



**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

Application 09-08-008  
(Filed August 19, 2009)

**JOINT MOTION OF CENTRAL VALLEY GAS STORAGE, LLC,  
THE DIVISION OF RATEPAYER ADVOCATES, LODI GAS  
STORAGE, L.L.C., AND PACIFIC GAS AND ELECTRIC COMPANY  
FOR APPROVAL OF SETTLEMENT AGREEMENT**

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March 24, 2010

**BEFORE THE PUBLIC UTILITIES COMMISSION  
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FOR APPROVAL OF SETTLEMENT AGREEMENT**

Pursuant to Rule 12.1 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), Central Valley Gas Storage, LLC (“Central Valley”), the Division of Ratepayer Advocates (“DRA”), Lodi Gas Storage, L.L.C. (“LGS”), and Pacific Gas and Electric Company (“PG&E”) (collectively, “Settling Parties”) request Commission approval of the Settlement Agreement attached hereto as Exhibit A.<sup>1</sup> The Settlement Agreement contains conditions which the Settling Parties agree should be included, without modification, by the Commission as Ordering Paragraphs (“Conditions”) in any decision the Commission issues granting Application (“A.”) 09-08-008 (“Application”). Pursuant to Rule 11.6 of the Commission’s Rules of Practice and Procedure, Central Valley is filing this Joint Motion and the attached Settlement Agreement one week out of time with the permission of the assigned Administrative Law Judge Kenney as set forth in an e-mail to all parties to this proceeding, dated Monday, March 22, 2010.

The Settlement Agreement further notes that Commission approval of the Settlement Agreement and incorporation of the Conditions in a Commission decision granting the Application will resolve all issues raised in DRA’s, LGS’ and PG&E’s Limited Protest, Motion, Response and Prehearing Conference (“PHC”) Statements, thereby eliminating the need for further discovery, prepared testimony, or evidentiary hearings regarding those issues. For the reasons stated herein, the Settling Parties believe that the Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest, as required by Rule 12.1(d). To that end, this Joint Motion contains statements of fact and law sufficient to advise the Commission of the scope of the Settlement Agreement and of the grounds on which its adoption and implementation by inclusion of

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<sup>1</sup> The Settling Parties submit this motion jointly, but pursuant to Commission Rule 1.8(d), only Central Valley’s

the Conditions without modification is urged.

## **I. BACKGROUND AND PROCEDURAL HISTORY**

On August 19, 2009, Central Valley filed an application for a certificate of public convenience and necessity (“CPCN”) authorizing the construction and operation of an underground natural gas storage facility in Colusa County, California (the “Project”).

On September 18, 2009, PG&E filed a Response to the Application arguing that all costs associated with the Project should be borne by Central Valley and its customers, including PG&E’s related costs and that PG&E’s Line 172 has limited capacity for the injection of cushion gas.

On September 21, 2009, DRA filed a Limited Protest to the Application requesting that Central Valley file certain annual reports detailing storage operations. DRA did not object to the issuance of the requested CPCN if the reporting requirements were met.

On September 21, 2009, LGS filed a Motion requesting that Central Valley be subject to the same affiliate restrictions and reporting requirements as have been imposed on LGS.

On October 1, 2009, Central Valley filed a Response to LGS’ Motion agreeing to voluntarily provide the Commission with reports similar to those required of Wild Goose Storage, LLC in D.02-07-036 and LGS in D.03-02-071 and D.06-03-012.

On October 1, 2009, Central Valley also filed a Reply to the Limited Protest of DRA agreeing to provide reports as requested by DRA to the extent such reports do not go beyond those that have been required of other similarly situated storage providers and subject to clarification of the reporting requirements from DRA. In its Reply, Central Valley also addressed concerns raised by PG&E confirming that its customers and shareholders alone will bear the cost of Central Valley’s storage facility, including the cost of any interconnection and metering facilities with PG&E and acknowledging its understanding that PG&E Line 172 has limited capacity for the injection of cushion gas and agreeing to work with PG&E to address this issue without interfering with service to PG&E’s end use customers.

On January 15, 2010, the Administrative Law Judge (“ALJ”) issued a “Ruling Setting a Prehearing Conference (“PHC”), Requiring Written PHC Statements, and Instructing Staff to Report on the Environmental Review” directing parties to file PHC Statements on or before February 5, 2010:

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counsel has signed it.

(1) identifying which issues should be decided in this proceeding, (2) which issues should be excluded from this proceeding, and (3) submitting a schedule that results in a proposed decision being ready for the last Commission meeting in May 2010.

