

Association of Bay Area Governments Publicly Owned Energy Resources

ABAG POWER

Executive Committee

February 16, 2023

Agenda Item 9.a.

Natural Gas Storage

Subject:

Authorization to enter into a natural gas storage agreement with Lodi Gas Storage, LLC, for natural gas storage services in an amount not to exceed \$607,200 for the period April 1, 2023 to March 31, 2024.

Background:

On September 19, 2019, the California Public Utilities Commission (CPUC) issued Decision (D.) 19-09-025, modifying and adopting Pacific Gas and Electric Company's (PG&E) gas transmission and storage revenue requirement, cost allocation, and rate design for the period 2019-2022. Among other things, the decision approved PG&E's proposal of a "Natural Gas Storage Strategy" (NGSS) effective April 1, 2020, which:

- Significantly increased rates for PG&E-owned intrastate pipeline and storage infrastructure
- Significantly reduces the amount of PG&E-held storage assets (through the attempted sale or decommissioning of two storage facilities)
- Confirms an existing seven-year "phase out" period¹ (2018-2024) during which core transport agents (CTAs), including ABAG POWER, are required to:
 - Take-or-pay for a proportionate share of PG&E's residual gas storage
 - Contract with one or more CPUC-approved Independent Storage Providers (ISPs) to procure storage that previously would have been allocated from PG&E's holdings²

To procure the required storage capacity and consistent with the process conducted over the past three years, staff issued a Request for Offers (RFO) on January 27, requesting bids from

¹ The "phase out" period and associated volumes/price increases are included as an attachment to this committee memorandum.

² Only four CPUC-approved ISPs operate within PG&E's service territory: Central Valley Gas Storage, LLC; Gill Ranch Storage, LLC; Lodi Gas Storage, LLC; Wild Goose, LLC. ABAG POWER has existing Storage Services Agreements with Lodi Gas Storage, LLC and Wild Goose, LLC that do not commit either party to a transaction but enable the parties to transact.

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each of the four ISPs. Compared to the offers received in prior years, bids are significantly higher than in the past year due to:

1. Increased maintenance costs for all storage facilities
2. Increased competition for limited storage capacity as CTAs procure more inventory from ISPs

To mitigate recent market volatility, staff will perform a cost-benefit analysis upon receipt of any offers to determine whether to procure more storage inventory than required, and whether additional services (e.g., counter-cyclical injection) may be warranted.

A storage contract is required to be in place prior to April 1, 2023.

Issues:

None.

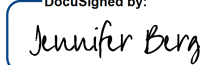
Recommended Action:

The ABAG POWER Executive Committee is requested to authorize the Executive Director of the Metropolitan Transportation Commission, or their designee, on behalf of ABAG POWER, to enter into a natural gas storage agreement with Lodi Gas Storage, LLC for natural gas storage services in an amount not to exceed \$607,200 for the period April 1, 2023 to March 31, 2024.

Attachments:

None.

Reviewed:

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Jennifer Berg

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Effective Date	ABAG POWER's Proportional Share of PG&E-Allocated Storage	ABAG POWER's Proportional Share of ISP-Allocated Storage	ABAG POWER Annual Storage Requirements	Percentage of PG&E-Allocated Storage Eligible for Self-Managed Storage	Reservation Rate for PG&E-Held Storage (\$/Dth)
	(A)	(B)	(C) = (A) + (B)	(A) * %	-
04/01/2018	65,444	0	65,444	10%	0.1913
04/01/2019	62,698	0	62,698	20%	0.1913
10/01/2019					0.3071
01/01/2020					0.3424
04/01/2020	9,588	20,412	30,000	30%	0.4157
01/01/2021					0.4306
04/01/2021	9,783	23,597	33,380	40%	0.4318
01/01/2022					0.4392
04/01/2022	9,849	24,065	33,914	60%	0.4417
01/01/2023					0.4417
04/01/2023	10,775	25,818	36,593	80%	0.4600*
01/01/2024					0.4650*
04/01/2024	12,000*	26,500*	38,500*	100%	0.4650*

Volumes in Dekatherms (Dth)

*Estimated