

Decision 13-06-017 June 27, 2013

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Wild Goose Storage, LLC (U911G) to Amend its Certificate of Public Convenience to Increase the Working Gas Storage Operations.

Application 12-10-019
(Filed October 22, 2012)

DECISION AMENDING CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR WILD GOOSE STORAGE, LLC TO INCREASE THE WORKING GAS CAPACITY FOR GAS STORAGE OPERATIONS

1. Summary

We grant the request of Wild Goose Storage, LLC (Wild Goose) for an amendment of its certificate of public convenience and necessity to increase the working gas capacity of its reservoir in Butte County, California, from 50 Bcf to 75 Bcf Working Gas Capacity Increase. We authorize Wild Goose, consistent with its initial and amended certificate authorizations, to use the expanded capacity to continue to provide baseload and short-term storage services at market-based rates.

We also find that Wild Goose's Working Gas Capacity Increase is exempt from review under the California Environmental Quality Act.

2. Background

Wild Goose, a subsidiary of Niska Gas Storage, is an independent natural gas storage owner and operator of storage facilities in Butte County, approximately 50 miles north of Sacramento, California. The Wild Goose storage

facilities are located on the site of a depleted gas field consisting of 12 reservoirs located at depths from 2,550 to 3,450 feet, and each reservoir is separated by impervious rock formations. In 1997, Decision (D.) 97-06-091 granted Wild Goose its initial certificate of public convenience and necessity (CPCN). In 2002, D.02-07-036 amended that CPCN to authorize Wild Goose to expand its facilities. In 2010, D.10-12-025 amended that CPCN a second time and permitted Wild Goose to expand gas storage facilities by 21 billion cubic feet and to connect the expanded facilities to a major, intrastate transmission pipeline, Line 400/401, near the Delevan Compressor Station in Colusa County. D.10-12-025 also certified the Supplemental Environmental Impact Report (SEIR) for the Wild Goose expansion project and conditioned the CPCN on mitigations set forth in the SEIR. Under its current authority, Wild Goose has no captive ratepayers, it provides storage services under market-based rates, and its shareholders are at risk for the costs of construction and operation.

3. Procedural History

Wild Goose filed its Application on October 22, 2012 and no protests were filed. In light of this, the assigned Administrative Law Judge (ALJ) did not hold a prehearing conference.

On November 20 and November 28, 2012, Pacific Gas and Electric Company (PG&E) and the Division of Ratepayer Advocates, respectively, filed motions requesting party status. These unopposed motions were granted.

4. Wild Goose's Requested Relief

Wild Goose seeks Commission authority to increase the working gas capacity of its reservoir in Butte County California. Wild Goose asserts that after 13 years of operation, it has "gained a better understanding of the reservoirs contained in the Wild Goose gas field and has determined that greater gas

storage potential exists within the L-1, L-4 and U-1/U-2 reservoirs than was originally contemplated when Wild Goose filed its initial and amended CPCN applications.”¹ Wild Goose further asserts that the market is ready to absorb an increase in working gas capacity. The chart below shows Wild Goose’s current storage capacity and its injection and withdrawal capabilities, as well as the respective increases sought.

	Storage	Injection	Withdrawal
Current	50 Bcf ²	650 MMcf/d ³	1,200 MMcf/d
Requested	75 Bcf (+25 Bcf)	None	None

Wild Goose’s Natural Gas Storage Facility is currently interconnected with two PG&E transmission lines: (1) the Backbone system Line 400; and (2) Line 167 of PG&E’s Sacramento Valley Local Transmission system.

Wild Goose asserts that “no alterations to the facility process, pipeline capacity, nor well count are required to accommodate the increase in working gas capacity.”⁴

5. Discussion

A request for an amendment of an existing CPCN triggers the same kind of review as the request for the original CPCN. Before granting a CPCN to construct the project at issue, pursuant to § 1001, the Commission must consider need and, pursuant to § 1002(a), four other factors: community values, recreation and park areas; historical and aesthetic values, and the influence of the

¹ Application at 4.

² Bcf means billion cubic feet.

