

ABAG POWER

Board of Directors Meeting
Staff Report on Natural Gas Program

Ryan Jacoby
Program Manager
October 21, 2021



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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



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Membership & Governance

37 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

Fiscal Year 2021 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



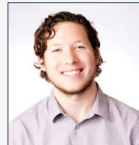
Brad Paul
Deputy Executive Director,
Local Government Services



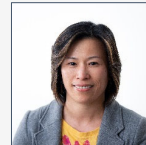
Kathleen Kane
General Counsel



Jennifer Berg
Energy Programs Manager



Ryan Jacoby
Program Manager



Cindy Chen
Energy Programs Coordinator

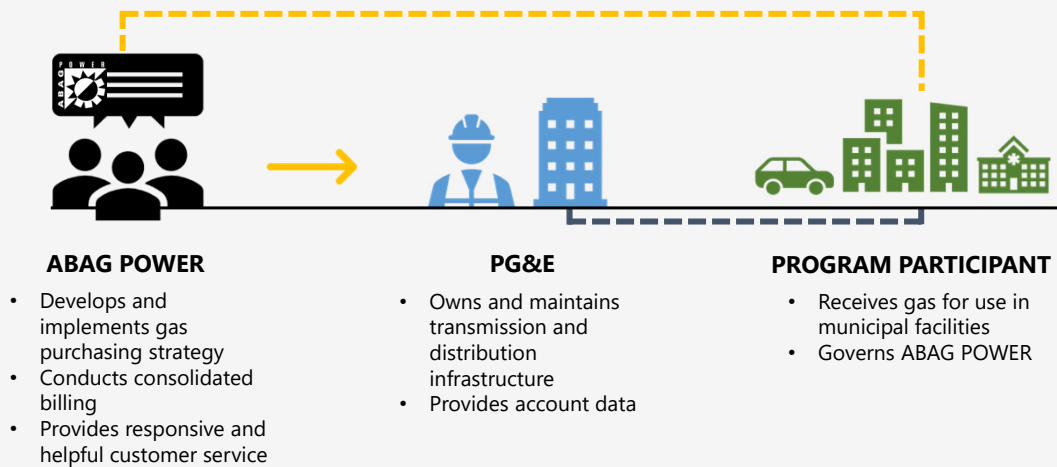


Matthew Lavrinets
Senior Deputy Counsel

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How it Works



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Routine Operations

Gas Purchasing

- Ten 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

- 37 participating public entities
- Funding opportunities and regulatory involvement

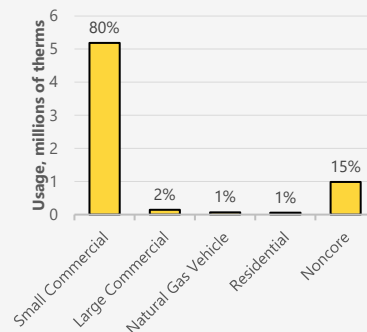


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Fiscal Year 2020-21 Review

| Metric | FY 20-21 | FY 2019-20 Comparison |
|----------------------|--------------|-----------------------|
| Member Agencies | 37 | -1 |
| Core Accounts | 753 | -1% |
| Noncore Accounts | 3 | No Change |
| | | |
| Total Usage (therms) | 6.64 million | +3% |
| Core Usage | 5.85 million | |
| Noncore Usage | 0.80 million | |



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Fiscal Year 2020-21 Review

Successful Programmatic Changes

- ✓ Strategic Program Design solicitation and stakeholder engagement sessions
- ✓ Savings associated with Canadian gas supply

Annual Rate Comparison

- Rates were more stable than PG&E due to the levelized payment system
- 9% higher relative to PG&E's G-NR1 rate
 - ↓
 - 2.3% due to partial six-month PG&E Procurement Credit
 - 1.6% due to stranded pipeline capacity cost
 - 0.5% due to costs associated with program design
 - ↓
 - 4.6% premium attributable to business differences and economies of scale

