

Decision 18-05-010 May 10, 2018

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

Joint Application of Gill Ranch Storage, LLC,  
Northwest Natural Gas Company, NW  
Natural Energy, LLC, and NW Natural Gas  
Storage, LLC for Change of Legal Ownership  
and Control of Gill Ranch Storage, LLC  
(U914G) Through a Corporate Reorganization.

Application 17-02-003

**DECISION GRANTING JOINT MOTION FOR APPROVAL OF SETTLEMENT  
BETWEEN GILL RANCH STORAGE, LLC, NORTHWEST NATURAL GAS  
COMPANY, NW NATURAL ENERGY, LLC, NW NATURAL GAS  
STORAGE, LLC AND THE OFFICE OF THE SAFETY ADVOCATE**

**Summary**

This decision grants the joint motion for approval of a Settlement Agreement between Gill Ranch Storage, LLC, Northwest Natural Gas Company, NW Natural Energy, LLC, NW Natural Gas Storage, LLC (collectively “Joint Applicants”) and the Office of the Safety Advocate pertaining to the Joint Applicants’ application for authorization to change legal ownership and control of Gill Ranch Storage, LLC through a corporate reorganization.

The Settlement Agreement and the change of legal ownership and control are approved. This proceeding is closed.

**1. Background**

Public Utilities Code Section (Pub. Util. Code §) 854(a), requires Commission authorization before completing a merger, acquisition or transfer of

control which affects (directly or indirectly) any public utility doing business in California.

Application (A.) 17-02-003 (Application) filed February 10, 2017, requests Commission authorization for a newly-formed holding company (HoldCo) to assume legal ownership of Northwest Natural Gas Company (NW Natural) and NW Natural's subsidiary - Natural Energy, LLC (NW Natural Energy). The acquisition will result in HoldCo indirectly owning Gill Ranch Storage, LLC (GRS), which became a certificated public utility in California in 2009.<sup>1</sup>

### **1.1. Procedural Background**

Notice of the Application appeared in the Commission's Daily Calendar on February 14, 2017.

The Office of the Safety Advocate (OSA)<sup>2</sup> filed a protest on March 15, 2017. OSA expressed concern that the Application failed to address relevant safety considerations as required under the Commission Rules of Practice and Procedure (Rules) Rule 2.1(c)<sup>3</sup> and questioned (1) whether the reorganization would affect GRS' ability to safely operate and maintain their storage facilities to ensure the safety of its workers and the public, as required by Pub. Util. Code

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<sup>1</sup> See Decision (D.) 09-10-035 in proceeding A.08-07-032. GRS is a wholly owned subsidiary of NW Natural Gas Storage and will become an indirect wholly owned subsidiary of HoldCo.

<sup>2</sup> OSA was established in the fall of 2016 pursuant to Senate Bill 62 (Chapter 806, Statutes of 2016) to advocate, on behalf of the interest of public utility customers, for the continuous, cost-effective improvement of the safety management and safety performance of public utilities. OSA participates in Commission's proceedings as an advocate on utility safety concerns and to ensure that the official record in Commission's proceedings addresses safety related risks and provides transparency on safety information. OSA also recommends improvements to the Commission's safety management policies, procedures, and safety culture. ([http://www.cpuc.ca.gov/safetyadvocates/.](http://www.cpuc.ca.gov/safetyadvocates/))

<sup>3</sup> All subsequent Rules refer to the Commission's Rules of Practice and Procedure. ([http://docs.cpuc.ca.gov/published/RULES\\_PRAC\\_PROC/70731.htm.](http://docs.cpuc.ca.gov/published/RULES_PRAC_PROC/70731.htm))

§ 451; and (2) whether GRS would have ability to respond to sudden or unexpected safety concerns or considerations during and after the corporate reorganization process.<sup>4</sup> On March 27, 2017, the Joint Applicants filed a reply to the protest of OSA.

