

ABAG Publicly Owned Energy Resources (ABAG POWER)

Executive Committee

December 8, 2020

Agenda Item 5.c.

Report on Natural Gas Program

Subject: Market Price Comparison

Background: During the first few calendar months of 2020, gas pricing at western markets was approximately \$2.50 per dekatherm (Dth) and market expectations generally assumed prices would remain stable and low throughout the remainder of 2020. COVID-19 caused sudden changes to those predictions. The most significant pricing impacts are realized by net decreases in both natural gas production and consumption. For most of this year, the supply and demand forces have been balanced, resulting in prices within the \$2-3/MMBtu range.

In August, as western regions experienced persistent heat events, prices began to rise since natural gas is commonly used as a fuel for electric generation to power air conditioning. The increased demand caused a corresponding increase in pricing, compounded by lagging production. Current expectations reflect winter market price estimates within the \$4/Dth range.

The program's current natural gas purchasing strategy relies on purchasing gas at three receipt points. As the number of purchase receipt points increases, the program's exposure to price sensitivity at any given point decreases due to the quantity purchased at each receipt point. During August and September, the program decreased costs by avoiding local purchases at PG&E's Citygate.

Issues: None

Recommended Action: None

Attachment: Market Price Comparison

Reviewed:

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Market Price Comparison