On February 5, 2010, parties filed PHC Statements. On February 10, 2010, a PHC was held at the Commission during which parties to the proceeding responded to questions regarding the remaining CPCN-related issues, the potential for resolving such issues through settlement or other agreement, and other issues relating to the Application.

On March 5, 2010, the Assigned Commissioner issued the Assigned Commissioner's Ruling and Scoping Memo stating that there was agreement among the parties at the PHC that hearings are not needed pending final decision on this issue by the Commission and directing Central Valley to file and serve a Joint Stipulation to address any issue within the scope of the proceeding, if any, between Central Valley and other parties by March 17, 2010.

On March 17, 2010, Central Valley filed a Motion to Modify Procedural Schedule stating that the Settling Parties have come to an Agreement in Principle with respect to all issues raised by DRA, LGS and PG&E in this proceeding, but requesting until March 24 to file a final a Joint Stipulation.

Since the PHC, the Settling Parties have engaged in further negotiations and arrived at the agreed-upon Conditions and related terms as set forth in the attached Settlement Agreement.

## **II. WAIVER OF RULE 12.1(B)**

Pursuant to Rule 1.2, Central Valley hereby requests a waiver from the requirements of Rule 12.1(b) of the Commission's Rules of Practice and Procedure in connection with the Settlement. Rule 12.1(b) requires that parties convene at least one settlement conference, after providing seven days' advance notice of the conference to all parties. Since the PHC, Central Valley has negotiated with all parties to the proceeding to resolve contested issues. Central Valley was able to reach resolution on all issues with the Settling Parties. On March 17, 2009, Central Valley included the Conditions, with the exception of Condition 3(e), as Exhibit A to its Motion filed with the Commission. On March 18, 2009, Central Valley held a conference call in which all parties to this proceeding were invited to participate and Central Valley discussed its intent to file the Conditions as part of a Settlement Agreement on March 24, 2010. No party expressed objections to the Conditions proposed by Central Valley in its Motion dated March 17, 2010. It is unlikely that any other parties will attend a settlement conference on the issues covered by the Settlement Agreement. The parties interested in

the issues raised by DRA, LGS and PG&E were invited to participate in the settlement discussions and it is unlikely that any other parties will attend a settlement conference on the issues covered by the Settlement Agreement. Central Valley submits that requiring notice and a settlement conference would be an inefficient use of resources.

### **III. DESCRIPTION OF THE SETTLEMENT AGREEMENT**

The Settlement Agreement sets forth the Settling Parties' agreement and, if adopted by the Commission and implemented by inclusion of the Conditions, without modification, in the decision granting the Application, will resolve all of the issues raised by DRA, LGS and PG&E in their Limited Protest, Motion, Response and PHC Statements to the Application. The Settlement Agreement provides that:

- (1) The Settling Parties will seek Commission approval of the Settlement Agreement and inclusion of the Conditions, as set forth in the Settlement Agreement without modification, in the Commission decision granting the Application and shall in good faith cooperate in any advocacy efforts in support of the Settlement Agreement and the inclusion of the Conditions without modification in the final decision in this proceeding. The Settling Parties agree to support Central Valley in its pleadings to the Commission and to be additional signatories to joint pleadings consistent with the Settlement Agreement but, DRA, LGS and PG&E are not obligated to make independent filings in this proceeding with respect to issues in the Settlement Agreement;
- (2) Commission approval of the Settlement Agreement, including implementation by inclusion of the Conditions without modification in the Commission decision granting the Application, will resolve all of the issues raised in this proceeding by DRA, LGS and PG&E in their Limited Protest, Motion, Response and PHC Statements, and DRA, LGS and PG&E will not pursue these issues any further in this proceeding;
- (3) Central Valley shall abide by the Conditions once such Conditions are included as part of the Commission decision granting the Application;
- (4) Upon issuance of a Commission decision adopting the Conditions without modification, the Conditions may only be modified, revised, or eliminated by the Commission in a decision issued in response to a formal petition to the Commission, which petition shall be served on all of the parties to this proceeding, including DRA, LGS and PG&E. Any such petition shall state with specificity the need and basis for any proposed modification, revision, or elimination of any Condition or Conditions;

(5) Upon issuance of a Commission decision adopting the Conditions, the Conditions may only be enforced by the Commission on its own investigation or pursuant to a formal or informal complaint by any of the Settling Parties. The Settlement Agreement does not create any contractual or other rights in the Settling Parties to enforce such Conditions in any forum other than the Commission; and