³ MMcf/d means million cubic feet per day.

⁴ Application at 4-5.

proposed project on the environment. The Commission's obligation to consider community values and the three additional § 1002(a) factors is independent of its obligation to conduct a review under the California Environmental Quality Act (CEQA).⁵

5.1. Issues Under § 1001

Consistent with Commission decisions on Wild Goose's initial CPCN and the previous amendment to its CPCN (D.97-06-09, D.02-07-036, and D.10-12-025 respectively) and with decisions on the CPCN for another independent gas storage owner/operator in California, Lodi Gas Storage, LLC (Lodi), Wild Goose's Application includes a presumptive showing of need.⁶ Consistent with the Lodi CPCN decision, Wild Goose expands upon that need by underscoring the benefits of gas storage identified in the Lodi decision: "(a) increased reliability; (b) increased availability of storage in California; (c) the potential for reduced energy price volatility; and (d) the potential for reduced need for new

⁵ See *Re Southern California Edison Company*, D.90-09-059, 37 CPUC2d 413, 453.

⁶ In granting the Wild Goose and Lodi CPCNs, the Commission interpreted project need under § 1001 in light of its *Gas Storage Decision*, which determined that a "let the market decide" policy should apply to competitive gas storage providers and therefore, need for new gas storage would not require a resource planning showing but instead would rely on a presumptive showing of need, established by the builders and users of the new project accepting all of the risk of the unused, new capacity. See generally, *Gas Storage Decision*, (1993) 48 CPUC2d 107.

Subsequently, the Lodi CPCN decision explained that a presumptive showing of need may not suffice for all purposes and that "a fuller showing of need may be necessary to the extent required by law", for example, to establish conformance with community values and the other criteria listed in § 1002, to show grounds for a finding of overriding consideration with respect to an EIR, or in connection with eminent domain under § 625. See *Lodi CPCN Decision*, D.00-05-048, 2000 Cal. PUC LEXIS 394 at *37.

gas transmission facilities.”⁷ As we discuss below, Wild Goose points to several developments in the energy markets that indicate the need for additional natural gas capacity.

5.1.1. Current and Foreseeable Storage Market Conditions Establish a Need for Additional Capacity in Wild Goose’s Natural Gas Storage Facility

Since Wild Goose commenced commercial operations in 1999, it has expanded the Facility’s certificated working gas volume, increasing it from 14 Bcf, to 29Bcf, and then to 50 Bcf. Due to a strong storage demand starting in April 2011, Wild Goose placed into commercial operation all incremental certificated capacity.

Additionally, Lodi Gas Storage LLC, Gill Ranch Storage LLC, and Central Valley Gas Storage LLC have all developed new greenfield projects in northern California that, collectively, total 65 Bcf.

PG&E Underground Storage has storage facilities at McDonald Island, Los Medanos, and Pleasant Creek that have, collectively, 100.3 Bcf Maximum working gas.

These facilities demonstrate the competitive landscape for storage services in northern California and demonstrate the growing demand for independent storage.

5.1.2. Wild Goose’s Customer Base Establishes a Need for This Wild Goose Natural Gas Storage Facility

The proposed Working Gas Capacity Increase to 75 Bcf will increase Wild Goose’s ability to respond to changing market demands for baseload and high

⁷ *Lodi CPCN Decision*, 2000 Cal. PUC LEXIS 394 at *41.

deliverability storage services in the future. As Wild Goose points out, the two distinct types of service requirements have developed due to the maturation of the northern California storage market: high deliverability and baseload storage services. High deliverability is the customer's contractual ability to inject and/or withdraw large quantities of gas over a short period of time. High deliverability service is often contracted by power generators, utilities, and marketing companies. Baseload storage is the storage operator providing lower or steady injection and/or withdrawal service over a set period of time to customers. Changing market demands for each of these services can result in some customer's annual storage requirements not being satisfied due to facility limitations. The larger the working gas capacity of a facility, the more flexibility an operator has to meet changing market demands and the specific requirements of the customer.