A prehearing conference (PHC) was held on March 28, 2017. At the PHC, counsel for the Joint Applicants and OSA, indicated that they would continue to communicate and to exchange data requests and documentation in order to determine whether an evidentiary (EH) hearing would be necessary. On May 18, 2017, the assigned Commissioner issued a Scoping Memo and Ruling<sup>5</sup> under which the following matters were deemed to be within the scope of the proceeding:

1. Whether the Application demonstrates that the change in legal ownership of GRS is in the public interest and should be authorized under Pub. Util. Code § 854(a).
2. Whether the Joint Applicants have adequately satisfied Rule 2.1(c) of the Commission's Rules of Practice and Procedure which requires identification of issues for consideration, including relevant safety considerations.
3. Whether the proposed reorganization will affect GRS's ability to safely operate and maintain their storage facilities under Pub. Util. Code § 451.
4. Whether GRS will have assets available to sufficiently respond to sudden or unexpected safety concerns or considerations during and after the corporate reorganization process.

On June 30, 2017, the Joint Applicants filed a motion requesting that the Commission take official notice of Safety and Enforcement Division audits and

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<sup>4</sup> Protest of OSA dated March 15, 2017 (Protest) at 2 -3.

<sup>5</sup> The Scoping Memo and Ruling set EH on August 3, 2017.

inspections of the Gill Ranch Gas Storage Facility (Facility). The Administrative Law Judge (ALJ) issued a revised proceeding schedule on August 3, 2017 and EH was scheduled on October 26, 2017. On October 16, 2017, the parties were assigned to Alternative Dispute Resolution with a neutral ALJ, and the EH was removed from calendar. On October 30, 2017, the parties filed notice of intent to hold a telephonic settlement conference. The parties held a telephonic settlement conference on October 31, 2017, and on November 2, 2017, the Joint Applicants and OSA informed the ALJ that they had achieved resolution of their disputes and filed a joint motion for approval of their Settlement Agreement.<sup>6</sup> In their Settlement Agreement, the parties stipulated that served testimony should be admitted into evidence without cross examination.<sup>7</sup>

## **1.2. Parties to the Transaction**

**GRS** is an Oregon limited liability company formed in 2007 for the purpose of developing, owning, and operating the Facility, located at the Gill Ranch Gas Field in Madera and Fresno Counties.<sup>8</sup> It is a wholly-owned subsidiary of NW Natural Gas Storage, which is a wholly-owned subsidiary of

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<sup>6</sup> See Motion of the Joint Applicants and OSA for Approval of Settlement Agreement filed November 2, 2017 (Motion for Approval of Settlement). The Settlement Agreement is Attachment 1 to the Motion for Approval of Settlement.

<sup>7</sup> See Settlement Agreement, Section IV-A. The Joint Applicants served testimony sponsored by Shawn M. Filippi and David A. Weber. OSA served testimony sponsored by Carolina Contreras and Christopher Parkes.

<sup>8</sup> The Facility is comprised of (1) a 20 billion cubic feet underground natural gas storage field (Storage Field), within the Gill Ranch Gas Field; (2) a compressor station for injecting gas into and withdrawing gas from the Storage Field, and associated dehydration and control facilities; (3) a pipeline extending approximately 27 miles from the Storage Field to Pacific Gas and Electric Company's (PG&E) Line 401; and (4) an electric substation located at the compressor station connected to an approximately nine-mile 115 kilovolt (kV) electric power line extending from PG&E's Dairyland Mendota 115 kV power line to the compressor site. GRS owns 75% of the facility and PG&E owns the other 25%.

NW Natural Energy. NW Natural Energy is a wholly-owned subsidiary of NW Natural.<sup>9</sup>

**NW Natural** is an over 150-year-old Oregon corporation engaged in the business of purchasing, selling, storing, transporting, and distributing natural gas to over 700,000 customers via separate systems in Oregon and southwest Washington. NW Natural's facilities and services in Oregon and Washington are subject to the jurisdiction of the Oregon Public Utility Commission and the Washington Utilities and Transportation Commission.

NW Natural formed **NW Natural Energy** on May 26, 2009 and **NW Natural Gas Storage** on July 31, 2009. Both are Oregon limited liability companies. NW Natural formed these wholly-owned subsidiaries to ensure appropriate segregation and accounting for NW Natural's regulated core gas distribution business, its regulated gas storage business, and its other investments and business activities.<sup>10</sup> Upon approval of this Application by the Commission and completion of the reorganization, NW Natural Energy (like NW Natural) will become a wholly-owned subsidiary of HoldCo. NW Natural Gas Storage will continue to own GRS.

