

Association of Bay Area Governments Publicly Owned Energy Resources

ABAG POWER

Executive Committee

June 28, 2024

Agenda Item 4.b.1

Natural Gas Storage

Subject:

Authorization to negotiate and enter into a contract amendment with Lodi Gas Storage, LLC, in an amount not to exceed \$932,152 for a total contracted amount of \$3,315,496, for natural gas storage services for the period July 1, 2024, to March 31, 2027.

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" period (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 holdings¹

During the past five years, staff have annually released a Request for Offers (RFO) to procure the required quantity of storage inventory. The RFO is typically released in November, with estimated volumes used to obtain preliminary pricing information from ISPs before PG&E identifies each CTA's initial storage requirement in February. This year, this process resulted in a staff recommendation presented on February 15, 2024, to enter into a contract with Lodi Gas Storage LLC in an amount not to exceed \$2,332,800 for the period April 1, 2024, to March 31, 2027. The staff presentation also identified a high probability of needing to amend the storage contract due to pending membership enrollments that would increase the portfolio's gas usage,

¹ 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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and consequently, the program's required storage inventory. This requirement is likely to be triggered in August, when PG&E performs a Mid-Year Storage Allocation Adjustment to evaluate whether each CTA's forecasted winter load shows a difference of more than 10,000 dekatherms (Dth) when compared to the initial allocation provided in February.

As of May 15, 2024, current commitments from school districts who intend to join the program represent an additional approximately 280,000 Dth, an increase of 44% in year-on-year portfolio usage. A corresponding increase in the natural gas storage contract is summarized below. If PG&E's forecast results in a required inventory less than the projected 44% increase, staff will contract for only the required inventory.

	Maximum Inventory (Dth)	Rate (\$/Dth)	FY 2023-24*	FY 2024-25	FY 2025-26	FY 2026-27*	Contract Total
Current Contract	245,200	\$0.27	\$198,612	\$794,448	\$794,448	\$595,836	\$2,383,344
Proposed Amendment	343,088*	\$0.27	\$198,612	\$1,114,875	\$1,144,005	\$858,004	\$3,315,496
Difference	97,888	\$0	\$0	\$320,427	\$349,557	\$262,168	\$932,152

Table notes:

*The natural gas storage year is April to March. Because of this, fiscal year 2023-24 incurs three months of cost, and fiscal year 2026-207 incurs nine months of cost for the above contract.

** The proposed amendment is anticipated to be effective on or about August 1, 2024.

Issues:

None.

Recommended Action:

The ABAG POWER Executive Committee is requested to authorize the Executive Director of the Metropolitan Transportation Commission, or his designee, on behalf of ABAG POWER, to negotiate and enter into a natural gas storage contract amendment with Lodi Gas Storage, LLC for natural gas storage services in an amount not to exceed \$932,152, for a total contracted amount of \$3,315,496, for the period July 1, 2024, to March 31, 2027.

Attachments:

- Summary Approval – Lodi Gas Storage LLC

Reviewed:

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 Brad Paul