

ABAG Publicly Owned Energy Resources (ABAG POWER)**Executive Committee****June 17, 2021****Agenda Item 9.a.****Fiscal Year 2021-22 Operating Budget****Subject:** Fiscal Year 2021-22 Operating Budget**Background:** The natural gas program budget for Fiscal Year (FY) 2021-22 reflects an increase of 4%, from \$8.1 million to \$8.5 million, compared to the previous fiscal year.**Notable Changes**

Since the preliminary operating budget was presented on April 15, 2021, the two most significant changes reflected in the proposed operating budget are included below.

Budget Category	Prior Budget Estimate (04/15)	Proposed Budget (06/17)
PG&E Pass-through Costs	\$4,198,527	\$4,770,212
Gas Commodity & Shrinkage Costs	\$1,945,061	\$2,175,311

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 56% 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.

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 6% anticipates local market prices remaining in the \$3.75-4.25/Dth

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range, 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 rates are determined by state or federal agencies which regulate pipeline operators. An anticipated 2% 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:

None.

Recommended Action:

The ABAG POWER Executive Committee is requested to review and approve as proposed the Fiscal Year 2021-22 ABAG POWER

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operating budget of \$8,469,400 and accompanying levelized charges.

Attachment(s):

ABAG POWER FY 2021-22 Operating Budget

ABAG POWER FY 2021-22 Levelized Charges

Reviewed:

DocuSigned by:
Brad Paul
6/9/2021
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