

ABAG POWER

Board of Directors Meeting
Staff Report on Natural Gas Program

Ryan Jacoby
Program Manager
October 29, 2020



History & Services

- 1 Started in **1996** by the Association of Bay Area Governments (ABAG) and local governments to provide **aggregated electricity and natural gas procurement for municipal facilities**
- 2 In-house billing and customer service, gas purchasing, and transportation
- 3 Program competes against Pacific Gas and Electric Company (PG&E) to provide **lower and more stable rates** for municipal facilities



Membership & Governance

38 Participating Entities

Each city, county, or special district assigns a voting delegate to the Board of Directors which meets annually

6-member Executive Committee

Meets bi-monthly to oversee

- Budget and operations
- Gas purchasing strategy
- Sustainability initiatives
- Regulatory proceedings

Executive Committee

Chair: Dave Brees, City of Los Altos

Vice Chair: Angela Walton, City of Richmond

Committee Members

- Andre Duurvoort, City of Cupertino
- Chris Schroeder, City of Milpitas
- Diana Oyler, County of Contra Costa
- Doug Williams, City of Santa Rosa

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Officers and Principal Staff



Therese W. McMillan
ABAG/MTC Executive Director



Brian Mayhew
Chief Financial Officer



Brad Paul
Deputy Executive Director,
Local Government Services



Adrienne Weil
General Counsel



Jennifer Berg
Assistant Director,
Energy Programs Manager



Ryan Jacoby
Program Manager



Cindy Chen
Energy Programs Coordinator

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How it Works



ABAG POWER

- Develops and implements gas purchasing strategy
- Conducts consolidated billing
- Provides responsive and helpful customer service

PG&E

- Owns and maintains transmission and distribution infrastructure
- Provides account data

PROGRAM PARTICIPANT

- Receives gas for use in municipal facilities
- Governs ABAG POWER

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Routine Operations

Gas Purchasing

- Nine domestic & three international suppliers
- Market index monitoring

Gas Scheduling

- Optimize inventories with PG&E and an Independent Storage Provider
- Daily and monthly balancing

Usage & Cost Validation



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Program Benefits

Public Ownership

- Trustworthy and transparent
- Adaptable to changing energy landscape

In-house Customer Service

- Account management & consolidated billing
- Rate analysis

Regional Program Structure

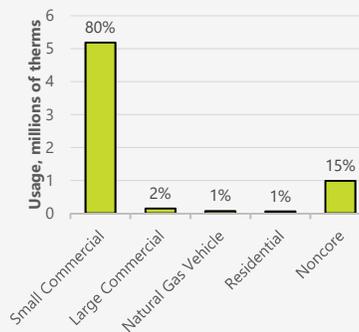
- 38 participating public entities
- Funding opportunities and regulatory involvement



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Fiscal Year 2019-20 Review

Metric	FY 19-20	FY 2018-19 Comparison
Member Agencies	38	No Change
Core Accounts	764	-1%
Noncore Accounts	3	No Change
Total Usage (therms)	6.45 million	-4%
Core Usage	5.46 million	
Noncore Usage	0.99 million	



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Fiscal Year 2019-20 Review

Successful Programmatic Changes

- ✓ Cost savings: transitioned to non-PG&E gas storage provider for the first time since 2013
- ✓ Membership benefit: transitioned to a modern web-based utility database
- ✓ Strategy: conducted Natural Gas Scheduling RFP and Strategic Program Design RFQ

Annual Rate Comparison

- Rates were more stable than PG&E due to the levelized payment system
- 5% higher relative to PG&E's G-NR1 rate
 - 2.5% due to decreased usage attributable to COVID-19 and warm weather

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Impacts of COVID-19

Market Impacts

- ✓ Demand destruction balanced by storage inventories and decreases in production
- ✓ Persistent West Coast heat waves inflate local prices during FY 2020-21
- ✓ Bankruptcies, "peak oil" and pushes for renewable energy

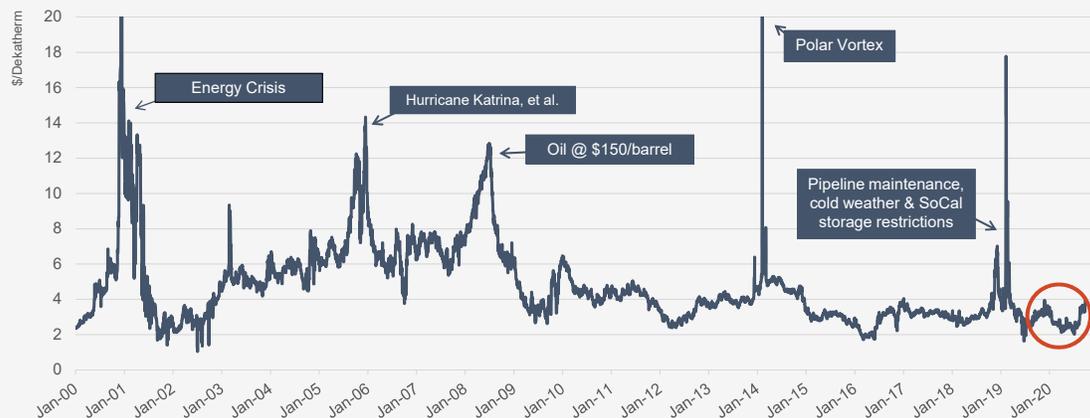
Programmatic Impacts

- Electronic invoicing and payments as a result of remote work
- Decreased usage resulting from reduced use of facilities or intermittent closures
- \$25k revenue generated from selling gas to suppliers during August

