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# **Long Term Storage RFO**

for PG&E's Electric Fuels Department

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**Storage Provider Conference Call**

**October 31, 2008**

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# PG&E Requests Offers

- Physical storage at the PG&E Citygate
- 100,000 Dth/d injection and withdrawal
- 6,080,000 Dth inventory
  - ❑ Three turn service
- April 2010 – March 2013
- Binding offers, contingent upon CPUC approval.

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# All Physical Northern California Storage Providers Solicited

- Existing facilities
  - ❑ Lodi Gas Storage
  - ❑ PG&E California Gas Transmission
  - ❑ Wild Goose Storage
- Proposed facilities
  - ❑ Central Valley Storage
  - ❑ Gill Ranch Storage
  - ❑ Sacramento Natural Gas Storage

# Draft Timeline – Feedback Requested

Sep 19	Procurement Review Group (PRG) review of concept, product
Oct 3	Independent Evaluator (IE) review
Oct 27	RFO information and draft document sent to storage providers
Oct 31	Storage provider conference call. Feedback on draft to PG&E.
Nov 5	PRG review of documents, feedback/concerns by Nov 12.
Nov 17	Issue RFO.
Dec 1	Offers due to PG&E at 12:00 noon Pacific time. (DUEDATE)
Dec 5	PG&E notifies storage providers status of their offers. If offer accepted, PG&E will countersign and fax executed copy to storage provider. (EXECUTEDATE)
+ x days	Deadline to finalize PA if storage field is not yet in service.
+ 2 weeks	PG&E files Advice Letter for approval of storage agreement.
2009?	CPUC Approval

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# Non-Conforming Offers

- PG&E will consider non-conforming offers.
  - ❑ Some providers may not want to offer size requested
    - Offer a percentage of whole volume requested.
      - ❑ In 25% increments.
  - ❑ Some providers may not be online April 1, 2010
    - Define start date. End date to remain same.
    - Define start date contingencies.

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# Contingencies

- PG&E would like to know in advance what conditions precedent *proposed* storage providers will need.
  - ❑ PG&E's binding commitment will be contingent upon CPUC approval of storage contract.

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# RFO Evaluation

- Benefit-Cost ratio will be primary evaluation criteria.
  - ❑ Model used to simulate forward prices and estimate value of storage product.
  - ❑ For same product, lowest price is best.
- Portfolio fit
  - ❑ PG&E prefers to contract for the entire quantity and tenor.
  - ❑ PG&E prefers to contract with one provider for entire quantity.
- Viability assessment
  - ❑ With offer, projects not yet developed should provide
    - regulatory, permitting, contracting (detailing level of binding commitments and any contingencies) and construction status and timeline for PG&E's use in viability assessment.
    - Details of interconnections with PG&E, demonstrating free flow of gas to and from PG&E Citygate

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# Storage RFO Credit Criteria

- Creditworthiness will not be included in the initial RFO evaluation.
- If offer is accepted, PG&E will follow current CPUC guidelines for the evaluation of credit for storage providers, consistent with D.08-07-009.
  - ❑ If storage provider is creditworthy based on the Commission's guidelines, then PG&E will not require any collateral posting.
  - ❑ If storage provider is not creditworthy based on the Commission's guidelines and the Energy Division agrees, PG&E may request collateral up one day's performance risk under the contract.
    - Max = 1 day risk = one day of withdrawal x forward gas price

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# Offers from *Proposed* Storage Facilities

- PG&E requests factual information regarding status of proposed storage facilities
  - ❑ Regulatory and permits
  - ❑ Construction timeline
  - ❑ Current level of contracting
    - Binding versus contingent agreements
- Storage provider agrees to negotiate a precedent agreement with within X days of PG&E acceptance of offer.
  - ❑ Essentially following the terms of the PA provided with RFO package.

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# Next Steps

- Solicit provider comments today.
- PRG opportunity to see documents before RFO issued.
- Issue final RFO documents.
- PG&E evaluates.
- PG&E executes any accepted offers.
- File Advice Letter.