5.2. Wild Goose's Proposed Working Gas Capacity Increase Satisfies § 1002

We now discuss the community values, recreation and park areas, historical and aesthetic values, and the influence of the proposed project on the environment criteria set forth in § 1002 (a)

5.2.1. Community Values Under § 1002(a)

In assessing community values, the Commission considers the views of the local community, including the positions of the elected representatives of the area who address a matter on behalf of their constituents.⁸ Wild Goose asserts it has nurtured a very good relationship with landowners and community officials

⁸ *Lodi CPCN Decision*, 2000 Cal. PUC LEXIS 394 at *41, as modified by D.00-08-024, 2000 Cal. PUC LEXIS 546 at * 26-27.

within the county and surrounding area, and developed a Public Awareness Program to enhance community understanding of the Wild Goose facility. As a result, Wild Goose asserts that “such public outreach has resulted in the local community being supportive of previous expansions.”⁹ It is telling that no local person or entity has registered opposition to this Application. Wild Goose also asserts that it “is very aware of the safety concerns of the local community.” Wild Goose’s publically-traded company, Niska Gas Storage Partners LLC, instilled a culture of safe operations and implemented a preventive maintenance program. Wild Goose points to its regular inspection of the fully “smart-pigable” pipelines, equipment, wells, instrumentation, control and support systems that are critical to the safe and efficient operation of the project. Further, Wild Goose notes that its safety systems and equipment are consistent with all federal, state, and local codes and requirements. Finally, Wild Goose asserts that it has a comprehensive emergency response plan in place, the terms of which are identified in The Integrity Management Plan and Emergency Response Plan that were filed with the Commission on June 29, 2012 in Rulemaking 11-09-021 as part of Wild Goose’s Natural Gas System Operation Plan. As a result of these measures, Wild Goose asserts that “there have been zero recordable lost time accidents at all of Niska’s gas storage facilities.”¹⁰

The uncontested evidence indicates community support for this Application.

⁹ Application at 17.

¹⁰ *Id.*, 26.

5.2.2. Recreation and Parks

The Working Gas Capacity Increase will not impact any of the recreational, park, or other land outside of the site's boundaries.

5.2.3. Historical and Aesthetics Values

Wild Goose's assertion that the Working Gas Capacity Increase will not compromise the historical and or aesthetic values of the community is supported by Appendix A which provides that increasing the working gas capacity will not result in any changes in the physical appearance of the Well Pad Site¹¹ or any other component of the Facility. Additionally, Appendix A states that "there will be no additional sources of light or glare and the Facility is not located near a scenic highway."

In view of this uncontested evidence, we find that there will not be an impact to the historical and aesthetic values.

5.2.4. Environmental Influence

For the reasons set forth, *infra*, at § 5.3 of this Proposed Decision, we find that granting this Working Gas Capacity Increase will not have a negative impact on the environment since no construction or expansion of facilities will be required. There will be no changes to the existing facilities and the same gas storage reservoirs will be utilized.

¹¹ The Well Pad Site is an 8.5 acre parcel with 17 injection/withdrawal wells and four observation wells at the location of the abandoned Wild Goose gas field production compression facility. (See Application, Appendix A, § 1.1).

5.3. Wild Goose's Application is Exempt from CEQA Review

Pursuant to Commission Rule 2.4, any "application for authority to undertake a project that is statutorily exempt from CEQA requirements shall so state, with citation to the relevant authority." Wild Goose cites California Public Resources Code § 21084 and California Code of Regulations §§ 15300, et seq. and asserts that the Working Gas Capacity Increase fits within two of the exempt categories.

5.3.1. § 15301 - Exemption for Minor Alterations to Existing Facilities

§ 15301 provides as follows:

Class 1 consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination. The types of "existing facilities" itemized below are not intended to be all-inclusive of the types of projects which might fall within Class 1. The key consideration is whether the project involves negligible or no expansion of an existing use.

