




Staff Report on Natural Gas and Renewable Natural Gas Programs

Board of Directors Meeting
October 26, 2023



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ABAG AND ABAG POWER

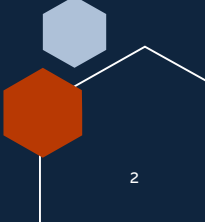


ASSOCIATION OF BAY AREA GOVERNMENTS

ABAG supports regional planning and cooperation among the cities and counties of the San Francisco Bay Area.

abag.ca.gov

- ABAG POWER was **formed in 1998** by the Association of Bay Area Governments (ABAG) and local governments to provide **aggregated electricity and natural gas procurement for municipal facilities**.
- ABAG is the program administrator of ABAG POWER.
- Current offerings include a natural gas aggregation program and renewable natural gas program.
- Goals of price stability and cost savings.



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ABAG POWER JPA

Membership and Governance

37 Participating Entities

Each public agency assigns a voting delegate to the Board of Directors which meets annually

4-member Executive Committee

Meets bi-monthly to oversee

- Budget and operations
- Gas purchasing strategy
- Sustainability initiatives
- Regulatory proceedings



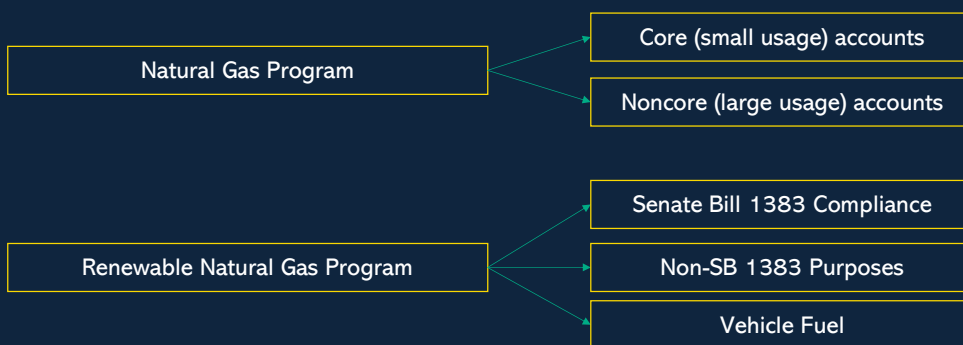
Bay Area Metro Center
375 Beale Street
San Francisco, CA 94105



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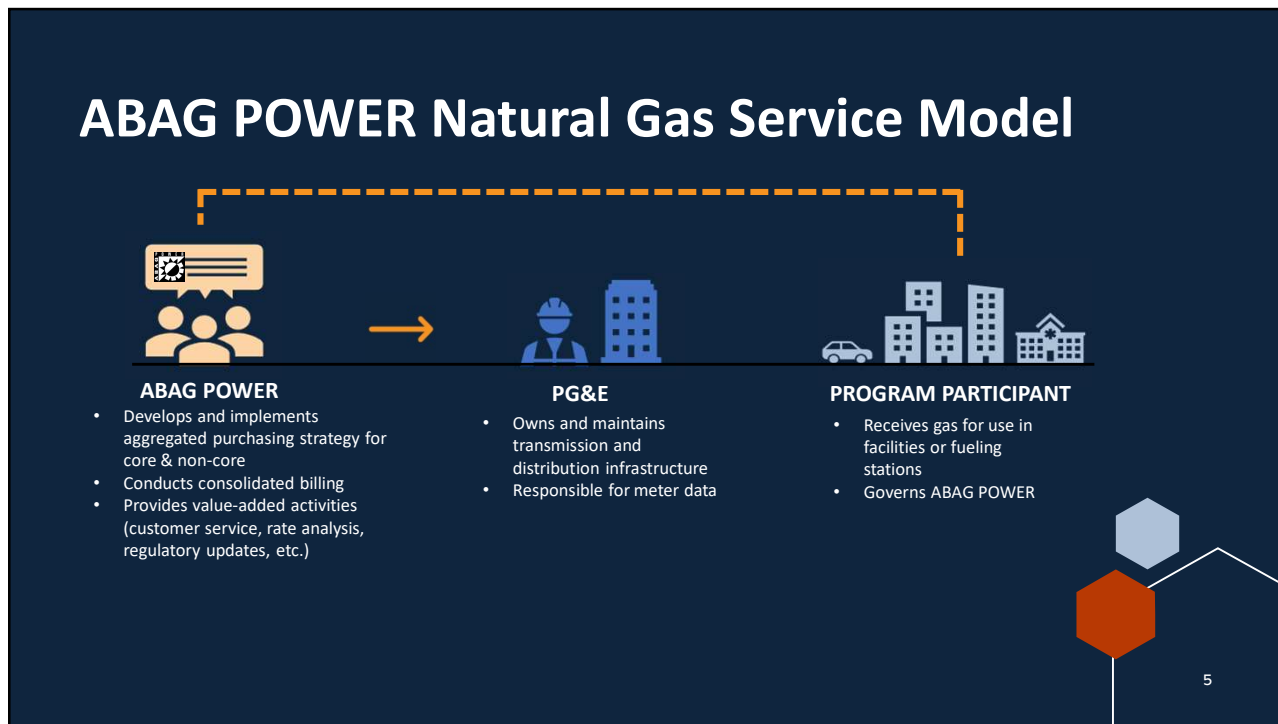
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ABAG POWER Programs

