

Association of Bay Area Governments Publicly Owned Energy Resources

ABAG POWER

Executive Committee

April 20, 2023

Agenda Item 8.b.

Report on Natural Gas Program

Subject:

Monthly Summary of Operations for Fiscal Year 2022-23.

Background:

From July to February, 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 \$4.75 to \$57.07, with an unweighted average of \$12.28. PG&E's small commercial (G-NR1) procurement rate – the rate under which most ABAG POWER accounts would be categorized – averaged \$9.52 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 February 2023 indicate a cumulative rate difference of +19.3% when compared to PG&E's G-NR1 rate.

Market Price Comparison

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

Additionally, geopolitical tensions caused by the continued war in Ukraine and record-level liquefied natural gas (LNG) exports have added to the cause of elevated domestic pricing. In fact, the United States became the world's largest LNG exporter in the first half of 2022, despite increasing domestic demand for natural gas.

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:

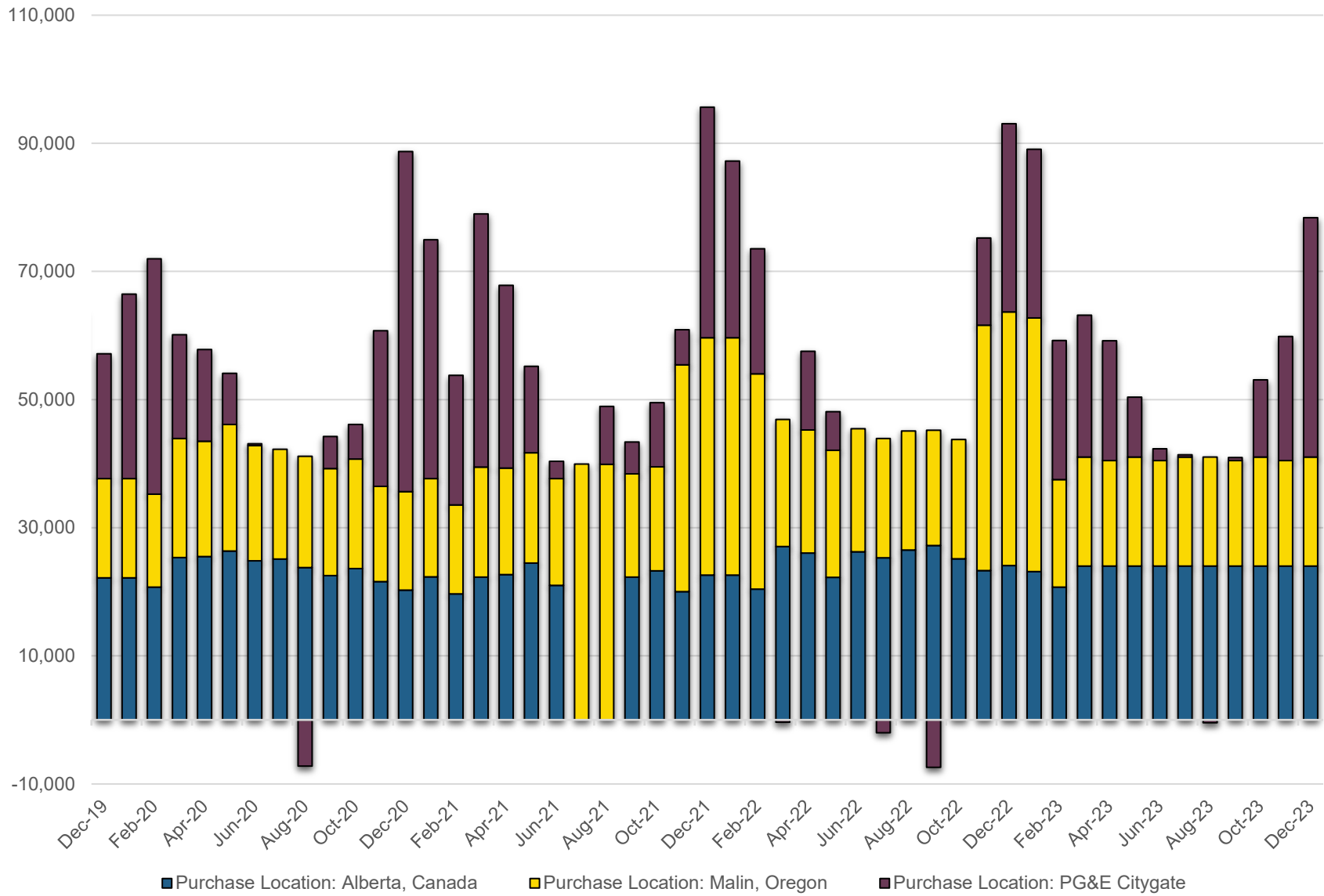
- Summary of Natural Gas Program (Presentation)
- Historical and Anticipated Gas Purchase Requirements
- Market Price Comparison
- Summary of Natural Gas Program, Fiscal Year 2022-2023

Reviewed:

