

ABAG Publicly Owned Energy Resources (ABAG POWER)**Executive Committee**

June 17, 2021**Agenda Item 8.a.**

Fiscal Year 2020-21 Operating Budget Amendment

Subject: Fiscal Year (FY) 2020-21 Operating Budget Amendment

Background: As of May 31, 2021, the program's year-end expenditures are projected to exceed the approved operating budget. Two components of the Cost of Energy Used budget category are trending significantly higher than anticipated:

- **Gas Commodity & Shrinkage Costs:** natural gas market prices have remained elevated throughout most of the fiscal year, causing the program to realize expenditures well in excess of the \$0.36/therm budgeted rate for gas commodity.
- **Pacific Gas and Electric Company (PG&E) pass-through costs:** State-regulated costs for local distribution have continued to increase. Rate increases effective January 1 and April 1, 2021 continue to absorb the majority of the expense budget.

The program's general purchasing strategy attempts to balance risk exposure with cost savings and price stability, but ultimately the market price for natural gas is subject to forces of supply and demand that are beyond the control of the program. PG&E and other core transport agents are also subject to these prices to varying degrees.

The operating budget must be amended to accommodate vendor payments exceeding the adopted expense budget. It is recommended that the working capital deposits be used to pay the increase in operating costs this fiscal year.

Discussion Items: The program's working capital deposits (\$2 million) are sufficient to address the projected deficit of \$500,000. Any difference in actual costs will be recovered in the annual true-up process. This request seeks to authorize additional expenditures, but does not modify associated revenue; therefore, there is no change to the program's budgeted rate or monthly levelized charges.

Recommended Action: The ABAG POWER Executive Committee is requested to authorize an increase to the Fiscal Year 2020-21 Operating Budget in the amount of \$500,000 for a total budget not to exceed \$8,102,440.

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Executive Committee

June 17, 2021

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Attachment(s): Fiscal Year 2020-21 Operating Budget Amendment (06/17/21)

Reviewed:

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Brad Paul
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6/9/2021

Brad Paul

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| | YTD Actual As of 04/30/21 | Projected FY 2020-21 | Adopted Budget FY 2020-21 | Proposed Amendment |
|--|--------------------------------------|---------------------------------|--------------------------------------|-------------------------------|
| Revenue | | | | |
| Sale of Energy | 6,326,780 | 7,558,440 | 7,558,440 | 7,558,440 |
| Interest Income | 8,420 | 11,000 | 35,000 | 35,000 |
| Other Revenue | 11,526 | 13,000 | 9,000 | 9,000 |
| Total Revenue | <u>6,346,726</u> | <u>7,582,440</u> | <u>7,602,440</u> | <u>7,602,440</u> |
| Expense | | | | |
| Cost of Energy | | | | |
| PG&E Pass-through Costs | 4,026,734 | 4,826,734 | 4,350,755 | 4,650,755 |
| Gas Commodity & Shrinkage Costs | 1,717,840 | 1,917,840 | 1,844,335 | 2,047,540 |
| Intra/Interstate Pipeline Transportation | 460,585 | 560,585 | 542,670 | 542,670 |
| Gas Storage | 95,625 | 120,775 | 127,618 | 127,618 |
| Total Cost of Energy | <u>6,300,785</u> | <u>7,425,935</u> | <u>6,865,378</u> | <u>7,368,583</u> |
| Staff Cost | | | | |
| Salary & Benefits | 135,346 | 167,346 | 266,243 | 266,243 |
| Overhead | 67,805 | 85,805 | 150,854 | 150,854 |
| Total Staff Cost | <u>203,151</u> | <u>253,151</u> | <u>417,097</u> | <u>417,097</u> |
| Consultant Services | | | | |
| Program Design Services | 33,821 | 82,000 | 150,000 | 150,000 |
| Gas Scheduling Services | 22,350 | 40,150 | 30,400 | 30,150 |
| Database Hosting Services | 17,662 | 17,662 | 20,000 | 20,000 |
| Financial Reporting | 900 | 900 | 0 | 0 |
| Brokerage Services | 7,929 | 9,529 | 12,000 | 12,000 |
| External Legal Support | 0 | 0 | 10,000 | 10,000 |
| Electronic Data Interchange Services | 5,670 | 6,870 | 7,750 | 7,750 |
| Total Consultant Services | <u>79,432</u> | <u>157,111</u> | <u>230,150</u> | <u>230,150</u> |
| Other Expenses | | | | |
| Audit | 52,044 | 52,044 | 70,000 | 70,000 |
| Interest Expense/Bank Charges | 9,118 | 10,940 | 9,500 | 9,500 |
| Catering | 0 | 0 | 2,000 | 2,000 |
| Market Pricing Subscriptions | 1,660 | 1,660 | 1,660 | 1,660 |
| Travel | 0 | 0 | 1,000 | 1,000 |
| Industry Memberships & Conferences | 375 | 375 | 1,450 | 1,450 |
| Insurance | 700 | 700 | 700 | 700 |
| Postage | 682 | 800 | 0 | 0 |
| Miscellaneous | 50 | 50 | 300 | 300 |
| Total Other Expense | <u>63,947</u> | <u>66,569</u> | <u>86,610</u> | <u>86,610</u> |
| Total Expense | <u>6,647,315</u> | <u>7,902,766</u> | <u>7,599,235</u> | <u>8,102,440</u> |
| Surplus / Deficit | <u>-300,589</u> | <u>-320,326</u> | <u>3,205</u> | <u>-500,000</u> |
| Transfer In from Reserve | <u>0</u> | <u>0</u> | <u>0</u> | <u>500,000</u> |