ABAG Publicly Owned Energy Resources (ABAG POWER)

Executive Committee

December 11, 2019 **Agenda Item 6.a**

Natural Gas Aggregation Program

Subject: Authorization to enter into natural gas transportation agreements with Transwestern Pipeline Company, LLC ("TWP") and accept pipeline capacity along Pacific Gas and Electric Company's ("PG&E") Baja and TWP pipelines beginning in February 2020

Background: In recent months, an excess of gas supply and limited transportation capacity have resulted in low market prices at the Permian production basin in western Texas. Two pipeline segments are required to transport gas from the Permian production basin to the Bay Area:

- TWP, spanning from western Texas to Southern California
- Baja, spanning from the Southern California border to PG&E's 'Citygate' (PG&E CG)

Every four months, PG&E offers POWER a pro-rata share of pipeline capacity along these (and other) pipelines; the amount of capacity offered varies seasonally. If POWER's purchasing strategy was modified to include supply from the Permian production basin, the new purchasing strategy would be:

	Summer	Winter	Annual
Alberta, Canada	50%	35%	40%
Malin, Oregon	35%	30%	32%
Permian, Texas	15%	15%	15%
PG&E CG, California	0%	20%	13%

From April to October 2019, POWER was not offered capacity along TWP because PG&E did not have a negotiated contract with TWP. They did, however, enter into a new contract with a slightly higher reservation rate, effective November 1, 2019.

Staff regularly interact with various pipeline operators to submit daily gas nominations, execute service agreements, amendments, and other contracts, and to manage imbalance inventories.

POWER has existing agreements with four pipelines operators.[1] To transport gas from the Permian production basin, POWER would need to enter into a similar agreement with TWP[2].

The necessary agreements to interact with TW's system are:

- TWP's Transactional Electronic Communication Mechanism Agreement
- TWP's Transfer Access Request
- TWP's Credit Application

Issues: Incorporating an additional purchase package requires identification of marketers willing to supply gas at POWER's desired locations. Existing master purchase and sale agreements enable POWER and its suppliers to conduct business in the Permian production basin, but it is not a given that these parties will be interested in providing bids for the relatively small purchase quantities for which POWER is allocated pipeline capacity.

Additionally, transacting along two additional pipelines further increases administrative burden by increasing the number of monthly invoices and complicates daily and monthly scheduling and management of imbalances.

Recommended Action: The ABAG POWER Executive Committee is requested to authorize the Executive Director of the Metropolitan Transportation Commission, or her designee, on behalf of ABAG POWER, to negotiate and enter into necessary agreements with Transwestern Pipeline Company, LLC for gas transportation services and accept capacity along the Transwestern and Baja pipelines.

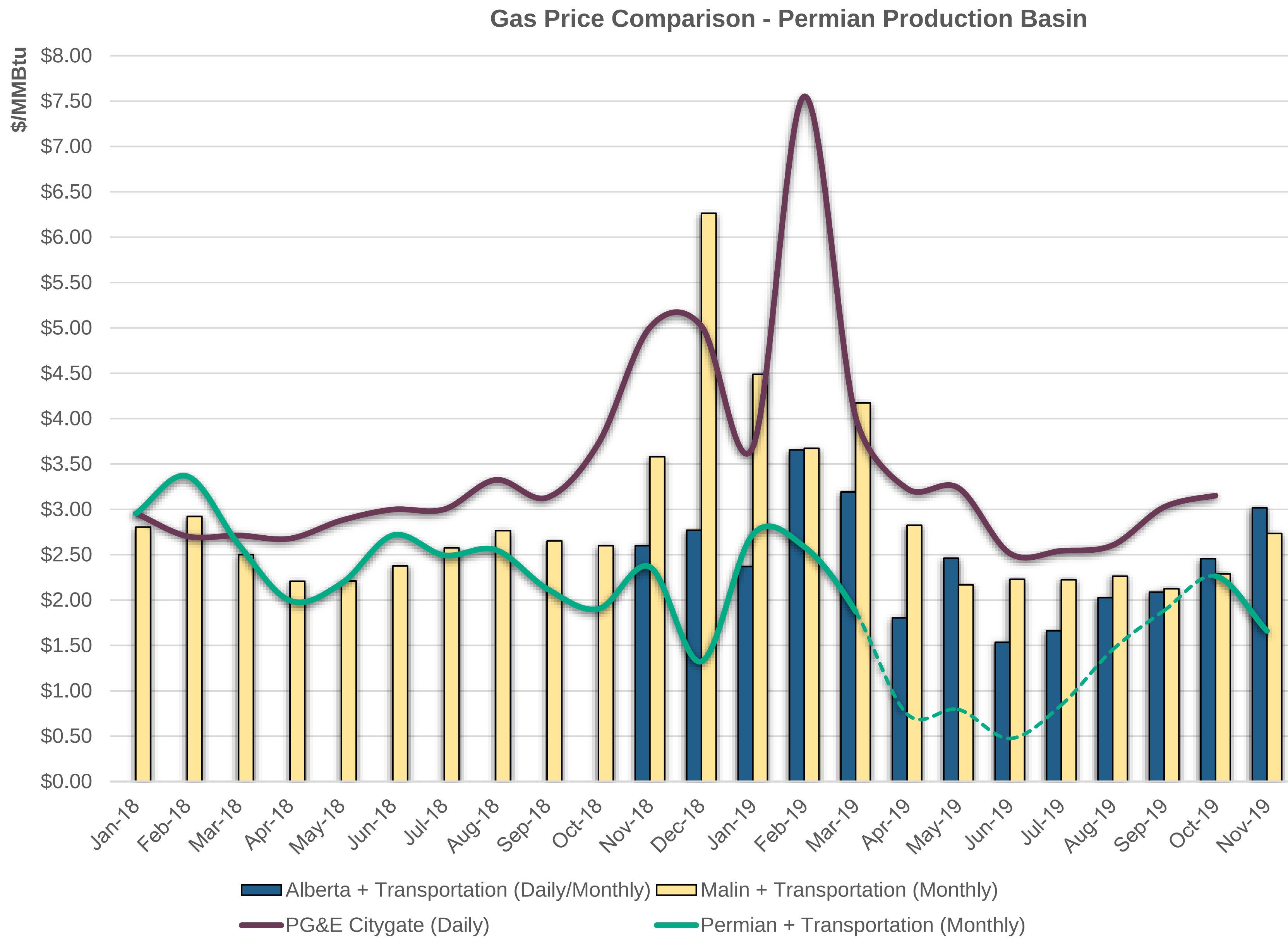
Attachment: Gas Price Comparison – Permian Production Basin

Reviewed:

Brad Paul

[1] NOVA Gas Transmission Ltd (Alberta, Canada); Foothills Pipe Lines Ltd (British Columbia, Canada); Gas Transmission Northwest (Idaho, Washington, and Oregon); Pacific Gas and Electric Company (PG&E) Redwood (California).

[2] Since POWER has an existing agreement, there is no need for additional agreements for transport along Baja.


Gas Price Comparison - Permian Production Basin
$/MMBtu
$8.00
$7.50
$7.00
$6.50
$6.00
$5.50
$5.00
$4.50
$4.00
$3.50
$3.00
$2.50
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Nov-19
Alberta + Transportation (Daily/Monthly)
Malin + Transportation (Monthly)
PG&E Citygate (Daily)
Permian + Transportation (Monthly)