In D. 10-04-034 we had occasion to construe the scope of this CEQA Guideline exemption:

CEQA Guideline § 15301 exempts the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination. CEQA Guideline § 15301 lists "existing facilities of both investor and publicly-owned utilities used to provide electric power, natural gas, sewerage, or other public utility services" as examples of existing facilities that may be exempt from CEQA review. CEQA Guideline § 15301 explains that the key

consideration is whether the project involves negligible or no expansion of an existing use.¹²

Wild Goose maintains that there will not be any impact on “any designated, precisely-mapped, and officially-adopted environmental resource of hazardous or critical concern, nor will it result in cumulative impacts.” Since the injection rate will remain the same but the injection process will occur over a longer period of time, the Working Gas Capacity Increase will not require construction or expansion of facilities, there will be no changes to the existing facilities, and the same gas storage reservoirs will be utilized.

We are also satisfied that Wild Goose has demonstrated that the additional pressure will not adversely impact the integrity of the gas storage reservoir. When California’s Division of Oil, Gas, and Geothermal Resources (DOGGR) issues permits for natural gas storage well, it establishes a maximum storage level that may be safely maintained in a reservoir. DGOGGR established an injection pressure gradient limit of 0.7 pounds per square inch (psi) per foot of depth for the storage reservoir based on historical production of the field and available geotechnical information. Based on its 13 years of operational data and modeling studies Wild Goose asserts that the working gas capacity of the field can be increased to 75 Bcf without exceeding the 0.7 psi/ft limit. CPUC Staff have reviewed Wild Goose’s Application and concur with the representations and have also determined that the scope of the expansion does not trigger a CEQA review.

We find that Wild Goose satisfies the requirements for this exception to CEQA.

¹² D. 10-04-034 at 8.

5.3.2. § 15061 (b)(3) - No Possibility of a Significant Environmental Effect

§15061(b)(c) provides as follows:

- b) A project is exempt from CEQA if:
- (1) The project is exempt by statute (see, e.g. Article 18, commencing with Section 15260).
 - (2) The project is exempt pursuant to a categorical exemption (see Article 19, commencing with Section 15300) and the application of that categorical exemption is not barred by one of the exceptions set forth in Section 15300.2.
 - (3) The activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

To satisfy this test, Wild Goose attached to its Appendix A a table that memorializes the responses Wild Goose received from various governmental agencies on the environment impact issue. The following agencies concurred there would not be any environmental concerns: U.S. Fish & Wildlife Service, Sacramento Fish and Wildlife Office (no impact to snakes); U.S. Army Corps of Engineers (no jurisdictional concerns); Central Valley Regional Water Quality Control Board (no new water quality issues); Division of Oil, Gas, and Geothermal Resources, District 6 (reservoirs were previously approved); and Butte County Air Quality Management District (no new impacts should result).

Given the undisputed record, we find that Wild Goose satisfies this alternate exception to CEQA.

5.3.3. Wild Goose's Exemption from CEQA is Consistent with Commission Precedent

We have granted similar requests for a CEQA exemption based on facts similar to the record that Wild Goose has presented. For example, in D.01-06-086, Southern California Gas Company (SoCal Gas) filed an application to drill additional wells and rework several existing wells at its Aliso Canyon Natural Gas Storage Facility. After reviewing the record, this Commission found that SoCal Gas's Application fit within § 15301.

In the SoCal Gas Decision, the Commission went further and found that the Application was exempt under § 15061(b)(3) as there would not be any significant effect upon the environment:

Section 15601(b)(3) provides that a project is exempt from CEQA if it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. (See Pub. Resources Code Section 21084(a).) Since all of the proposed activities are consistent with the existing and surrounding land use, the ongoing operations will remain the same. Also, the drill sites and existing wells are all on previously disturbed areas, so the drilling and rework will not have a significant effect upon the environment. (CEQA Guidelines, § 15061(b)(3); *Davidon Homes v. City of San Jose* (1997) 54 Cal.App.4th 106, 112-1113, 116-117.)