## **2. Proposed Transaction**

The Joint Applicants seek to reorganize NW Natural to form a HoldCo structure. The Application states that the reorganization will create a legal separation and reinforce the financial separation between NW Natural's

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<sup>9</sup> Application at 1. According to the Application, NW Natural is a public utility regulated by the Oregon Public Utility Commission and the Washington Utilities and Transportation Commission. It is simultaneously requesting approval of the reorganization from those entities.

<sup>10</sup> Application at 6.

regulated utility operations and those conducted through non-regulated subsidiaries.<sup>11</sup>

The reorganization<sup>12</sup> will be accomplished through four steps: (1) Two new companies will be incorporated. HoldCo will be formed as a subsidiary of NW Natural, and a merger subsidiary (Merger Sub) will be formed as a subsidiary of HoldCo. Merger Sub will be utilized for the sole purpose of effectuating the transaction; (2) Once HoldCo and Merger Sub are formed, NW Natural will contribute to HoldCo all of its stock and its interest in its current subsidiaries; (3) Merger Sub will be merged into NW Natural, with NW Natural as the surviving company. At the end of this step, Merger Sub will no longer exist; and (4) By operation of law, each share of NW Natural will convert into one share of HoldCo (with identical rights as NW Natural shares). HoldCo's shares will be registered with the Securities and Exchange Commission and once this share conversion occurs, NW Natural will become a wholly-owned subsidiary of HoldCo.<sup>13</sup>

After the reorganization, HoldCo will be owned by public shareholders and will hold the stock of one or more operating companies, including NW Natural. All of NW Natural's operations, and those of any current or future affiliates, will be at the subsidiary level. NW Natural will continue to operate as a regulated utility.

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<sup>11</sup> See Application at 2.

<sup>12</sup> See Application, pages 8 to 10, which also contains diagrams showing the corporate structure before and after the reorganization. The joint applicants state that the reorganization will build on the internal restructuring that the Commission approved in D.11-01-040.

<sup>13</sup> *Id.*

NW Natural will not transfer any of its utility assets or property to HoldCo or to any other affiliate in connection with the reorganization. In addition, the reorganization will not affect any of the rights and preferences of current NW Natural shareholders. Each shareholder will hold the same relative interest in HoldCo as they currently hold in NW Natural. Accordingly, ultimate control will remain in the hands of the same shareholders. The corporate governance of NW Natural will remain unchanged after the reorganization, with all current members of the Board of Directors and the officers of NW Natural continuing in their positions. Members of the NW Natural Board of Directors will also serve on the HoldCo Board of Directors, but the two boards will exercise separate and independent functions and duties.

The reorganization will not affect GRS's operations, nor the direct control of GRS. Upon completion of the reorganization, GRS will continue to operate as an independent natural gas storage provider subject to Commission jurisdiction.<sup>14</sup> GRS will continue to be wholly-owned by NW Natural Gas Storage and also will continue to hold a 75% interest in the Gill Ranch Gas Storage Facility. GRS will remain bound by the terms and conditions set forth in D.09-10-035,<sup>15</sup> and the reporting required to the Commission under Ordering Paragraph 22 of that decision.

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<sup>14</sup> See Application at 2.

<sup>15</sup> D.09-10-035 granted GRS' and PG&E's application for authority to construct and operate the Gill Ranch Gas Storage facility.

### **3. The Settlement**

#### **3.1. Is the Reorganization in the Public Interest?**

Section 854 requires Commission authorization before a company may “merge, acquire, or control . . . any public utility organized and doing business in this state . . . .” The purpose of this section is to enable the Commission, before any transfer of a public utility is consummated, to review the circumstances of the transfer and to take such action, as a condition of the transfer, as the public interest may require.

In their Motion for Approval of Settlement, OSA and the Joint Parties describe their mutually agreed upon compromises on safety issues which balance their respective interests and affirm their commitment to safety.<sup>16</sup>

#### **3.2. Relevant Safety Considerations**

In their Motion for Approval of Settlement, the parties propose to implement steps that will permit ongoing oversight by the Commission and transparency to the public, such as designation of a Chief Safety Accountability Officer (CSAO),<sup>17</sup> who will be appointed within 60 days of the Commission’s approval of the reorganization. The CSAO’s role will include establishment and maintenance of GRS’ safety management system and will have control over human and financial resources. The CSAO will ensure that GRS meets its safety obligations and will provide an annual report on safety to HoldCo.<sup>18</sup> GRS will

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<sup>16</sup> See Motion for Approval of Settlement at 6. The only Attachment to the Motion for Approval of Settlement is the Settlement Agreement (Agreement).

