



City of Philadelphia

City Council
Chief Clerk's Office
402 City Hall
Philadelphia, PA 19107

BILL NO. 220080

Introduced February 3, 2022

Councilmember Green

**Referred to the
Committee on Finance**

AN ORDINANCE

Authorizing the execution, delivery and performance by the Philadelphia Facilities Management Corporation on behalf of the Philadelphia Gas Works of a Renewal of Service Agreement for Gas Storage and Transportation Under Rate Schedule GSS with Transcontinental Gas Pipe Line Company, LLC.

WHEREAS, Pursuant to Paragraph 2 of Section II of the Agreement Between The City of Philadelphia and the Philadelphia Facilities Management Corporation ("PFMC") for the Management and Operation of the Philadelphia Gas Works ("PGW") dated December 29, 1972, authorized pursuant to an Ordinance of Council approved December 29, 1972 (Bill No. 455), as further amended (the "Management Agreement/Ordinance"), PFMC is required to obtain the advance recommendation of the Philadelphia Gas Commission (the "Gas Commission") and the approval of City Council with respect to the purchase of gas transportation and storage (except in temporary or emergency situations, in which case PFMC must submit contracts for such purchases within thirty (30) days after initiating such purchases to the Gas Commission and Council for their approval);

WHEREAS, Pursuant to Paragraph 2 of Section II of the Management Agreement/Ordinance, PFMC is required to take all reasonable steps to insure that the capacity of PGW to manufacture, provide and distribute gas is at all times sufficient for the estimated maximum requirements of gas users in the City of Philadelphia;

WHEREAS, PFMC enters into natural gas storage and transportation contracts on behalf of PGW to allow PGW to: (i) "balance" both its system requirements as well as third party supplier requirements when actual demand may be more or less than the forecasted demand, (ii) reduce the amount of gas and additional firm pipeline capacity that PGW needs to keep under contract for demand spikes in the operating season, (iii) maintain added security in case of pipeline disruptions (i.e., hurricanes, pipeline failures, supply freeze offs and terrorist actions), (iv) reduce dependency on PGW's supplemental supply assets (e.g., Liquefied Natural Gas ("LNG")), and

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(v) have the potential to obtain a physical pricing advantage during the operating season since all gas volumes are historically injected in the out of operating season time frame when gas demand ebbs and pricing is historically lower;

WHEREAS, PGW's current Rate General Storage Service ("GSS") Service Agreement (the "Agreement") for storage and bundled transportation with Transcontinental Gas Pipe Line Company, LLC ("Transco") has a term ending March 31, 2023;

WHEREAS, Such storage comprises about 20% of PGW's total market area storage capacity and is one of PGW's least expensive storages;

WHEREAS, PGW is required to comply with the least cost fuel procurement policy requirement mandated by the Pennsylvania Public Utility Code at 66 Pa. C.S.A. §1318(a);

WHEREAS, If PGW is unable to contract for renewal of the GSS storage and transportation with Transco, PGW will have to attempt to "replicate" this service for both balancing and operating season deliverability, at an increase in cost of approximately \$8.5 million per year;

WHEREAS, Transco has informed PGW that it is willing to offer PGW a renewal of the Agreement for an additional term ending on March 31, 2028, provided such renewal is executed by March 31, 2022;

WHEREAS, The costs to be paid for storage services pursuant to said renewal of Agreement will be as established in a generally applicable rate schedule (Rate GSS) approved by the Federal Energy Regulatory Commission ("FERC");

WHEREAS, PFMC on behalf of PGW wishes to enter into the renewal of the Agreement, which will continue to provide that all payments required to be made in connection therewith shall be made solely from the revenues of PGW; and

WHEREAS, At a public meeting held on January 11, 2022, the Gas Commission recommended that Council approve the execution, delivery and performance of the renewal of the Agreement by PFMC on behalf of PGW, subject to the terms and conditions set forth in the written Motion approved at that meeting; now, therefore,

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. The Philadelphia Facilities Management Corporation ("PFMC") on behalf of the Philadelphia Gas Works ("PGW") is hereby authorized to execute, deliver and perform a renewal of its Service Agreement Under Rate Schedule General Storage Service ("GSS") with Transcontinental Gas Pipe Line Company, LLC ("Transco") for the period April 1, 2023 through March 31, 2028, in the form attached hereto as Exhibit "A", except and to the extent as changes may be approved by the City Solicitor.