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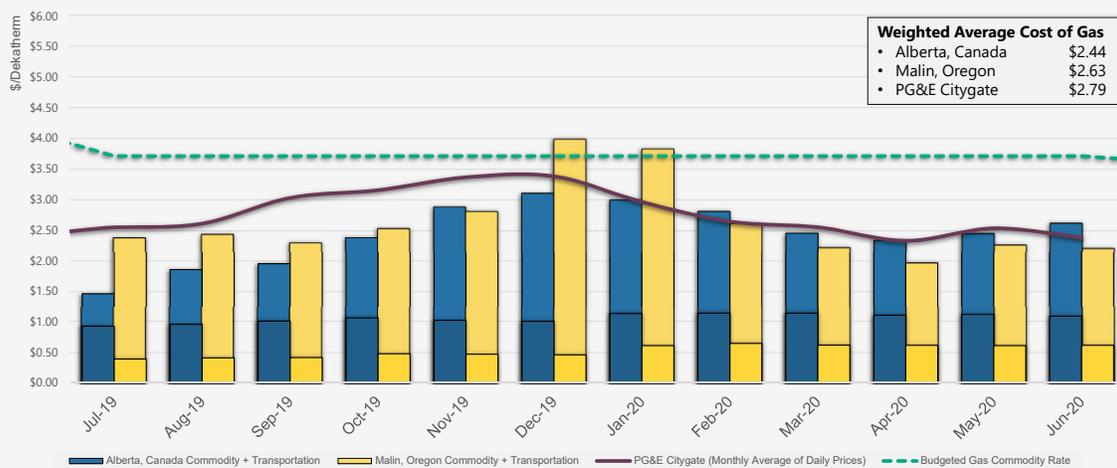
Long Term Volatility

PG&E Citygate – ‘Gas Daily’ Daily Average



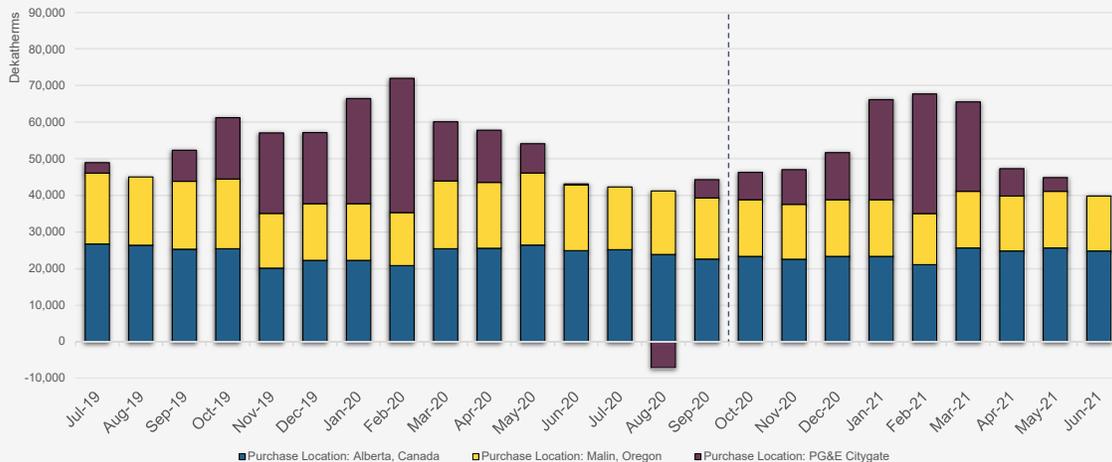
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Natural Gas Supply & Transportation Comparison



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Gas Supply by Purchase Location



Industry Developments



Renewable Natural Gas (RNG)

- Biogas is a mixture of gases produced by decomposition of organic materials – a naturally occurring process at dairies, landfills, and wastewater treatment plants. Biomethane, or renewable natural gas, is biogas that has been upgraded to meet pipeline injection standards.
- RNG is chemically similar to natural gas but avoids the emissions and processes (drilling, fracking) associated with fossil-based gas extraction, and can address municipal waste streams.
- Producing RNG from methane that would otherwise escape into the atmosphere can be considered carbon negative.
- Markets are driven by use as vehicle fuel or electric generation; largely cost-prohibitive as a substitute for space & water heating.

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Long-term Gas Policy and Planning

In January 2020, the California Public Utilities Commission initiated a proceeding to, among other things, develop and implement a long-term planning strategy to manage the state's transition away from natural gas-fueled technologies to meet California's decarbonization goals, including:

- Phasing-out gas utility assets
- Identifying regulatory accounting mechanisms that will mitigate stranded costs for utilities while maintaining affordable gas rates for customers

Premise: Compliance with local and statewide greenhouse gas legislation will cause the demand for natural gas, particularly fossil-derived gas, to decline over the next 25 years.

Preliminary schedule: mid-2021 to mid-2022

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Looking Forward

- 1 Evaluate potential benefits of vehicle fuel markets, aggregated procurement opportunities, and general refinements to business processes**
 - ✓ Strategic Program Design RFQ

- 2 Monitor and act on funding and regulatory opportunities**
 - ✓ Renewable natural gas proceedings
 - ✓ Decarbonization policies

- 3 Continue to evaluate and implement additional purchasing strategies to achieve cost savings**
 - ✓ Purchase at different receipt points and pipeline paths

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Questions & Comments

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