<sup>17</sup> *Id.* at 3-4.

<sup>18</sup> See Agreement at 4, Section IV-B1.



also provide the Commission with access to meeting minutes, presentations and reports of subcommittees that relate to safety matters at GRS.<sup>19</sup>

### **3.3. Safe Operation and Maintenance Under Pub. Util. Code § 451**

Pub. Util. Code § 451 requires a public utility to furnish and maintain adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.

To ensure that the reorganization does not impede safe operation of GRS, the Agreement provides that GRS must, within 120 days of the reorganization, expand its Pipeline Safety Management System to create a comprehensive safety management system for the entire Facility, which incorporates the best practices of the American Petroleum Institute's framework, and encompassing all operations, assets and personnel.<sup>20</sup> GRS will also report to the Commission about safety performance measures annually, no later than March 30 each year.<sup>21</sup>

### **3.4. Addressing Unexpected Safety Concerns**

In its protest, OSA expressed concern about whether, after the reorganization, GRS would have assets available to sufficiently respond to sudden or unexpected safety concerns.

To address this issue, the parties' Agreement provides that GRS will create a Safety Council to inform organization-wide safety risk decision-making and to

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<sup>19</sup> *Id.* Section IV-B4.

<sup>20</sup> *Id.* Section IV-B2.

<sup>21</sup> *Id.* Section IV-B2c.

propose initiatives for mitigating risk.<sup>22</sup> GRS also agrees to conduct safety culture assessments no less frequently than every two years, to help identify strengths, weaknesses and areas for growth and report results of the assessments to the Commission's Energy Division and OSA.<sup>23</sup>

#### **4. Settlement Standard of Review**

The requirements for approval of a settlement are set forth in Rule 12.1(a).<sup>24</sup> The Commission will only approve a proposed settlement if we find that the settlement satisfies Rule 12.1(d), which requires a settlement to be "reasonable in light of the whole record, consistent with law, and in the public interest." The Commission will not approve settlements, whether contested or uncontested, unless the settlement satisfies the Rule. Rule 12.5 limits the applicability of a settlement.<sup>25</sup>

As discussed below, this settlement satisfies Rule 12.1.

##### **4.1. The Settlement Meets the Standard of Review for Settlement**

To determine whether a settlement meets the standard of review in Rule 12.1, the Commission must be convinced that the parties had a sound and thorough understanding of the application and of the record supporting the application. The record in this proceeding consists of the Application with attached exhibits, the proposed settlement and the motion for its adoption. The

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<sup>22</sup> *Id.* Section IV-B2a.

<sup>23</sup> *Id.* Section IV-B3.

<sup>24</sup> All subsequent Rules refer to the Commission's Rules of Practice and Procedure.

<sup>25</sup> Rule 12.5 "Commission adoption of a settlement is binding on all parties to the proceeding in which the settlement is proposed. Unless the Commission expressly provides otherwise, such adoption does not constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding."

settlement resolves the concerns that OSA raised in its protest, addresses the issues within the scoping memorandum and provides sufficient information to permit the Commission to discharge its regulatory obligations.

The settlement overall is reasonable in light of the record and serves the public interest by resolving competing concerns in a collaborative and cooperative manner. By reaching agreement, the parties also avoid the costs of further litigation.

#### **4.2. The Settlement Does Not Adversely Affect the Public Interest**

The primary standard used by the Commission to determine if a transaction should be authorized under § 854 is whether the transaction will adversely affect the public interest.<sup>26</sup> The Commission determines the applicability of § 854 on a case-by-case basis. The facts in this case involve a change in the form of ownership but no change in the actual management or control of GRS.<sup>27</sup> With respect to a gas storage utility, such as GRS, the Commission has stated that “it is prudent public policy to review and approve changes in the ownership and control of certificated natural gas storage utilities, whether those changes occur directly, or indirectly through corporate intermediaries. Such review should help to ensure the continued economic viability of such utilities and to prevent market manipulations that may affect not only their own customers but also larger ratepayer groups.”<sup>28</sup>

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<sup>26</sup> See D.07-05-031 at 3; see also D.10-10-017 at 11.