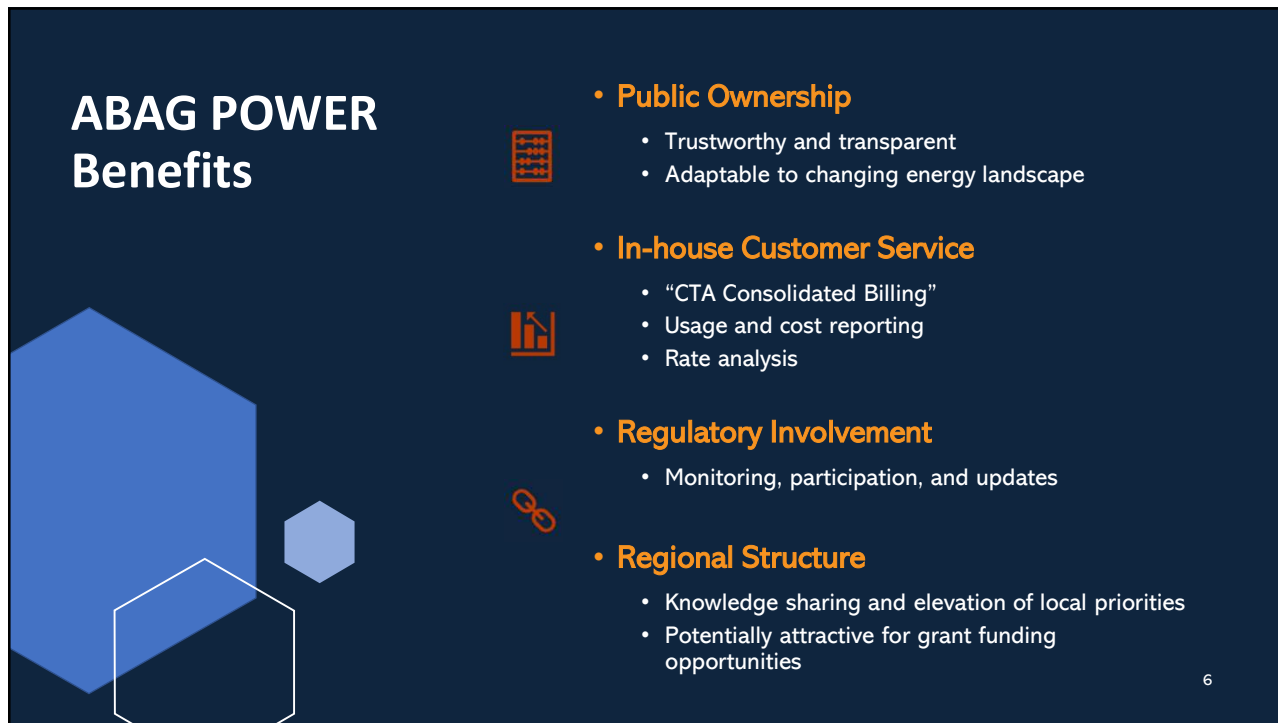


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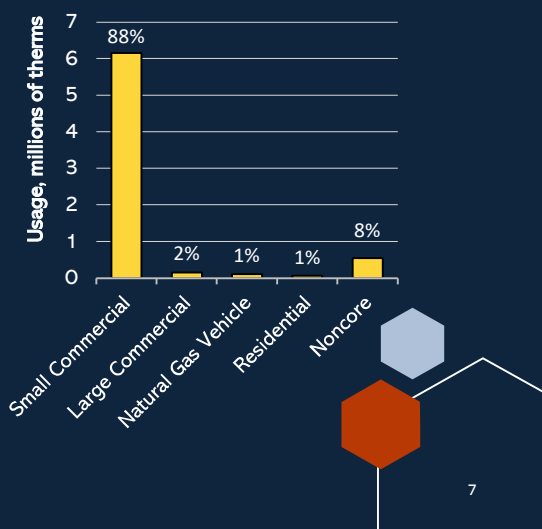
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Gas Program Year-on-Year Comparison

| Metric | Fiscal Year (FY) 2022-23 | FY 2021-22 Comparison |
|----------------------|--------------------------|-----------------------|
| Member Agencies | 37 | No change |
| Core Accounts | 749 | -0% |
| Noncore Accounts | 3 | No change |
| Total Usage (therms) | 7.0 million | +4% |
| Core Usage | 6.5 million | +7% |
| Noncore Usage | 0.5 million | -10% |



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Fiscal Year 2022-23 Priorities

- Implementation of ABAG POWER's Strategic Implementation Roadmap which identifies the following focus areas:
 - Quantification of Emissions and Management of Carbon Offsets/Reduction Activities
 - Renewable Natural Gas (RNG)
 - Transitional Electrification Incentives
 - Transparent and Socially Responsible Supply
- Managing extraordinary market volatility
- Responding to the School Project for Utility Rate Reduction's (SPURR) Request for Proposals



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Recent Successes

- ✓ April 2023-ongoing: Development of a Proposed Framework to Quantify Carbon Emissions
- ✓ May 2023: Establishment of a Renewable Natural Gas (RNG) program to provide:
 - Senate Bill 1383-compliant RNG supply
 - RNG for other purposes
 - Vehicle fuel for California's Low Carbon Fuel Standard (LCFS)
- ✓ Sep. 2023: Notification of pending award resulting in SPURR's recommendation to their current core membership to transition to ABAG POWER

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Fiscal Year 2022-23 Challenges

- Extraordinary market volatility
 - Highest prices in nearly 25 years
 - State investigation ordered to identify causes
- Rates were 17% higher relative to PG&E
