

Association of Bay Area Governments Publicly Owned Energy Resources

ABAG POWER

Executive Committee

February 15, 2024

Agenda Item 5.b.2.

Report on Natural Gas Program

Subject:

Monthly Summary of Operations for Fiscal Year 2023-24

Background:

During the first eight months of fiscal year 2023-24, natural gas prices were less volatile and significantly lower than in recent years. Daily prices per dekatherm (\$/Dth) at PG&E's Citygate ranged from \$2.21 to \$17.01, with an unweighted average of \$4.73. PG&E's small commercial (G-NR1) procurement rate – the rate under which most ABAG POWER accounts would be categorized – averaged \$5.73 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 December 2023 indicate a cumulative 'savings' figure of -12.0% when compared to PG&E's G-NR1 rate.

Market Price Analysis

In a ruling issued on August 31, 2023, the California Public Utilities Commission (CPUC) voted unanimously to increase capacity at the Aliso Canyon storage field in Southern California by over 65%, following a controversial methane leak in 2015 that threatened the facility's permanent closure. The decision was made, among other reasons, in an attempt to reduce extreme volatility seen in the preceding winter. The decision, in tandem with regionally temperate weather, have resulted in storage inventories 37% above the five-year average. These factors have contributed to record-low spot (adjusted for inflation) market prices at Henry Hub, a national benchmark.

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:

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None.

Recommended Action:

None.

Attachments:

- Report on Natural Gas and Renewable Natural Gas Programs Presentation
- Summary of Natural Gas Program, Fiscal Year 2023-2024

Reviewed:

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