<sup>27</sup> See D.92-05-006, D.94-02-036.

<sup>28</sup> D.03-02-071 at 12-14.

The proposed reorganization will change the legal ownership and indirect control of GRS, but will not change the management of GRS or the day to day operations of GRS. GRS will also continue to be bound by all of the terms and conditions of its Certificate of Public Convenience and Necessity (CPCN).<sup>29</sup> The reorganization will not result in any changes to the Facility, which the Commission has determined to be beneficial to local economies and communities in the area of the Facility.<sup>30</sup>

Additionally, the Joint Applicants and OSA have agreed to certain additions to the day to day operations of GRS (such as implementing a Safety Council, creating a new CSAO) which will provide additional accountability for safety. These changes clearly are in the public interest.

For the foregoing reasons, we conclude that the proposed transaction will not adversely affect the public interest, and that the transfer is in the public interest.

## **5. Applicability of the California Environmental Quality Act**

The Application requests that the Commission's find that the proposed transaction is not a "project" under the California Environmental Quality Act (CEQA), or that it is exempt under the CEQA Guidelines.<sup>31</sup>

Under CEQA, the Commission is a lead agency, and must consider the environmental consequences of any project that is subject to its discretionary

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<sup>29</sup> See Application at 11 and D.09-10-035, Ordering Paragraphs 22(a)-(f).

<sup>30</sup> D.09-10-035 at 19-21, Conclusions of Law 2 and 4.

<sup>31</sup> See Application at 12-13, Section VII.

approval.<sup>32</sup> A “project” is defined as any activity which may cause a direct physical change to the environment, or a reasonably foreseeable indirect physical change to the environment.<sup>33</sup> However, even if an activity is a project under CEQA, it will be deemed exempt from CEQA if it can be seen with certainty that the project will not have a “significant” effect on the environment.<sup>34</sup>

The reorganization will not cause any physical change to GRS or the Facility. As such, it clearly is not a “project” as defined under CEQA. Accordingly, the reorganization is exempt from CEQA review.

## **6. Request for Confidential Treatment**

Pursuant to Rule 3.6(e),<sup>35</sup> each of the Joint Applicants submitted their most recent balance sheets (unaudited) and income statements (unaudited) (collectively, financials).<sup>36</sup> Concurrent with the filing of the Application, Applicants filed a motion requesting leave to file under seal the financials for

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<sup>32</sup> Public Resources Code § 21080.

<sup>33</sup> *Id.* § 21065.

<sup>34</sup> CEQA Guidelines, 14 CCR § 15061(b)(3).

<sup>35</sup> Rule 3.6(e) requires applications for a transfer of control to include a balance sheet as of the latest available date, together with an income statement covering the period from the close of the last year for which an annual report has been filed with the Commission to the date of the balance sheet attached to the application.

<sup>36</sup> The financials attached to the Application for which confidential treatment are requested are: Exhibit A - “Gill Ranch Storage, LLC Condensed Balance Sheet (Unaudited) September, 2016” and “Gill Ranch Storage, LLC Condensed Income Statement Six Months Ended September, 2016 (Unaudited);” Exhibit B - “NW Natural Energy, LLC Condensed Balance Sheet (Unaudited) dated September, 2016” and “NW Natural Energy, LLC Condensed Income Statement, Six Months Ended September, 2016 (Unaudited);” Exhibit C - “NW Natural Gas Storage, LLC Condensed Balance Sheet (Unaudited) dated September, 2016” and “NW Natural Gas Storage, LLC Condensed Income Statement, Six Months Ended September, 2016 (Unaudited).” The Application also includes as Exhibit D the unaudited financials for NW Natural. Joint Applicants do not seek protection of Exhibit D.

GRS, NW Natural Energy and NW Natural Gas Storage (Motion).<sup>37</sup> The Motion includes a proposed ruling that would place the Financials for NW Natural Energy, NW Natural Gas Storage, and GRS under seal for a period of two years, and is accompanied by the Declaration of Brody J. Wilson, Treasurer and Controller of GRS, NW Natural Energy and NW Natural Gas Storage. The Motion is unopposed.