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Impacts of COVID-19

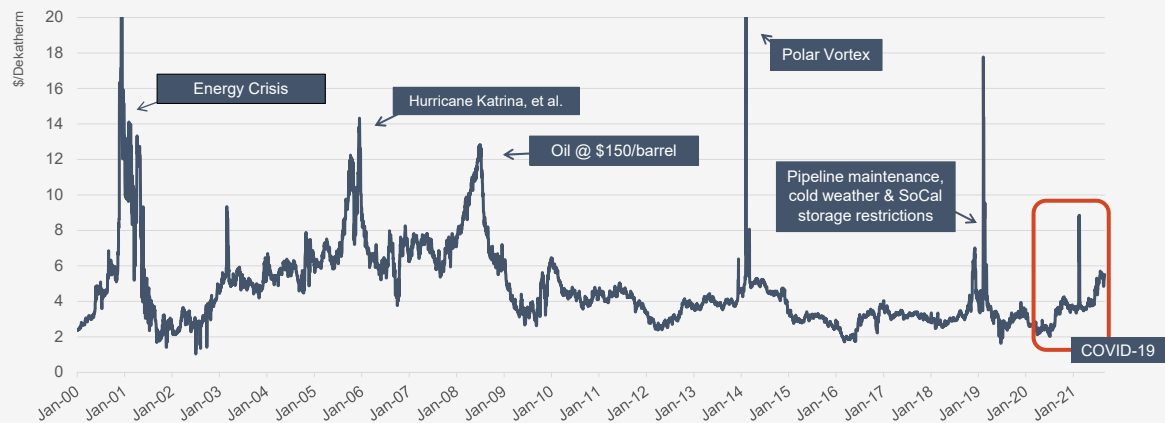
| | FY 2019-20 | FY 2020-21 |
|----------------------------|--|---|
| Supply & Demand | Demand destruction balanced by storage inventories and decreases in production | Demand recovery creates price pressure due to lagging production, weather, and low storage inventories |
| Industry Perception | <ul style="list-style-type: none"> • Bankruptcies • "Peak Oil" • Renewable energy pushes | <ul style="list-style-type: none"> • Private capital re-investments <ul style="list-style-type: none"> • Some public divestment • Hesitance surrounding new pipelines |
| Program-level | <ul style="list-style-type: none"> • Transition to electronic invoicing and remote work • 5% usage decline | <ul style="list-style-type: none"> • Remote work remains baseline • Recovery in usage • Significant increase in gas cost |

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Long Term Volatility

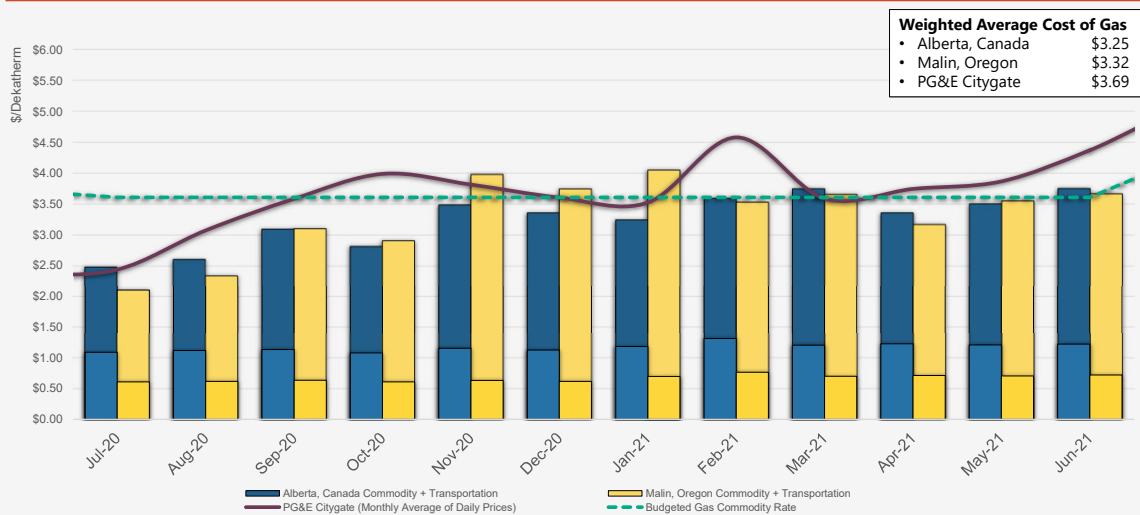
PG&E Citygate – 'Gas Daily' Daily Average



