

Association of Bay Area Governments Publicly Owned Energy Resources

ABAG POWER

Executive Committee

April 20, 2023

Agenda Item 9.b.

Fiscal Year 2023-24 Association of Bay Area Governments (ABAG) Publicly Owned Energy Resources (POWER) Preliminary Operating Budget

Subject:

Fiscal Year 2023-24 Association of Bay Area Governments (ABAG) Publicly Owned Energy Resources (POWER) Preliminary Operating Budget.

Background:

The preliminary natural gas program budget for Fiscal Year (FY) 2023-24 reflects a decrease of approximately \$0.3 million (2%), from \$12.9 million to \$12.5 million, compared to the previous fiscal year.

Revenue

The gas program operates as a not-for-profit entity; therefore, revenue equals costs less interest and other income. The increase in revenue is due to a corresponding increase in expenses.

Cost of Energy

The cost of energy is comprised of pass-through, gas commodity and shrinkage, transportation, and storage. These costs are highly correlated to the program's usage and are each expressed as a dollars per dekatherm (\$/Dth) rate.

Pacific Gas and Electric Company (PG&E) pass-through costs represent 51% of the program budget and primarily consist of customer and transportation charges associated with local distribution. The California Public Utilities Commission (CPUC) determines "just and reasonable" rates requested by PG&E through public proceedings. These costs have increased significantly in recent years, driven by PG&E's requested – and subsequently approved - cost recovery for safety improvements including system hardening, leak detection, and storage asset management. The overall increase of \$606 thousand (10%) is due to a corresponding increase in PG&E's 2023-2026 General Rate Case.¹

Gas commodity costs are impacted by both the program's usage and market factors including supply and demand, purchase location, and contract structure. The year-over-year decrease of \$1.5 million (27%) anticipates a decrease in market prices and no significant change in usage.

¹ https://www.pge.com/en_US/about-pge/company-information/regulation/general-rate-case/grc.page

Agenda Item 9.b. – Fiscal Year 2023-24 Preliminary Operating Budget

April 20, 2023

Page 2 of 3

Shrinkage refers to the loss of a small volume of gas during compression and long-distance transport. Because of shrinkage, the program must purchase more gas than is actually used.

Intra- and inter-state pipeline transportation costs are dependent upon the program's gas purchasing strategy, which details where, and in which amounts, gas is purchased. Pipeline transportation rates are determined by the state and federal agencies that regulate pipeline operators.

ABAG POWER is required to hold gas storage capacity both with PG&E and a third-party provider. Storage costs are expected to increase by \$452 thousand (249%) due to rising rates for storage for proposed safety improvements, similar to pass-through costs.

Staff Cost

Staff costs will increase by \$59 thousand (12%) due to the anticipated agency approval of a 4.5% Cost of Living Adjustment (COLA) and reallocation of staff time.

Consultant Services

During FY 2022-23, the Executive Committee approved entering a contract with GPT Secure, LLC, in the amount of \$217 thousand for a two-year term to provide consultant services related to the quantification and management of carbon offsets. Staff estimate concluding the current fiscal year with a remaining contract balance of approximately \$173 thousand, resulting in an increase of approximately \$23 thousand (16%) compared to the prior year. An updated estimate will be provided at the June meeting; similarly, any remaining balance as of June 30, 2024, would be rolled over in the subsequent fiscal year.

Other Expenses

There is a minor increase of \$3 thousand (5%) proposed to the audit fees; otherwise, there are no other notable proposed changes to expenses.

Issues:

Total working capital deposits are still at \$1,988,459 – roughly the same amount since FY 2008-09. The total capital deposits represent 1.9 months of working capital, which does not meet the program's stated goal of at least two months of estimated expenses (\$2,087,560, based on the proposed FY 2023-24 budget). Given prolonged energy market volatility and extraordinarily high prices this past fiscal year, the Committee should consider whether to:

- Deem the working capital deposits sufficient;
- Modify the stated goal of at least two months; or,
- Authorize the collection of additional working capital deposits in the amount of \$99,101, which would be amortized amongst members, resulting in a minimal

Recommended Action:

The ABAG POWER Executive Committee is requested to review and comment on the Fiscal

Agenda Item 9.b. – Fiscal Year 2023-24 Preliminary Operating Budget

April 20, 2023

Page 3 of 3

Year 2023-24 Preliminary Operating Budget. The final budget will be presented for approval to the Executive Committee at its scheduled June 15, 2023 meeting.

Attachments:

- ABAG POWER Fiscal Year 2023-24 Preliminary Operating Budget

Reviewed:

DocuSigned by:
Brad Paul
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Brad Paul

	Actuals as of 02/28/23	Projected FY 2022-23	Adopted FY 2022-23	Preliminary FY 2023-24	\$ Change Increase/(Decrease)	% Change Increase/(Decrease)
Revenue						
Sale of Energy	\$ 8,581,760	\$ 12,857,280	\$ 12,857,280	\$ 12,525,360	\$ (331,920)	-3%
Interest Income - Banks/LAIF	2,409	4,819	3,159	10,000	6,841	217%
Other Revenue	4,513	9,025	9,200	9,200	-	0%
Total Revenue	8,588,682	12,871,124	12,869,639	12,544,560	(325,079)	-3%
Expense						
Cost of Energy						
PG&E Pass-through Costs	3,680,110	5,520,165	5,816,444	6,422,731	606,287	10%
Gas Commodity & Shrinkage Costs	5,115,318	6,750,000	5,330,015	3,867,458	(1,462,557)	-27%
Intra/Interstate Pipeline Transportation	512,198	768,297	655,993	655,993	-	0%
Gas Storage	109,839	164,759	181,774	634,257	452,484	249%
Total Cost of Energy	9,417,465	13,203,221	11,984,225	11,580,439	(403,786)	-3%
Staff Cost						
Salary & Benefits	168,735	253,102	338,013	377,592	39,579	12%
Overhead	82,089	123,134	169,006	188,796	19,790	12%
Total Staff Cost	250,824	376,236	507,019	566,388	59,369	12%
Consultant Services						
Program Design	13,393	39,000	150,000	173,316	23,316	16%
Gas Scheduling	55,323	106,800	106,800	106,800	-	0%
Database Hosting	20,400	20,400	18,545	20,000	1,455	8%
Brokerage	6,709	10,064	12,000	12,000	-	0%
External Legal Support	-	-	-	-	-	0%
Electronic Data Interchange Services	4,006	6,009	7,750	7,750	-	0%
Total Consultant Services	99,830	182,272	295,095	319,866	24,771	8%
Other Expenses						
Audit	47,382	63,800	63,800	67,000	3,200	5%
Interest Expense/Bank Charges	652	978	9,500	700	(8,800)	-93%
Catering	-	750	1,500	1,500	-	0%
Market Pricing Subscriptions	-	1,855	1,718	1,900	182	11%
Travel	-	-	1,000	1,000	-	0%
Industry Memberships & Conferences	350	700	1,450	1,450	-	0%
Insurance	700	700	700	700	-	0%
Postage	388	388	-	-	-	0%
Miscellaneous	50	50	300	300	-	0%
Total Other Expense	49,522	69,221	79,968	74,550	(5,418)	-7%
Total Expense	9,817,641	13,830,950	12,866,306	12,541,243	(325,064)	-3%
Operating Surplus/(Deficit)	\$ (1,228,959)	\$ (959,826)	\$ 3,333	\$ 3,317	\$ (15)	