More recently, in D.10-04-034, this Commission found that SoCal Gas's Application to amend its CPCN for the Honor Rancho natural gas storage facility (Honor Rancho Facility) to construct and operate the facilities necessary to increase storage capacity at the Honor Rancho Facility would operate in essentially the same manner as it did prior to the Expansion Project. Thus, the exemption under § 15301 had been met:

The substantive evidence supporting this conclusion is that, while six new wells will be added to the existing 41 wells, there will be no expansion of the property boundaries or acquisition of new land, easements, or mineral rights (with most project actions taking place

on existing well pads and/or previously disturbed land). In addition, there will be no expansion of the gas compressor capacity nor the gas injection and withdrawal rates. Thus, the facility will operate in essentially the same manner as it did prior to the Expansion Project.

Although the Application proposes to construct other facilities in addition to new wells, the proposed facilities (associated pipeline and equipment modifications to existing facilities) are all minor in nature and satisfy the requirements of CEQA Guideline § 15301.¹³

We believe that the facts of the instant Application are synonymous with those considered in D.01-06-086 and D.10-04-034 and that a similar finding of CEQA exemption under §§ 15301 and 15061(b)(3) is appropriate.

5.4. Market-Based Rate Authority

Wild Goose proposes to operate the Working Gas Capacity Increase in conjunction with its current Facility, and that the storage services provided will be offered under Wild Goose's existing tariff on file at the Commission. Previously, the Commission granted Wild Goose market-based rate authority in D.97-06-091, D.02-07-036, and D.10-12-025. As Wild Goose's shareholders remain completely at risk for recovery of the costs of constructing and operating its storage facility, we agree that market-based rate authority should be extended to the services the Working Gas Capacity Increase renders.

6. Categorization and Need for Hearings

In Resolution ALJ 176-3304 dated November 8, 2012, the Commission preliminarily categorized this Application as Ratesetting, and preliminarily determined that hearings were necessary. Because no hearings are required as

¹³ D.10-04-034 at 9.

no protests were received, the hearings determination is changed to state that no evidentiary hearings are necessary.

7. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

8. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Robert M. Mason III is the assigned ALJ in this proceeding

Findings of Fact

1. No party disputes Wild Goose's request and showing for an amended Certificate of Public Convenience and Necessity to operate its Working Gas Capacity Increase pursuant to Pub. Util. Code § 1001.
2. No party disputes Wild Goose's request to operate the Working Gas Capacity Increase under market-based rates.
3. No party disputes Wild Goose's request for exemptions under California Code of Regulations §§ 15061 (b)(3) and 15301.
4. The storage market conditions establish a need for additional capacity in Wild Goose's Natural Gas Storage Facility.
5. Wild Goose's customer base establishes a need for additional capacity in Wild Goose's Natural Gas Storage Facility.
6. There is community support for Wild Goose's Application.
7. The additional capacity in Wild Goose's Natural Gas Storage Facility will not impact the recreational, park, or other land outside of the site's boundaries.

8. The Working Gas Capacity Increase will not compromise the historical and aesthetic values of the community.

9. The Working Gas Capacity Increase will not have a negative impact on the environment.

Conclusions of Law

1. Wild Goose has provided the showing required by §§ 1001 and 1002.

2. Wild Goose's CPCN should be amended to permit the increase in its working gas capacity of its reservoir in Butte County, California from 50 Bcf to 75 Bcf, as provided in appendix A to the Application, and to offer that additional storage capacity and related services at market-based rates.

3. Hearings are not necessary.

4. This proceeding should be closed.

5. This order should be effective immediately to provide business certainty to affected individuals and entities

O R D E R

IT IS ORDERED that:

1. Wild Goose Storage, LLC is granted an amendment to its certificate of public convenience and necessity to authorize it to increase its working gas capacity of its reservoir in Butte County, California, from 50 Bcf to 75 Bcf.

Wild Goose Storage, LLC is authorized to use the expanded capacity to continue to provide baseload and short term storage services at market-based rates.

2. Wild Goose Storage, LLC's Working Gas Capacity Increase is exempt from review under the California Environmental Quality Act.

3. The hearing determination is changed to no hearings necessary.

4. Application 12-10-019 is closed.

This order is effective today.

Dated June 27, 2013, at San Francisco, California.

MICHAEL R. PEEVEY

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

MARK J. FERRON

CARLA J. PETERMAN

Commissioners