Section 583 and General Order 66-C authorize the Commission to exclude certain information from public inspection, if revealing the reports, records or information would place the regulated company at an unfair business disadvantage. GRS, NW Natural Energy and NW Natural Gas Storage assert that releasing the financials would cause an unfair business disadvantage. They contend that the financials are trade secrets that should be protected from disclosure under the California Public Records Act and the California Evidence Code.<sup>38</sup> Under California law, trade secrets include information with independent economic value, actual or potential, because it is not generally known to the public or to other persons who could obtain economic value from its disclosure and the information is the subject of efforts to maintain its secrecy.<sup>39</sup>

In this case, absent additional concerns or protests, the public interest in protecting confidential financial information outweighs the public interest in disclosing the information. Therefore, we grant the request for confidential treatment of the financials for a period of two years from the effective date of this

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<sup>37</sup> See Joint Applicant's Motion for Leave to File Confidential Materials Under Seal dated February 10, 2017.

<sup>38</sup> Government Code, § 6254(k); Evidence Code, § 1060 (trade secret privilege).

<sup>39</sup> Civil Code, § 3426.1(d).

decision. During that period, the information must not be made accessible or disclosed to anyone other than the Commission staff except on the further order or ruling of the Commission, the assigned Commissioner, the assigned ALJ, or the ALJ then designated as Law and Motion Judge.

If Joint Applicants believe that further protection of the information kept under seal is needed, they may file a motion stating the justification for further withholding of the information from public inspection, or for such other relief as the Commission rules may then provide. This motion must be filed no later than one month before the expiration date.

#### **7. Comments on Draft Decision**

The Joint Parties and OSA resolved OSA's Protest and filed a Motion for Approval of Settlement on November 2, 2017. This proposed decision grants their joint Motion for Approval of Settlement. Therefore, this is now an uncontested matter in which the proposed decision grants the relief requested. Accordingly, pursuant to § 311(g)(2) and Rule 14.6(c)(2), the otherwise applicable 30-day period for public review and comment is waived.

#### **8. Categorization and Need for Hearings**

In Resolution ALJ 176-3393 dated March 2, 2017, the Commission preliminarily categorized the Application as ratesetting, and preliminarily determined that hearings were necessary. No protests have been received and there is no apparent reason why the Application should not be granted. Given these circumstances, this decision revises the Commission's preliminary determination on the need for hearings. EHs are not needed in this proceeding.

#### **9. Assignment of Proceeding**

Clifford Rechtschaffen is the assigned Commissioner and Patricia Miles is the assigned ALJ in this proceeding.

## **Findings of Fact**

1. GRS, NW Natural, NW Natural Energy, and NW Natural Gas Storage (collectively the “Joint Applicants”) filed A.17-02-003 to seek Commission authorization under Pub. Util. Code § 854(a), to reorganize NW Natural to form a HoldCo structure, under which a newly formed company, Holdco, would assume legal ownership of NW Natural and NW Natural Energy.

2. NW Natural is an Oregon corporation subject to the jurisdiction of the Oregon Public Utility Commission and the Washington Utilities and Transportation Commission.

3. NW Natural formed NW Natural Energy as a wholly owned subsidiary on May 26, 2009.

4. NW Natural formed NW Natural Gas Storage as a wholly owned subsidiary of NW Natural Energy on July 31, 2009.

5. GRS is a wholly owned subsidiary of NW Natural Gas Storage.

6. GRS is an Oregon limited liability company formed in 2007, and a regulated utility holding a CPCN in California.

7. The reorganization will result in HoldCo indirectly owning GRS.

8. The reorganization will change the legal ownership, but not officers or day-to-day operation of GRS.

9. The reorganization will not cause any physical change to GRS or the Facility and it can be seen with certainty that there is no possibility that the reorganization will have a significant effect on the environment.

10. OSA filed a Protest on March 15, 2017, indicating that the Application failed to address relevant safety considerations as required under Commission Rules, and expressing concern that the reorganization could affect GRS’ ability to



safely operate and maintain the Facility and impede GRS' ability to respond to sudden or unexpected safety issues.

11. The Joint Applicants and OSA filed a Motion for Approval of Settlement on November 2, 2017, which resolved the issues raised in OSA's Protest.

12. In the Settlement Agreement, the parties agree that all served testimony should be admitted into evidence without cross-examination.

13. The record for approval of the settlement is comprised of the Application with attached exhibits, served testimony, the Motion for Approval of Settlement and the Settlement Agreement and its attachments.

