



Memorandum

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

Reviewed by:  Date: 4/15/22
General Manager

DATE: April 15, 2022
TO: General Manager
FROM: Senior Engineer
SUBJECT: Agreement with PG&E to Terminate Natural Gas Service to Administration Building and Last Chance Mercantile

RECOMMENDATION: That the Board authorize the GM to approve a PG&E agreement for termination of natural gas service to the Administration Building and Last Chance Mercantile subject to approval in form by District Legal Counsel.

BACKGROUND

In January of 2021, PG&E contacted District Staff and proposed to pay MRWMD to replace the existing natural gas fueled appliances on site with electrically powered appliances. In return, PG&E would eliminate the natural gas service to the buildings on the MRWMD site. PG&E's proposal is limited to the small service in the Administration campus area and does not include the separate, medium service natural gas supply to MRWMD's onsite rCNG Fueling Station. PG&E's interest in performing this work was to eliminate the cost of long-term maintenance required on the small natural gas service that is directly connected to a main transmission pipeline. A service that generates minimal revenue for the utility company and complicates safe operations of a main transmission pipeline. MRWMD decided to consider the proposal and determine the costs and feasibility of the proposal. The proposal aligns with the state's goal for electrification and the District's general practice to reduce or eliminate emissions from its operations when it is feasible to do so and does not negatively impact District services.

Currently two buildings receive natural gas service: the Administration Building and the Last Chance Mercantile. The Administration Building has both a natural gas-powered heating system and water heater. The Last Chance Mercantile has a natural gas-powered water heater. There was a former natural gas fired standby generator that was also on this service and supplied electricity to the campus area during power outages. That former natural gas fired generator was replaced with a standby diesel-fired generator (circa 2006) that is currently in service at this time to provide backup power to the campus area.

To assess PG&E's proposal to terminate the natural gas service, MRWMD hired an electrical engineering consultant (Fehr Engineering) and a mechanical engineering consultant (Axiom Engineers) to perform an investigation and a preliminary design. The design included the following:

- Replacement of HVAC units and water heater at the Administration Building
- Replacement of water heater at the Last Chance Mercantile.
- Replacement of the existing standby generator and automatic transfer switches to handle the increased electrical loads caused by the addition of the new electric appliances.

Based on the preliminary design, MRWMD obtained budget estimates for conversion to electric appliances and came up with a preliminary budget cost for the replacements of approximately \$280,000. The preliminary design and planning costs for consultants were approximately \$20,000. While there will be some additional costs to finalize the design, obtain an Air Permit for the new standby generator, and obtain a Building Permit, most of the costs for this project are projected to be covered by the offer amount provided by PG&E of \$300,000.

DISCUSSION

There are numerous benefits to MRWMD by making the change to electric which include improvements in electrical capacity, environmental health & safety including the following:

- Liability reduction associated with small service natural gas supply onsite
- Reduction of natural gas combustion emissions
- Reduction of post-earthquake explosion and fire risk
- Utilization of the renewable electricity generated onsite
- Reduction of the natural gas utility service costs paid to PG&E
- Net increase in electrical capacity at the Administration Building, Last Chance Mercantile and Shop
- Replacement of 15 year old standby generator and automatic transfer switch equipment

The buyout proposal from PG&E would provide \$300,000 to cover the cost of the appliance conversion and new standby generator system. The timeframe stipulated in the agreement is six months from the date of PG&E's payment distribution. With the preliminary design already completed, District staff believes that final design, permitting, and construction can be accomplished within that timeframe.

FINANCIAL IMPACT

The agreement provided by PG&E for the termination of natural gas service includes a onetime payment of \$300,000 to cover the cost of design, materials, and construction. District staff believes this should cover the costs of the project based on the quotes already received for the work however, given the cost volatility in the market, there may be a need for District funds to cover contingency costs. A 15% contingency, \$45,000, is anticipated to be adequate should District funds be required for the project.

CONCLUSION

The termination of natural gas service and adoption of electrically powered appliances for the Administration Building and the Last Chance Mercantile will have multiple benefits to the District. This includes greater electrical capacity due to the new standby generator and electrical design, use of District renewable energy to replace natural gas combustion, environmental health and safety improvements. Staff therefore recommends that the Board authorize the GM to approve an agreement with PG&E for termination of natural gas service to the Administration Building and Last Chance Mercantile subject to approval in form by District Legal Counsel.



David Ramirez, P.E.

Attachments:

PG&E Agreement

AGREEMENT AS TO TERMINATION OF GAS SERVICE

This AGREEMENT AS TO TERMINATION OF GAS SERVICE ("Contract") is between PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("PG&E"), and the owner or owners (the "Owners") of the property (the "Property") indicated on the Information and Signature Form, which is the last two pages of this Contract (the "Information Form").

1. Election. The Owners have agreed that in consideration of a one-time payment of \$300,000.00 in connection with the loss of access, service and appurtenant equipment (the "Payment"), PG&E is allowed to permanently terminate and disconnect PG&E's natural gas service at the Property.

