

ABAG Publicly Owned Energy Resources (ABAG POWER)

Executive Committee

February 19, 2020

Agenda Item 6.a

Natural Gas Aggregation Program

Subject: Authorization to enter into natural gas storage agreement with Central Valley Gas Storage, LLC, Gill Ranch Storage, LLC, Lodi Gas Storage, LLC, or Wild Goose, LLC for gas storage services in an amount not to exceed \$105,000 for the period April 1, 2020 through March 31, 2021.

Background: On September 23, 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 adopted PG&E's proposal of a "Natural Gas Storage Strategy" (NGSS) to significantly restructure PG&E's storage and asset holdings, effective April 1, 2020. The NGSS primarily:

- Significantly increases rates for PG&E-owned intrastate pipeline and storage capacity
- Reduces PG&E's intrastate pipeline capacity during summer months, and increases capacity during winter months
- Significantly reduces the amount of PG&E-held storage through the attempted sale or decommissioning of two storage facilities

Impacts to Pipeline Capacity

PG&E's pipeline capacity holdings, and the newly adopted seasonal changes, will continue to be allocated in a proportionate manner from PG&E to Core Transport Agents (CTAs),¹ with full cost responsibility retained for rejected capacity.

At the December 2019 Executive Committee meeting, staff received authorization to enter into agreements to allow for the potential purchase and transport of gas from the Permian production basin. This purchasing strategy is contingent upon available pipeline capacity along the Transwestern and Baja pipelines. The NGSS largely nullifies this opportunity because it changes PG&E's pipeline capacity holdings such that capacity along Transwestern and Baja is only offered to ABAG POWER in

¹ A Core Transport Agent (CTA) is a third-party gas supplier.

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December, January, and February of each year. Staff will reevaluate market prices closer to the winter of 2020-2021 to determine whether this purchasing strategy is still opportunistic.

Impacts to Storage

As a result of PG&E's significant decrease in storage holdings, the NGSS requires CTAs to *both* hold a proportionate share of PG&E's residual gas storage, and contract with one or more CPUC-approved Independent Storage Providers (ISPs) to secure storage that previously would have been allocated from PG&E's holdings.² The NGSS does not eliminate the seven-year phase out period set forth in D.16-06-056, in which the procurement of storage services increasingly transitions from PG&E to CTAs from 2018 to 2025. These impacts are illustrated in Attachment 1.

Each of the ISP facilities are directly connected to PG&E's transmission infrastructure and meet POWER's operational requirements. Staff have tentatively estimated inventory, injection, and withdrawal requirements and requested indicative rates from each of the ISPs.

In mid-February, POWER will be allocated its proportionate shares of PG&E and ISP-allocated storage. When PG&E releases exact requirements, staff will confirm actionable bids, thereafter contracting with the ISP with the lowest bid.

If the rate for ISP services is less than PG&E's storage, staff intends to contract with an ISP for both the minimum required ISP storage *and* the maximum percentage of storage inventory eligible for the CTA Self-Managed Storage program. The cost of the Self-Managed Storage capacity is tentatively included in the requested authority.

Issues:

None.

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 maintains a Storage Services Agreement with Wild Goose, LLC,

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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 enter into a natural gas storage agreement with Central Valley Gas Storage, LLC, Gill Ranch Storage, LLC, Lodi Gas Storage LLC, or Wild Goose, LLC for gas storage services in an amount not to exceed \$105,000 for the period April 1, 2020 through March 31, 2021.

Attachments: Attachment 1: ABAG POWER Annual Storage Requirement

Reviewed:

DocuSigned by:
Brad Paul
2/10/2020
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Brad Paul

Agenda Item 6.a – Independent Natural Gas Storage Providers
Attachment 1: ABAG POWER Annual Storage Requirement
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Effective Date	PG&E's Total Core Storage	ABAG POWER's Proportional Share of PG&E-Allocated Storage	ABAG POWER's Proportional Share of ISP-Allocated Storage	ABAG POWER Annual Storage Requirement	Percentage of PG&E-Allocated Storage Ineligible for Self-Managed Storage	Percentage of PG&E-Allocated Storage Eligible for Self-Managed Storage	Reservation Rate for PG&E-Held Storage (\$/Dth)
	A	B	C	B + C	B¹	B²	
04/01/2018	33,477,700	65,444	0	65,444	90%	10%	0.1913
04/01/2019	33,477,700	62,698	0	62,698	80%	20%	0.1913
10/01/2019							0.3071
01/01/2020							0.3424
04/01/2020	5,175,000	9,870*	19,073*	28,943*	70%	30%	0.4157
01/01/2021							0.4306
04/01/2021	5,175,000	9,870*	19,073*	28,943*	60%	40%	0.4318
01/01/2022							0.4392
04/01/2022	5,175,000	9,870*	19,073*	28,943*	40%	60%	0.4417
04/01/2023	TBD	TBD	TBD	TBD	20%	80%	TBD
04/01/2024+	TBD	TBD	TBD	TBD	0%	100%	TBD

Volumes listed in dekatherms (Dth)

*Estimated