(6) The Conditions included in the Settlement Agreement are the result of extensive negotiations between the Settling Parties and reflect carefully considered compromises on issues important to the Settling Parties. The Settling Parties request that these Conditions be included without modification as Ordering Paragraphs in the decision granting the Application. In the event that the Conditions are not adopted as set forth in the Settlement Agreement (other than changes which do not expand, narrow, or otherwise alter the substance of the Condition or Conditions) in a Proposed Decision or the Final Commission Decision granting the Application, any Settling Party may terminate this Settlement Agreement and may take any lawful steps to challenge the Proposed Decision, the Final Decision, or the Application. Prior to termination of the Settlement Agreement, but within three business days of issuance of a Proposed Decision or a Final Decision, the Settling Parties agree to meet and confer in good faith to consider options other than termination of the Settlement Agreement, including, but not limited to, the submission of a modified Settlement Agreement, joint *ex parte* discussions, or joint comments on a Proposed Decision. In addition, if the Commission rejects the Settlement Agreement in its entirety, the Settling Parties may pursue all rights under Commission Rule 12.4 and applicable law.

#### **IV. THE COMMISSION SHOULD APPROVE THE SETTLEMENT AND ADOPT THE CONDITIONS CONTAINED THEREIN WITHOUT MODIFICATION IN THE DECISION APPROVING THE APPLICATION**

Rule 12.1(d) of the Commission's Rules of Practice and Procedure states:

The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

As set forth herein, the Settlement Agreement (and implementation thereof by the inclusion of the Conditions agreed to therein without modification as Ordering Paragraphs in the Commission decision granting the Application) reflects an uncontested agreement which resolves the issues raised by DRA, LGS and PG&E, is reasonable and based on the record in the proceeding, is consistent with law, and is in the public interest.

**A. The Settlement Agreement and the Conditions Contained Therein are Reasonable and Based on the Record.**

In prior Commission decisions, the Commission discussed the various factors that might be balanced in determining whether a proposed settlement is reasonable. Those factors include whether the settlement reflects the relative risks and costs of litigation, whether the settlement fairly and reasonably resolves the disputed issues and conserves public and private resources, whether the agreed-upon settlement terms fall within the range of possible outcomes if the parties had continued to litigate their dispute and whether the settlement negotiations were at arm's length and without collusion, whether parties were adequately represented, and how far the proceedings had progressed when the parties settled. (*See, e.g., Application of PG&E for Authorization to Establish a Rate Adjustment Procedure for Its Diablo Canyon Nuclear Power Plant, etc.*, D.88-12-083, 30 CPUC2d 189, 221-223; and *Application of Southern California Edison for Order Approving Settlement Agreement Between Del Ranch, L.P. and Elmore, L.P.*, D.00-05-046, 6 CPUC3d 201, 202-03).

The Settlement Agreement, including the Conditions and other terms contained therein, meets these standards:

(1) The Settlement Agreement is a reasonable compromise of strongly held views of the various Settling Parties, and the compromise reached in the Settlement Agreement falls well within the range of possible outcomes of litigation.

(2) Approval of the Settlement Agreement represents a significant benefit to the Commission and the Settling Parties by eliminating the effort and substantial costs required to litigate disputed issues. Commission approval of the Settlement Agreement will provide speedy and complete resolution of contested issues between each of Central Valley, on the one hand, and DRA, LGS and PG&E on the other, and will facilitate prompt approval of the Application.

(3) Counsel for the Settling Parties are experienced in public utility litigation. The Settlement Agreement and the Conditions contained therein resulted from comprehensive arms-length settlement negotiations. The Settling Parties recognized that the Commission could have resolved the issues raised in the Limited Protest, Motion, Response and PHC Statements of DRA, LGS and PG&E in favor of either Central Valley, DRA, LGS, and/or PG&E. Accordingly, the Settling Parties themselves have balanced a variety of issues of importance to them and have agreed to the Conditions and other terms of the Settlement Agreement as a reasonable means by which to resolve all of the issues raised in the Limited Protest, Motion, Response and PHC Statements of DRA, LGS and PG&E

to the Application.