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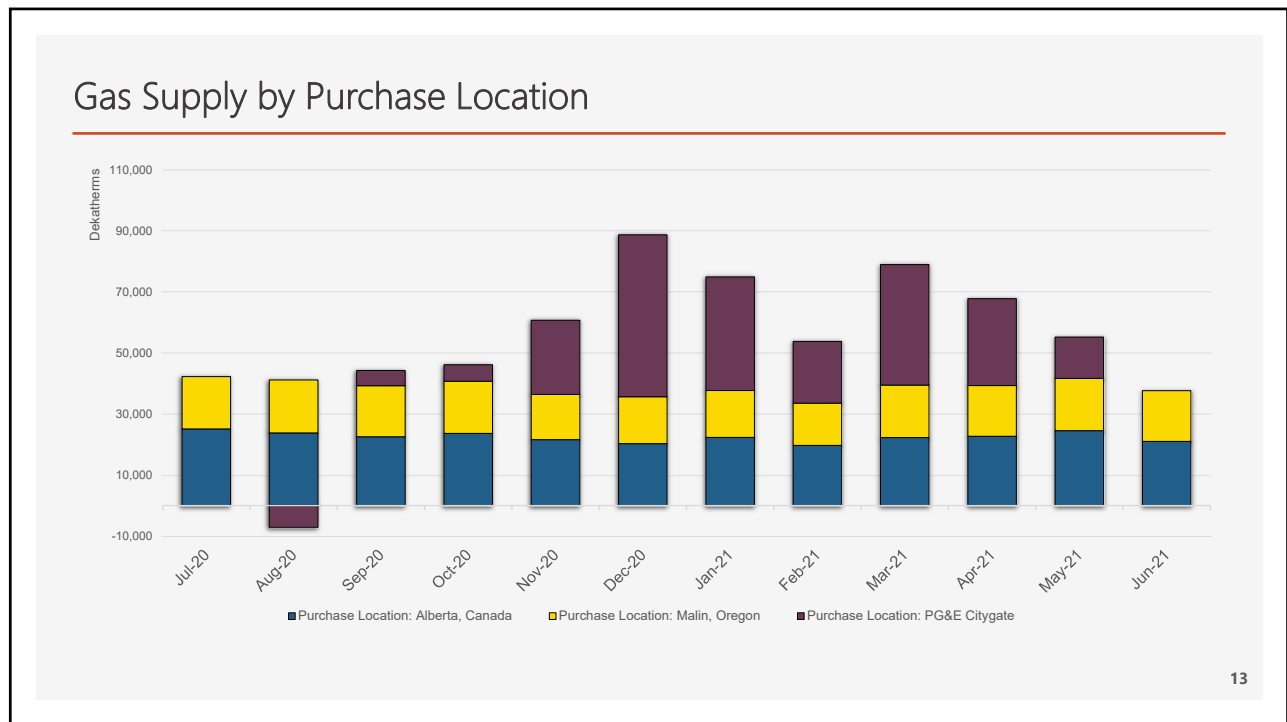
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Natural Gas Supply & Transportation Comparison

