

Association of Bay Area Governments Publicly Owned Energy Resources

ABAG POWER

Executive Committee

April 17, 2025

Agenda Item 5.c.3

Association of Bay Area Governments (ABAG) Publicly Owned Energy Resources (POWER)
Fiscal Year 2025-26 Preliminary Operating Budget

Subject:

Association of Bay Area Governments (ABAG) Publicly Owned Energy Resources (POWER)
Fiscal Year (FY) 2025-26 Preliminary Operating Budget.

Background:

ABAG POWER was formed in 1998 by ABAG and local governments, it operates through a Joint Powers Agreement to provide leadership in energy management, aggregated procurement. Operating as a natural gas aggregation program, which conducts pooled purchasing of natural gas. ABAG POWER is a self-funding enterprise where all member agencies pay for only what they use. Annual gas purchases, gas storage and gas transportation are based on estimated use on an annualized monthly basis. Any residual over or under billing is reconciled and carried as payable or receivable after the end of the fiscal year.

Revenue

The gas program operates as a not-for-profit entity. While revenue ideally covers program costs and other expenses, any surplus or deficit is retained or addressed according to the program's guidelines. The increase in revenue is related to an increase in the program expenses.

The preliminary natural gas program budget for Fiscal Year (FY) 2025-26 is \$23.5 million, a 30% increase (\$5.5 million) over the FY 2024-25 budget of \$18.0 million. This budget increase is due to higher gas and transportation costs.

Cost of Energy

The cost of energy is comprised of pass-through, gas commodity costs (including transportation, shrinkage, and storage). All costs are expressed as a dollar per dekatherm (\$/Dth) rate and correlate with program usage.

Pacific Gas and Electric Company (PG&E) pass-through costs constitute 72% of the total cost of energy and 66% of the total program budget. Primarily consisting of local distribution transportation charges. PG&E pass-through costs increased by 52% from FY 2024-25. This increase is attributable to two factors: a growth in membership, leading to greater gas consumption, and an overall increase in PG&E rates. According to PG&E, the primary drivers for this significant increase are: 1) Enhancing gas pipeline safety and reliability, including pipeline replacement, integrity assessments, and advanced leak detection technology. 2) The acquisition of a new general office as part of a real estate consolidation strategy. 3) The late implementation of the Gas Cost Allocation and Rate Design Proceedings sales forecast led to an under-collection of revenues that will be collected in rates. This rate increase has been

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submitted and approved by the California Public Utility Commission (CPUC).

The gas commodity cost, encompassing transportation, shrinkage, and storage, will be \$5.90/Dth for core meters and \$4.58/Dth for non-core meters. This represents a 14% and 16% decrease, respectively, from the previous year.

ABAG POWER is required to maintain gas storage inventory with one or more CPUC-approved independent storage providers (ISPs). The anticipated 3% increase in storage costs from the previous year is attributed to the need to accommodate increased gas demand and mitigate market price volatility.

Staff Cost, Consultant Services, and Other Expenses

The proposed budget reflects a 9% increase (\$100,000) in staff costs. This is due to the cost-of-living adjustment and a reallocation of staff resources to provide additional support to the programs. Currently, one staff member is full-time, and five are allocated part-time to ABAG POWER.

Consultant services will increase by 38% (\$220,000), primarily for administrative support and program design.

Other expenses will increase by 30% (\$22,000), including: \$13,100 for market pricing subscriptions, \$2,000 for audit fees, \$3,200 in bank charges, and \$3,700 for conferences, travel, and catering.

These budget increases are necessary to provide enhanced billing, account management, and customer service to a growing membership and to support ongoing strategic plan implementation. Despite the overall increase in program expenses, the cost per dekatherm (Dth) is projected to decrease by 5% from the previous year.

Working Capital Deposits

In FY 2023-24, Resolution 23-06 increased the natural gas program's working capital deposit from 2 to 3 months of estimated expenses, payable over 24 months starting July 1, 2024, or upon the effective date of any new member agreements, whichever is later.

Issues:

None.

Recommended Action:

The ABAG POWER Executive Committee is requested to review and comment on the Fiscal Year 2025-26 Preliminary Operating Budget. The final budget will be presented for approval to the Executive Committee at its scheduled meeting June 12, 2025.

Attachments:

- FY 2025-26 Preliminary Budget Presentation.

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- FY 2025-26 Preliminary Operating Budget.

Reviewed:

DocuSigned by:

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Daniel Saver

4/15/2025