

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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Application of Central Valley Gas Storage, LLC  
for a Certificate of Public Convenience and  
Necessity for Construction and Operation of  
Natural Gas Storage Facilities

A.09-08-008

**PREHEARING CONFERENCE STATEMENT OF  
PACIFIC GAS AND ELECTRIC COMPANY**

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Dated: February 5, 2010

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Pursuant to the Administrative Law Judge's ("ALJ") January 15, 2010, "Ruling Setting a Prehearing Conference (PHC), Requiring Written PHC Statements, and Instructing Staff to Report on the Environmental Review" ("Ruling"), Pacific Gas and Electric Company ("PG&E") files this prehearing conference ("PHC") statement.

The purpose of the PHC is to identify issues related to the application of Central Valley Gas Storage, LLC ("Central Valley") for a certificate of public convenience and necessity ("CPCN") to be considered in this proceeding, including issues, if any, that parties believe require evidentiary hearings, to establish a proceeding schedule, and to provide parties with a verbal summary of the Commission's environmental review in this case.<sup>1</sup> To that end, the Ruling required parties to submit to Central Valley via email by January 25, 2010, a list of substantive recommendations of issues to be addressed at the PHC currently scheduled for February 10, 2010. Central Valley would then confer with parties in an effort to reach agreement on the parties' recommendations prior to the PHC. Such agreement has been reached on the recommendations set forth below.

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<sup>1</sup> Ruling, at pp.3-4

## **I. INTRODUCTION**

On August 5, 2009, Central Valley filed its “Application of Central Valley Gas Storage, LLC for a Certificate of Public Convenience and Necessity for Construction and Operation of Natural Gas Storage Facilities” (Application) in Docket A.09-08-008.

In its Application, among other things, Central Valley seeks Commission authorization to: (i) construct and operate the Central Valley Gas Storage Facility (“Facility”) with a completed capacity of 8 Bcf and an injection/withdrawal capacity of up to 300 MMcf/day; (ii) build a 300 foot pipeline to interconnect the Facility with PG&E’s local transmission pipeline Line 172 on a temporary basis for the purpose of injecting up to 40 MMcf/d of cushion and conditioning gas into its field on an interruptible basis; (iii) build a 14.7 mile pipeline to interconnect the Facility with PG&E’s backbone transmission pipeline Line 401 on a permanent basis; (iv) grant its proposed tariff; and (v) use the Facility to provide storage services to its customers at market-based rates.

On September 18, 2009, PG&E filed its response to the application stating that, among other things, PG&E does not oppose Central Valley’s application provided that all costs associated with the Facility are the responsibility of Central Valley and its storage customers, and not the responsibility of PG&E and its ratepayers.<sup>2</sup> On October 1, 2009, Central Valley filed its reply to PG&E, indicating that it will bear 100 percent of the economic risk of the Central Valley storage project.<sup>3</sup>

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<sup>2</sup> PG&E Response, at p.1

<sup>3</sup> Reply of Central Valley to DRA and PG&E, at p.4

## **II. DISCUSSION**

### **A. Prehearing Conference Statements**

The Ruling requires parties to submit (i) a numbered list of substantive recommendations for requirements that should apply to Central Valley; (ii) a list of issues that should be decided in or excluded from this proceeding; (iii) the procedures used to resolve disputed issues; (iv) whether evidentiary hearings are necessary; (v) a schedule for this proceeding that will allow for the issuance of a decision in June, 2010; (vi) the appropriate category of this proceeding; and (vii) any other matters relevant to this case.

### **B. Substantive Recommendations**

PG&E hereby provides a numbered list of substantive recommendations for requirements that should apply to Central Valley, including:

- a. All costs of the proposed construction and operation of the Central Valley Gas Storage project fall entirely on Central Valley and its storage customers, not on PG&E and its ratepayers. Such costs include the construction and installation of all facilities for the Line 400/401 and Line 172 interconnections, as well as necessary changes to PG&E's computer and allocation modeling systems.
- b. Central Valley is an independent storage provider ("ISP") and a gas utility under the regulation of the CPUC, and is subject to the provisions of the ISP Interconnections Agreement as described in Decision 06-09-039 issued on September 21, 2006, as well as other CPUC decisions setting policy for ISPs in California.
- c. Central Valley must deliver gas into PG&E's transmission pipeline system in conformance with the specifications described in PG&E's CPUC-approved gas quality tariff, Gas Rule 21.C.

d. Central Valley understands that the temporary interconnection to PG&E's Line 172 will be disconnected at Central Valley's cost when the Line 401 interconnection and compressor facilities are completed, and the gas storage facility is placed into service. The interconnection is not bi-directional, and Central Valley will not deliver gas back into Line 172. PG&E's Line 172 has limited capacity and Central Valley will be required to operate its facility within the available parameters and capacity of Line 172 as determined by PG&E to insure that end-use customers served by Line 172 continue to receive reliable gas service.

**C. Issues That Should be Decided in or Excluded from This Proceeding**

As indicated in Section B above, PG&E has provided Central Valley with a list of substantive recommendations for issues to be decided in this proceeding.

**D. Procedures Used to Resolve Disputed Issues**

PG&E is not aware of any disputed issues. However, if parties cannot reach agreement on the issues, the Commission should schedule an all-party settlement conference to resolve such remaining issues.

**E. Whether Evidentiary Hearings are Necessary**

PG&E does not believe that evidentiary hearings are necessary.

**F. Proceeding Schedule**

The proceeding schedule as presented in the Application<sup>4</sup> is satisfactory to PG&E.

**G. Categorization of Proceeding**

PG&E agrees with Central Valley that this is a rate setting proceeding.

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<sup>4</sup> Application, p.45

**H. Other Matters Relevant to this Proceeding**

The Application calls for a target injection date from PG&E's Line 172 into the Facility beginning in September 2010. PG&E will continue to work with Central Valley and strive to be ready to commence operations at that time, but cannot guarantee a project completion date.

**III. CONCLUSION**

PG&E will continue to work with Central Valley in order to resolve any remaining issues necessary to interconnect Central Valley to the PG&E pipeline system consistent with other independent storage facilities.

Respectfully submitted,

MARK D. PATRIZIO  
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By: \_\_\_\_\_ /s/  
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PACIFIC GAS AND ELECTRIC COMPANY

Dated: February 5, 2010

CERTIFICATE OF SERVICE BY ELECTRONIC MAIL OR U.S. MAIL

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is Pacific Gas and Electric Company, Law Department B30A, 77 Beale Street, San Francisco, California 94105.

I am readily familiar with the business practice of Pacific Gas and Electric Company for collection and processing of correspondence for mailing with the United States Postal Service. In the ordinary course of business, correspondence is deposited with the United States Postal Service the same day it is submitted for mailing.

On February 5, 2010, I caused to be served a true copy of:

**PREHEARING CONFERENCE STATEMENT OF  
PACIFIC GAS AND ELECTRIC COMPANY**

**[XX]** By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service list for A.09-08-008 and attorneys for Central Valley Gas Storage, LLC:

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I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed in San Francisco, California on February 5, 2010.

/s/  
\_\_\_\_\_  
SHARON MORTZ

**THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA  
EMAIL SERVICE LIST**

Last Updated: February 5, 2010

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