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SECTION 2. PFMC, on behalf of PGW, is hereby authorized and directed to execute and deliver such other documents, and to take such other action as is deemed necessary or appropriate to effectuate this Ordinance.

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Exhibit "A"

SECOND AMENDMENT TO SERVICE AGREEMENT UNDER RATE SCHEDULE GSS

THIS SECOND AMENDMENT ("Second Amendment") is entered into this ____ day of _____, 202_ by and between TRANSCONTINENTAL GAS PIPE LINE COMPANY, LLC, a Delaware limited liability company, hereinafter referred to as "Seller", first party, and PHILADELPHIA GAS WORKS, by Philadelphia Facilities Management Corporation in its capacity as operator and manager of the municipally owned Philadelphia Gas Works pursuant to an Agreement with the City of Philadelphia dated December 29, 1972, as amended, hereinafter referred to as "Buyer", second party.

WITNESSETH

WHEREAS, Seller and Buyer are parties to that certain Service Agreement dated July 1, 1996, as amended July 9, 2012, under Seller's Rate Schedule GSS, pursuant to which Seller provides natural gas storage service for Buyer (Seller's Contract No. 1000791, "Service Agreement") (which Service Agreement superseded the Service Agreement between Buyer and Seller dated October 1, 1993); and

WHEREAS, the primary term of the Service Agreement expires on March 31, 2023; and

WHEREAS, Seller's firm storage service under Rate Schedule GSS is supported, in part, by a contract for storage service purchased from Dominion Energy Transmission, Inc. ("DTI"), pursuant to an agreement dated June 28, 2012 under DTI's Rate Schedule GSS ("Original Storage Service Agreement"); and

WHEREAS, Eastern Gas Transmission and Storage, Inc. ("EGTS"), a stand-alone subsidiary of Berkshire Hathaway Energy, acquired the gas transmission and storage assets of DTI effective November 2, 2020, and became DTI's successor-in-interest under the Original Storage Service Agreement; and

WHEREAS, EGTS and Seller have negotiated for an extension of the Original Storage Service Agreement through March 31, 2028; and

WHEREAS, Seller and Buyer desire to continue the natural gas storage service under Seller's Rate Schedule GSS for an additional five years ending March 31, 2028 under the terms of the Service Agreement.

NOW THEREFORE, Seller and Buyer hereby agree as follows:

1. Effective as of April 1, 2023, Article IV of the Service Agreement is hereby deleted in its entirety and replaced by the following:

"ARTICLE IV
TERM OF AGREEMENT

This agreement shall be effective July 1, 1996 and shall remain in force and effect for a period ending March 31, 2028."

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2. The parties to this Second Amendment hereby acknowledge that Paragraph 1 of the Amendment to the Service Agreement Under Rate Schedule GSS dated July 9, 2012 ("First Amendment") contained a change to the unit of measure used in the original Service Agreement Under Rate Schedule GSS dated July 1, 1996 that was not formally memorialized in said First Amendment. The parties hereby agree that all quantities of gas to be stored or delivered under this Second Amendment shall be measured in dekatherms ("DT/Dt").

3. Except as herein amended, the Service Agreement shall remain in full force and effect pursuant to the terms thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be signed by their respective officers or representatives thereunto duly authorized.

TRANSCONTINENTAL GAS PIPE LINE
COMPANY, LLC
(Seller)

By _____

Print Name Hector Alatorre

Title Director, Commercial Sales

PHILADELPHIA GAS WORKS by
Philadelphia Facilities Management
Corporation
(Buyer)

By _____

Print Name _____

Title _____