14. The parties to the Settlement Agreement have a sound and thorough understanding of the issues.

15. The Settlement Agreement requires GRS to designate a Chief Safety Accountability Officer within 60 days of the Commission's approval.

16. The Settlement Agreement provides that GRS must, within 120 days of the reorganization, expand its Pipeline Safety Management System to create a comprehensive safety management system and to report to the Commission about safety measures annually.

17. The Settlement Agreement requires GRS to create a Safety Council to propose initiatives for mitigating risk and to conduct safety culture assessments no less frequently than every two years.

18. The Joint Applicants filed a February 10, 2017 motion requesting that financials that were submitted with the Application as Exhibits A-C, be given confidential treatment and sealed.

### **Conclusions of Law**

1. The reorganization is not a "project" as defined under CEQA, and is exempt from CEQA review, pursuant to CEQA Guidelines § 15061(b)(3).

2. The reorganization is not adverse to the public interest.

3. The proposed Settlement Agreement addresses the issues raised in OSA's protest, is reasonable in light of the record, consistent with the law and in the public interest.

4. The November 2, 2017 Joint Motion for Approval of the Settlement should be granted and the parties' Settlement Agreement should be adopted.

5. The disclosure of the financials in the exhibits to the Application would place the Joint Applicants at an unfair business disadvantage, therefore, the Joint Applicant's Motion for Leave to File Under Seal Exhibits A-C to the Application which requests confidential treatment of the financials should be granted for two years. During that period, the information should not be made accessible or disclosed to anyone other than the Commission staff except on the further order or ruling of the Commission, the assigned Commissioner, the assigned ALJ, or the ALJ then designated as Law and Motion Judge.

6. This is an uncontested matter in which the decision grants the relief requested, and therefore, the otherwise applicable 30-day period for public review should be waived, pursuant to § 311(g)(2).

7. This decision should be effective immediately.

8. This proceeding should be closed.

**O R D E R**

**IT IS ORDERED** that:

1. The joint Motion of Gill Ranch Storage, LLC (U914G), Northwest Natural Gas Company, NW Natural Energy, LLC, NW Natural Gas Storage, LLC and the Office of the Safety Advocate for Approval of Settlement Agreement dated November 2, 2017 is approved.

2. Pursuant to Pub. Util. Code § 854, the joint Application of Gill Ranch Storage, LLC (U914G), Northwest Natural Gas Company, NW Natural Energy, LLC, and NW Natural Gas Storage, LLC for authorization to change legal ownership and control of Gill Ranch Storage, LLC through a corporate reorganization is approved, subject to the provisions of the Settlement Agreement between Gill Ranch Storage, LLC, Northwest Natural Gas Company, NW Natural Energy, LLC, NW Natural Gas Storage, LLC and the Office of the Safety Advocate.

3. The February 2, 2017 Joint Motion of Gill Ranch Storage, LLC, NW Natural Energy, LLC, and NW Natural Gas Storage, LLC, for Leave to File Confidential Materials under Seal is granted. All sealed information must remain sealed for a period of two years after the effective date of this order. After two years, all such information will be made public. If Gill Ranch Storage, LLC, NW Natural Energy, LLC, or NW Natural Gas Storage, LLC believes that further protection of the information kept under seal is needed beyond two years, it may file a motion stating the justification for further withholding of the information from public inspection, or for such other relief as the Commission rules may then provide. This motion must be filed no later than 30 days before the expiration of the two-year period granted by this order.

4. Gill Ranch Storage, LLC, Northwest Natural Gas Company, NW Natural Energy, LLC, and NW Natural Gas Storage, LLC must notify the Director of the Commission's Energy Division in writing of the corporate reorganization through change of legal ownership and transfer of control of Gill Ranch Storage, LLC as authorized herein, within ten days of consummation of the transaction. A true copy of the instrument(s) of transfer must be attached to the notification.

5. The authority granted by this decision will expire if not exercised within 12 months after the effective date of this order.

6. Evidentiary hearings are not needed in this proceeding.

7. Application 17-02-003 is closed.

This order is effective today.

Dated May 10, 2018, at Fontana, California.

MICHAEL PICKER

President

CARLA J. PETERMAN

LIANE M. RANDOLPH

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

Commissioners