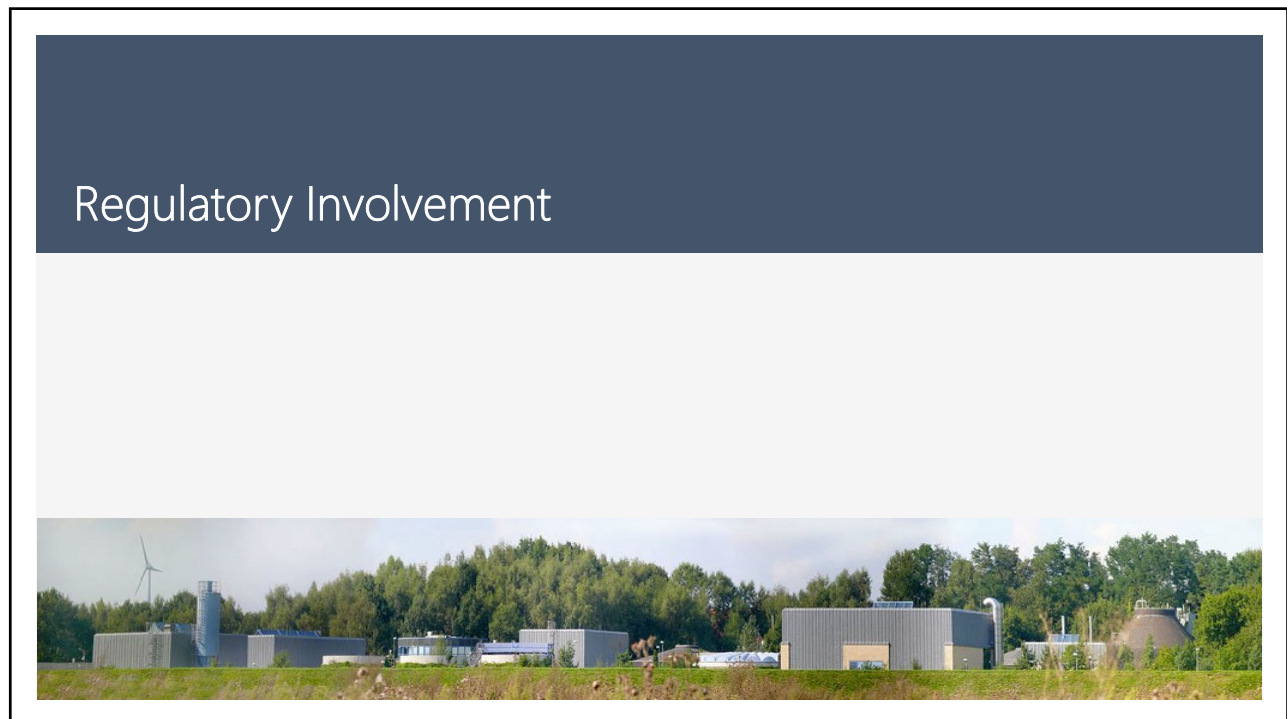


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Long-term Gas Policy and Planning

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.

The proceeding's Long-term Natural Gas Policy and Planning component ("Track 2") is scheduled to begin in late-2021, delayed from mid-2021.

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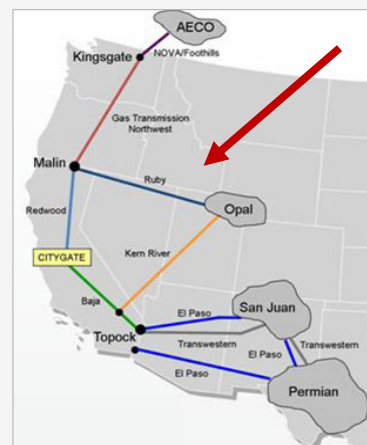
PG&E's Long-Term Gas 'Ruby' Transportation Agreement

In August 2020, the CPUC initiated a proceeding to determine whether to approve PG&E's requested amendment to its transportation agreement with Ruby pipeline.

Seeks approval of:

- Amendments executed in May 2020
- Future amendments through an Advice Letter, rather than formal proceeding
- Proposed procedures for annual step-down and "evergreen" contract rights
- Cost recovery mechanism

Decision expected October 2021



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PG&E's 2023 General Rate Case (GRC)

In July 2021, PG&E submitted its application for its **GRC covering a four-year period (2023-2026)**. The GRC includes proposed rate increases associated with:

- Electric system enhancements
- Natural gas transmission and storage
- Wildfire mitigation strategies

The proceeding will progress over an 18-month period, expected to conclude in January 2023, over which the CPUC and parties will determine **just and reasonable rates** that facilitate the safe and reliable delivery of energy.

Proposed Gas Rate Increases (unbundled):

| | 2023 | 2024 | 2025 | 2026 |
|-------------|------|------|------|------|
| Residential | 24% | 8% | 8% | 7% |
| Small Comm. | 25% | 8% | 7% | 7% |
| Vehicle | 31% | 7% | 7% | 6% |

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Looking Forward

- 1 **Evaluate potential benefits of vehicle fuel markets, carbon offsets, electrification opportunities, and general refinements to business processes**
 - ✓ Strategic Program Design
- 2 **Monitor and act on funding and regulatory opportunities**
 - ✓ Decarbonization policies and partnerships
- 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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