



## Legislation Text

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**File #: 220080, Version: 0**

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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 (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.

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.

Exhibit “A”