	\$ 7,635	\$ 9,185	\$ 9,500	\$ 9,500	0%
Catering	\$ 1,270	\$ 1,270	\$ 2,000	\$ 2,000	0%
Market Pricing Subscriptions	\$ -	\$ 1,660	\$ -	\$ 1,660	-
Travel	\$ 378	\$ 378	\$ 1,000	\$ 1,000	0%
Industry Memberships & Conferences	\$ 2,024	\$ 2,024	\$ -	\$ 1,450	-
Insurance	\$ 1,121	\$ 1,121	\$ 700	\$ 700	0%
Miscellaneous	\$ (0)	\$ -	\$ 300	\$ 300	0%
Total Other Expense	<u>\$ 54,684</u>	<u>\$ 57,894</u>	<u>\$ 82,500</u>	<u>\$ 86,610</u>	5%
Total Expense	<u>6,048,656</u>	<u>7,190,754</u>	<u>\$ 7,825,619</u>	<u>\$ 7,599,235</u>	-3%
Year-end Balance	<u>\$ 496,951</u>	<u>\$ 607,048</u>	<u>\$ (26,979)</u>	<u>\$ 3,205</u>	
Core Annual Usage (Dth):	480,474	574,474	608,514	577,537	-5%
Noncore Annual Usage (Dth):	84,137	100,965	75,949	86,143	13%
Core Gas Commodity (\$/therm):			\$ 0.37	\$ 0.36	-3%
Noncore Gas Commodity (\$/therm):			\$ 0.34	\$ 0.35	4%
PG&E Pass-through Costs (\$/therm):			\$ 0.77	\$ 0.78	1%
Program Expenses (\$/therm):			\$ 0.08	\$ 0.08	7%
Core Total Rate (\$/therm):			\$ 1.22	\$ 1.22	0%
Noncore Total Rate (\$/therm):			\$ 0.42	\$ 0.43	4%