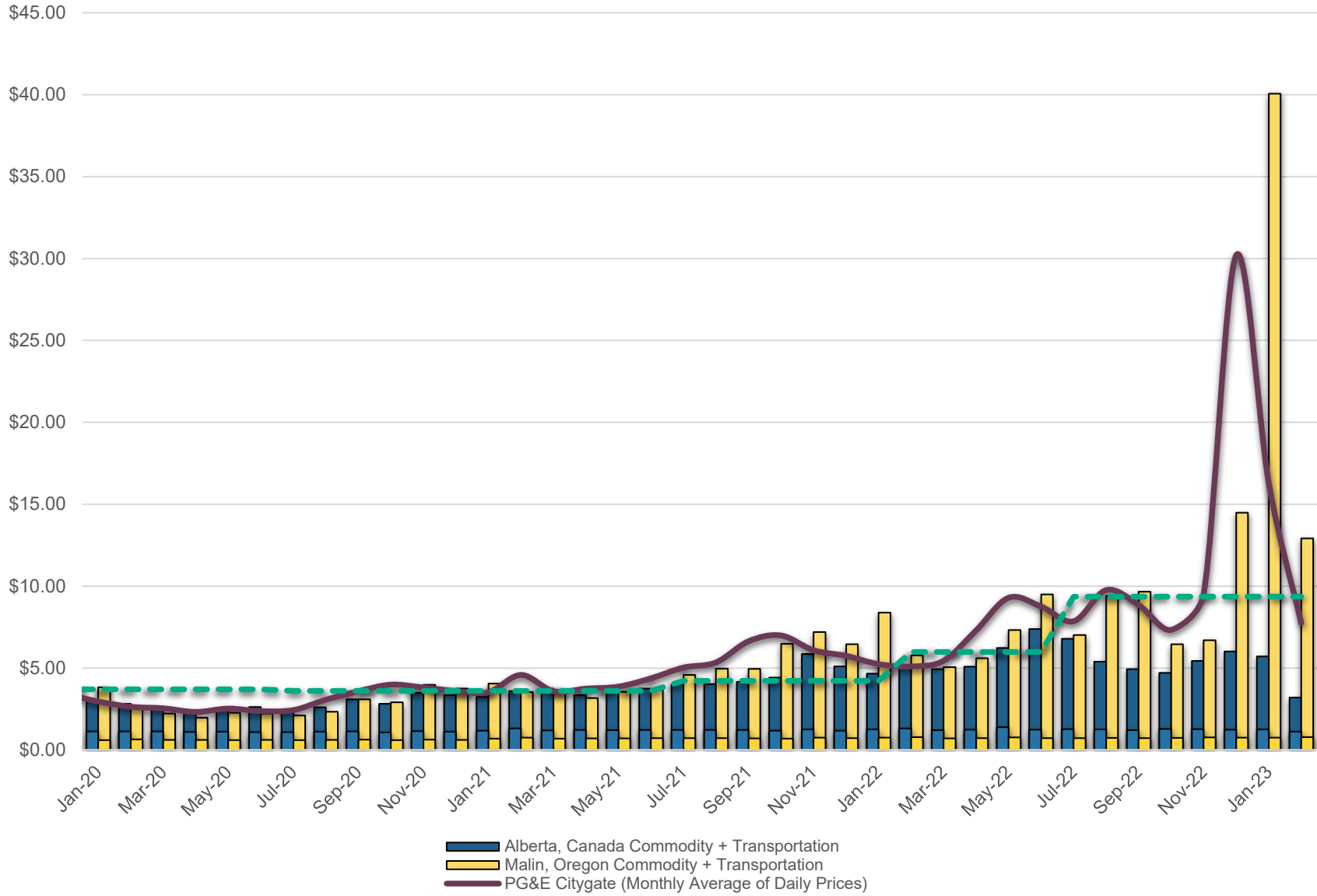
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Historical and Anticipated Gas Purchase Requirements



Market Price Comparison



	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
				Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Total
61	Small Commercial (G-NR1) Rate Comparison															
62				1.28	4.47	1.13	(2.20)	(0.64)	10.64	13.99	(6.26)					
63				\$ (38,011)	\$ (125,014)	\$ (32,127)	\$ 94,398	\$ 43,318	\$ (870,056)	\$ (1,157,171)	\$ 485,260					
64				\$ (38,011)	\$ (163,024)	\$ (195,151)	\$ (100,753)	\$ (57,435)	\$ (927,491)	\$ (2,084,662)	\$ (1,599,402)					
67				-9.9%	-20.9%	-15.8%	-5.3%	-1.9%	-19.5%	-31.2%	-19.3%					
68																
69	Additional Rate Comparisons															
70				-13.5%	-24.6%	-19.1%	-8.3%	-4.6%	-22.4%	-34.1%	-22.0%					
75				-8.1%	-15.0%	-2.1%	5.4%	1.9%	-17.7%	-16.7%	6.0%					
80				-13.9%	-13.5%	-5.4%	4.1%	0.4%	-19.6%	-18.3%	5.5%					
85																
86																
87	Notes:															
88	¹ All gas quantities in Dth and rates in \$/Dth.															
89	² Weighted Average Cost of Gas (WACOG) at PG&E Citygate															
90	³ Includes costs to transport gas to PG&E Citygate from alternate delivery points, as well as physical storage costs.															
91	⁴ Includes scheduling fees, billing fees, administrative costs and misc. expenses; less interest income.															
92	⁵ PG&E charges billed to ABAG POWER via EDI process and passed through to customers. These costs do not necessarily tie directly to the actual gas usage shown above due to timing difference in reporting.															
93	⁶ From billing data															
94	⁷ Based on PG&E's G-NR1 rate schedule.															
95	⁸ Includes: Procurement Charge, Capacity Charge, Brokerage Fee, Shrinkage, and Storage.															
96	⁹ PG&E Transportation Charge, Customer Charge, and surcharge for Public Purpose Programs. Does not include Franchise Fees and City Taxes.															
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