(4) The Settlement Agreement is uncontested. The absence of adverse reaction from all other parties favors approval.<sup>2</sup>

(5) The Settlement Agreement is a negotiated compromise that involves trade-offs that the Settlement Parties deem to be sufficient to resolve for purposes of this proceeding with respect to all issues within the scope of DRA's, LGS' and PG& E's Limited Protest, Motion, Response and PHC Statements to the Application and allows the Commission to reach a timely decision on the Application.

For all of these reasons, the Settling Parties strongly believe that the Settlement Agreement is reasonable in light of the whole record and that the agreed-upon Conditions should be included without modification as Ordering Paragraphs in the final Commission decision granting the Application.

**B. The Settlement Agreement and the Conditions are Consistent with Law.**

The Settling Parties are aware of no statutory provision or prior Commission decision that would be contravened or compromised by the Settlement Agreement or by the inclusion of the Conditions contained therein in the Commission decision granting the Application. In fact, the language in the Condition imposing reporting requirements on Central Valley is consistent with reporting requirements the Commission has in prior decisions imposed on other independent storage providers.

**C. The Settlement Agreement and the Conditions are in the Public Interest.**

There is a strong public policy favoring the settlement of disputes to avoid costly and protracted litigation. (*See, e.g.*, D.88-12-083, 30 CPUC2d 189, 221.) This Settlement Agreement serves the public interest by resolving competing concerns in a collaborative and cooperative manner. The Settlement Agreement achieves a reasonable outcome, within the range of possible outcomes, thereby avoiding the need for further commitment of scarce time and resources. The Settling Parties have shared information, and held several comprehensive settlement discussions that allowed the parties to develop fair and reasonable terms of the Settlement Agreement. It is appropriate for the

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<sup>2</sup> Under the Settlement Agreement, DRA, LGS and PG&E are not withdrawing their Limited Protest, Motion and Response to the Application; however, they have agreed to deem Commission adoption of this Settlement Agreement and the inclusion of the Conditions included therein without modification in the Commission decision granting the Application as full resolution of their Limited Protest, Motion and Response for purposes of this proceeding.

Commission to approve the Settlement Agreement and implement it by inclusion of the negotiated Conditions without modification in the Commission decision granting the Application.

The Settling Parties acknowledge that the Commission has held that settlements submitted for review and approval are not simply the resolution of private disputes like those heard in civil court. The public interest and the interests of ratepayers must be considered, and it is the Commission's duty to protect those interests. In this case, the Settling Parties agree that the Settlement Agreement and the Conditions further the public interest and the interests of ratepayers. Central Valley believes that the Settlement Agreement is in the public interest because it allows for the Application to be approved without delay and for the Project to be built in a timely manner in order to deliver gas storage services to customers in California. DRA believes that the Settlement Agreement is in the public interest because it provides DRA with access to information about the operation and ownership of the Project and about relevant developments in the marketplace. LGS believes the Settlement Agreement is in the public interest because the restrictions and reporting requirements to be applied to Central Valley are similar to those recently imposed on other independent gas storage providers. PG&E believes that the Settlement Agreement is in the public interest because Central Valley's customers and shareholders alone will bear the cost of Central Valley's storage facility and the Project will not impact PG&E's end use costumers.

## **V. CONCLUSION AND REQUESTED COMMISSION ACTION**

The Settling Parties believe that the Settlement Agreement is: (1) reasonable in light of the record; (2) consistent with the law and Commission precedent; (3) in the public interest; and (4) a mutually acceptable resolution of issues raised in a pending proceeding, which avoids the time, expense, and uncertainty of litigating the issues raised by DRA, LGS and PG&E in this proceeding. The Settlement Agreement meets the Commission's standards for approval of settlements and should be approved, and the Commission should include the Conditions set forth in the Settlement Agreement, without modification, in the Commission decision granting the Application.

Wherefore, the Settling Parties respectfully request that the Commission:

- 1) Expediently approve the Settlement Agreement in its entirety, without modification, as reasonable in light of the whole record, consistent with law, and in the public interest;
- 2) Implement the Settlement Agreement by including the Conditions, without modification, as set forth in the Settlement Agreement in the Commission decision granting the Application;

and

- 3) Grant such other relief as the Commission finds just and reasonable.

