

Association of Bay Area Governments Publicly Owned Energy Resources

ABAG POWER

Executive Committee

June 15, 2023

Agenda Item 5.b.

Report on Natural Gas Program

Subject:

Monthly Summary of Operations for Fiscal Year 2022-23

Background:

From July to April, natural gas prices were extremely volatile, with average prices significantly higher than in recent years. Daily prices per dekatherm (\$/Dth) at PG&E's Citygate ranged from \$4.04 to \$57.07, with an unweighted average of \$11.17. PG&E's small commercial (G-NR1) procurement rate – the rate under which most ABAG POWER accounts would be categorized – averaged \$8.62 during this time.

The program continues to purchase gas exclusively on daily and monthly markets within California, Oregon, and Alberta, Canada.

Preliminary (unaudited) financial statements through April 2023 indicate a cumulative rate difference of +16.3% when compared to PG&E's G-NR1 rate.

Market Price Comparison

Several significant event natural gas market events have occurred during fiscal year 2022-23, including:

- In December 2022, major gas trading hubs in the western United States averaged \$48.12/Dth – the highest prices since December 2000. Several events occurred simultaneously, contributing to the extraordinary prices:
 - Widespread, below-normal temperatures.
 - High natural gas consumption.
 - Lower natural gas imports from Canada.
 - Frequent pipeline constraints, including maintenance in West Texas.
 - Low natural gas storage levels regionally.
- In March 2023, production, consumption, and export milestones were recorded:¹
 - Dry natural gas production increased year-over-year for the month for the 24th consecutive month, with March 2023 being recorded as the highest production level for any month since 1973.

¹ The Energy Information Administration (EIA) began tracking monthly dry natural gas production and imports in 1973, exports in 1997, and monthly natural gas consumption in 2001.

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- Natural gas consumption is estimated to be highest for the month since 2001.
- Natural gas imports were the lowest level for any month since 1973, while exports were the highest for any month since 1997.

The combination of current production levels combined with warm weather has resulted in a steep decline in market prices.

Historical and Anticipated Gas Supply

Since July 1, 2018, the general gas purchasing strategy has been exclusively in the short-term, index-based market.

Gas purchases are currently made on monthly and daily indices at three market locations. Fixed-price purchases are made only by exception and with Committee approval.

Issues:

None.


Recommended Action:

None.

Attachments:

- Summary of Natural Gas Program Presentation
- Summary of Natural Gas Program, Fiscal Year 2022-2023

Reviewed:

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