

# **ABAG Publicly Owned Energy Resources (ABAG POWER)**

## **Executive Committee**

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**April 15, 2021**

**Agenda Item 9.a.**

### **Natural Gas Program**

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**Subject:** Fiscal Year 2021-22 Preliminary Operating Budget

**Background:** The preliminary natural gas program budget for Fiscal Year (FY) 2021-22 reflects an increase of 1%, from \$7.6 million to \$7.7 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 increase in revenue is due to a corresponding increase 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 55% 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; however, there is no change proposed to the program’s estimated PG&E pass-through rate. This budget maintains last year’s rate to reflect a slight correction aligning the estimated rates with actual costs. The overall decrease of 3% is due to a corresponding decrease in core 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 increase of 5% anticipates an increase in market prices and a minor decrease in core usage. 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

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rates are determined by state or federal agencies which regulate pipeline operators. An anticipated 5% increase reflects routine safety and modernization measures proposed by pipeline operators.

Storage costs are expected to increase, due to both an increase in the program's inventory capacity, and rising rates for storage provided by PG&E and a third-party provider.

#### **Staff Cost**

Staff costs will decrease by approximately \$2,200 or 1% as a result of a decrease in staff time allocated to the program.

#### **Consultant Services**

The sole increase proposed to Consultant Services reflects an addition of \$76,400 to the program's gas scheduling services. This augmentation reflects a transition of services to GPT, Inc. GPT, Inc., through its program design services, will also support various task orders intended to position the program to continue pursuing both near- and long-term benefits.

To partially offset this increase, decreases are proposed to the external legal support (\$10,000) and database hosting services (\$2,000) budgets.

#### **Other Expenses**

A minor decrease (\$500) is proposed to the Catering budget; otherwise, there are no changes to Other Expenses.

#### **Discussion Items:**

The ABAG POWER Executive Committee is requested to review and comment on the fiscal year 2021-22 preliminary ABAG POWER operating budget. The final budget will be presented for approval to the Executive Committee at its scheduled June 17, 2021 meeting.

#### **Recommended Action:**

None.

#### **Attachment(s):**

ABAG POWER Fiscal Year 2021-22 Preliminary Operating Budget

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**Reviewed:**

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*Brad Paul*  
8C3380BA165B4D1 4/6/2021  
Brad Paul

	YTD Actual As of 02/28/21	Projected FY 2020-21	Adopted Budget FY 2020-21	Preliminary FY 2021-2022	% Change Inc./Dec
<b>Revenue</b>					
Sale of Energy	\$ 5,095,120	\$ 7,558,440	\$ 7,558,440	\$ 7,640,160	1%
Interest Income - Banks/LAIF	\$ 6,498	\$ 12,000	\$ 35,000	\$ 35,000	0%
Other Revenue	\$ 9,226	\$ 9,226	\$ 9,000	\$ 9,000	0%
Total Revenue	\$ 5,110,844	\$ 7,579,666	\$ 7,602,440	\$ 7,684,160	1%
<b>Expense</b>					
<b>Cost of Energy</b>					
PG&E Pass-through Costs	2,565,010	4,047,514	\$ 4,350,755	\$ 4,198,527	-3%
Gas Commodity & Shrinkage Costs	1,221,498	2,049,498	\$ 1,844,335	\$ 1,945,061	5%
Intra/Interstate Pipeline Transportation	362,385	564,665	\$ 542,670	\$ 569,639	5%
Gas Storage	73,755	122,283	\$ 127,618	\$ 172,847	35%
Total Cost of Energy	4,222,648	6,783,960	\$ 6,865,378	\$ 6,886,075	0%
<b>Staff Cost</b>					
Salary & Benefits	102,480	153,680	\$ 266,243	\$ 276,473	4%
Overhead	58,588	88,588	\$ 150,854	\$ 138,403	-8%
Total Staff Cost	161,068	242,268	\$ 417,097	\$ 414,876	-1%
<b>Consultant Services</b>					
Program Design Services	\$ -	\$ 32,000	\$ 150,000	\$ 150,000	0%
Gas Scheduling Services	\$ 13,450	\$ 20,400	\$ 30,400	\$ 106,800	251%
Database Hosting Services	\$ 17,662	\$ 17,662	\$ 20,000	\$ 18,000	-10%
Financial Reporting	\$ 900	\$ 900	\$ -	\$ -	0%
Brokerage Services	\$ 6,394	\$ 10,500	\$ 12,000	\$ 12,000	0%
External Legal Support	\$ -	\$ -	\$ 10,000	\$ -	-100%
Electronic Data Interchange Services	\$ 4,617	\$ 7,750	\$ 7,750	\$ 7,750	0%
Total Consultant Services	\$ 43,023	\$ 57,212	\$ 230,150	\$ 294,550	28%
<b>Other Expenses</b>					
Audit	\$ 52,044	\$ 70,000	\$ 70,000	\$ 70,000	0%
Interest Expense/Bank Charges	\$ 6,592	\$ 10,712	\$ 9,500	\$ 9,500	0%
Catering	\$ -	\$ -	\$ 2,000	\$ 1,500	-25%
Market Pricing Subscriptions	\$ -	\$ 1,660	\$ 1,660	\$ 1,660	0%
Travel	\$ -	\$ -	\$ 1,000	\$ 1,000	0%
Industry Memberships & Conferences	\$ -	\$ 500	\$ 1,450	\$ 1,450	0%
Insurance	\$ 700	\$ 700	\$ 700	\$ 700	0%
Miscellaneous	\$ 50	\$ 100	\$ 300	\$ 300	0%
Total Other Expense	\$ 59,386	\$ 83,672	\$ 86,610	\$ 86,110	-1%
Total Expense	4,486,125	7,167,111	\$ 7,599,235	\$ 7,681,611	1%
<b>Year-end Balance</b>					
	\$ 624,719	\$ 412,555	\$ 3,205	\$ 2,549	
Core Annual Usage (Dth):	385,700	570,672	577,537	557,402	-3%
Noncore Annual Usage (Dth):	57,065	85,597	86,143	91,118	6%
Core Gas Commodity (\$/therm):	0.43		\$ 0.36	\$ 0.39	8%
Noncore Gas Commodity (\$/therm):	0.42		\$ 0.35	\$ 0.38	9%
PG&E Pass-through Costs (\$/therm):	0.67		\$ 0.75	\$ 0.75	0%
Program Expenses (\$/therm):	0.06		\$ 0.11	\$ 0.12	5%
Core Total Rate (\$/therm):	1.16		\$ 1.22	\$ 1.26	3%
Noncore Total Rate (\$/therm):	0.47		\$ 0.43	\$ 0.50	15%