2. Payment by PG&E.

PG&E will make the Payment by check issued to the first Owner named on the signature lines of the Information Form (the "First-Named Owner"), sent by certified U.S. Mail to the First-Named Owner's address indicated on the Information Form, within two weeks after (i) PG&E receives this Contract signed by the Owners, with the Information Form fully completed, and (ii) in the case where the PG&E customer on the Property is a tenant of the Owners, the tenant returns to PG&E the consent form mailed to the tenant by PG&E.

3. Termination and Disconnection of Natural Gas Service.

- (a) The Owners authorize PG&E, at any time following six months after the certified letter enclosing the Payment is signed for by the First-Named Owner (the "Payment Date") and without further consent of the Owners, to (i) terminate and disconnect natural gas service at the Property and remove all gas meters, and (ii) deactivate and abandon in place gas service lines at the Property (together, the "Disconnection").
- (b) The Owners are advised to not sign and return this Contract unless they are satisfied that upon Disconnection, the Property will have substitute service, or no substitute service, as the Owners think appropriate.
- (c) Once the anticipated date of the Disconnection has been scheduled, PG&E will notify the PG&E customer on the Property (which is either the First-Named Owner, or a tenant, as indicated on the Information Form), by U.S. Mail, at least 30 days in advance of such date. PG&E may delay the date of Disconnection beyond this initially scheduled and notified date, without further notice.
- (d) Any future request for natural gas service to the Property to be provided by PG&E must be made pursuant to PG&E's rules for new gas service (PG&E Gas Rules 15 and 16).

4. Owner Representations, Acknowledgments and Agreements.

- (a) Each Owner represents and warrants to PG&E that (i) it is an owner of the Property and that the Owners collectively are the only owners of the Property, (ii) each Owner has reviewed and agrees with the terms of this Contract, (iii) the information provided on the Information Form is complete and accurate, and (iv) the Property is not under contract to be sold.

- (b) Each Owner acknowledges that:
 - (i) PG&E has not been and will not be involved in (A) the decision as to what type of replacement service, if any, will be supplied at the Property; (B) selection of a contractor for any replacement service, or monitoring of any contractor's work; (C) selection of appliances, or any decision to convert a natural gas appliance to propane; or (D) any other matter related to the termination and disconnection of natural gas service at the Property which is not expressly addressed in this Contract.
 - (ii) If the Information Form indicates that a tenant who is a PG&E customer occupies some or all of the Property, (A) PG&E may and will separately communicate with the tenant and obtain any consents or other agreement of the tenant as PG&E deems advisable, (B) there will be no separate monetary or other compensation to tenants from PG&E, and (C) Owners may be subject to landlord-tenant or other laws which could be implicated by the Disconnection.
- (c) Prior to the Disconnection, the Owners will not sell or contract to sell the Property, or arrange for a new tenancy of part or all of the Property, without fully informing the new or potentially new owner or tenant in writing that the Disconnection will occur.

5. Notices.

- (a) Any notices to PG&E shall be sent by U.S. Mail to:

Pacific Gas and Electric Company
725 Missouri Street
Fairfield, CA, 94533
Attn: William Calvin
- (b) The Owners authorize PG&E to send any notices to them to the First-Named Owner, at the address on the Information Form.
- (c) If there are any questions about this Contract, please feel free to contact William Calvin at (925) 421-5255 or email him at WCC9@PGE.com.

6. Return of and Effectiveness of Contract.

- (a) PG&E's signature on this Contract constitutes PG&E's agreement to the terms and conditions set forth herein, provided that in the case where the PG&E customer on the Property is a tenant of the Owners, PG&E's agreement is only effective after the tenant returns to PG&E of the consent form mailed to the tenant by PG&E.
- (b) If the terms of this Contract are acceptable to each Owner, please sign both copies of this Contract, on the Information Form. Keep one copy for your records and return the second copy to PG&E by either mailing it to the address shown in Section 5(a) or by hand-delivering it to the PG&E representative with whom you have been communicating. If the Property is held in an owner trust, signature by each Owner will be deemed signature by the Owner in his or her capacity as trustee.

PACIFIC GAS AND ELECTRIC COMPANY

By: _____

Nathan Spidell

Manager, Gas Asset Strategy

April 11th, 2022

INFORMATION AND SIGNATURE FORM

The "Property" is the real property and, specifically, the single PG&E account identified below at the following address:

Monterey Regional Waste Management District
14201 Del Monte Blvd, Marina, CA, 93933

PG&E Account Number 9387160115 for natural gas service.

The PG&E customer for the Account Number above is Monterey Regional Waste Management District. The customer is either the tenant named below (if any); or { } the First-Named Owner.

Choose one only:

{ } There is no tenant of any sort on the Property

There are one or more tenants on the Property who are not PG&E natural gas customers at the Property (i.e., named on the account);

The following tenant occupies part or all of the Property and is also the PG&E customer:

Name: _____

Mailing Address: _____

Telephone No.: _____

Owners' Signatures:

"FIRST-NAMED OWNER":

Signature: _____

Print Name: _____

Date: _____, 2022

Address to send Payment and Notices: _____

OTHER OWNERS (IF ANY)

Signature: _____

Print Name: _____

Date: _____, 2022

Signature: _____

Print Name: _____

Date: _____, 2022