 - Primarily due to short-term purchases made during the winter

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Addressing Volatility & Managing Risk

Near-term actions

- More frequent re-incorporation of fixed-price purchases to hedge against price risk
- Contracting for more gas storage capacity and injecting more gas into storage
- Evaluating adjustments to working capital deposits



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Renewable Natural Gas (RNG) Program

- Established by vote of the Board at a Special Meeting on May 25, 2023

What is it?

- RNG is a pipeline-quality biogas produced by the breakdown of raw materials such as agricultural or municipal waste, manure, sewage, food waste, etc.

Why now?

- Recent legislation (SB 1383 & 1440) either requires RNG procurement or aids market development.



Bottom left: BioCycle, Annapolis, Maryland | Bottom right: New York City Department of Environmental Protection

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RNG Program Scope of Products

| 1. RNG and/or Compliance Credits that qualify for SB 1383 procurement requirements | | 2. RNG and/or Compliance Credits for purposes other than SB 1383 compliance (e.g., Climate Action Plans, LCFS, etc.) |
|--|----------------------------|---|
| <ul style="list-style-type: none">✓ California✗ Out of State | <i>Production Location</i> | <ul style="list-style-type: none">✓ California✓ Out of State |
| <ul style="list-style-type: none">✓ Organic waste diverted from landfill✗ Other sources | <i>Production Source</i> | <ul style="list-style-type: none">✓ Organic waste diverted from landfill✓ Other sources (dairies, landfills, wastewater treatment, etc.) |



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Questions & Comments

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Thank you

Ryan Jacoby
Principal Program Manager
ABAG POWER
rjacoby@bayareametro.gov