DATED: March 24, 2010

/s/ Christopher A. Schindler

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## **EXHIBIT A**

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**SETTLEMENT AGREEMENT**

**I. INTRODUCTION**

Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), Central Valley Gas Storage, LLC (“Central Valley”), the Division of Ratepayer Advocates (“DRA”), Lodi Gas Storage, L.L.C. (“LGS”), and Pacific Gas and Electric Company (“PG&E”) (collectively, “Settling Parties” and, individually, “Settling Party”) by and through their undersigned representatives, enter into this Settlement Agreement resolving all issues raised by DRA, LGS and PG&E in Limited Protest, Motion, Response and Prehearing Conference (“PHC”) Statements filed in Application (“A.”) 09-08-008 (the “Application”). As a compromise among their respective litigation positions regarding the Application, the Settling Parties agree to and support all of the terms of this Settlement Agreement, including the conditions which the Settling Parties agree should be included, without modification, by the Commission as Ordering Paragraphs (“Conditions”) in any decision the Commission issues granting the Application.

**II. RECITALS**

**A. WHEREAS**, on August 19, 2009, Central Valley filed an application for a certificate of public convenience and necessity (“CPCN”) authorizing the construction and operation of an underground natural gas storage facility in Colusa County, California (the “Project”).

**B. WHEREAS**, on September 18, 2009, PG&E filed a Response to the Application arguing that all costs associated with the Project should be borne by Central Valley and its customers, including PG&E’s related costs and that PG&E’s Line 172 has limited capacity for the injection of cushion gas.

**C. WHEREAS**, on September 21, 2009, DRA filed a Limited Protest to the Application requesting that Central Valley file certain annual reports detailing storage operations. DRA did not object to the issuance of the requested CPCN if the reporting requirements were met.

**D. WHEREAS**, on September 21, 2009, LGS filed a Motion requesting that Central Valley be subject to the same affiliate restrictions and reporting requirements as have been imposed on LGS.

**E. WHEREAS**, on October 1, 2009, Central Valley filed a Response to LGS' Motion agreeing to voluntarily provide the Commission with reports similar to those required of Wild Goose Storage, LLC in D.02-07-036 and LGS in D.03-02-071 and D.06-03-012.

**F. WHEREAS**, on October 1, 2009, Central Valley also filed a Reply to the Limited Protest of DRA agreeing to provide reports as requested by DRA to the extent such reports do not go beyond those that have been required of other similarly situated storage providers and subject to clarification of the reporting requirements from DRA. In its Reply, Central Valley also addressed concerns raised by PG&E confirming that its customers and shareholders alone will bear the cost of Central Valley's storage facility, including the cost of any interconnection and metering facilities with PG&E and acknowledging its understanding that PG&E Line 172 has limited capacity for the injection of cushion gas and agreeing to work with PG&E to address this issue without interfering with service to PG&E's end use customers.

**G. WHEREAS**, on January 15, 2010, the Administrative Law Judge ("ALJ") issued a "Ruling Setting a Prehearing Conference ("PHC"), Requiring Written PHC Statements, and Instructing Staff to Report on the Environmental Review" directing parties to file PHC Statements on or before February 5, 2010: (1) identifying which issues should be decided in this proceeding, (2) which issues should be excluded from this proceeding, and (3) submitting a schedule that results in a proposed decision being ready for the last Commission meeting in May 2010.

**H. WHEREAS**, on February 5, 2010, parties filed PHC Statements. On February 10, 2010, a PHC was held at the Commission during which parties to the proceeding responded to questions regarding the remaining CPCN-related issues, the potential for resolving such issues through settlement or other agreement, and other issues relating to the Application.

**I. WHEREAS**, on March 5, 2010, the Assigned Commissioner issued the Assigned Commissioner's Ruling and Scoping Memo stating that there was agreement among the parties at the PHC that hearings are not needed pending final decision on this issue by the Commission and directing Central Valley to file and serve a Joint Stipulation to address any issue within the scope of the proceeding, if any, between Central Valley and other parties by March 17, 2010.

**J. WHEREAS**, on March 17, 2010, Central Valley filed a Motion to Modify Procedural Schedule stating that the Settling Parties have come to an Agreement in Principle with respect to all issues raised by DRA, LGS and PG&E in this proceeding but requesting until March 24 to file a final a Joint Stipulation.

**K. WHEREAS**, since the PHC, the Settling Parties have engaged in further negotiations and arrived at the agreed-upon Conditions and related terms as set forth in the attached Settlement Agreement.

**L. WHEREAS**, the Settling Parties agree that if the Commission approves the Settlement Agreement and includes the agreed-upon Conditions set forth therein without modification in the Ordering Paragraphs in the Commission decision granting the Application, then all of the outstanding issues among the Settling Parties in this proceeding will be resolved.

**THEREFORE**, in consideration of the foregoing Recitals and the mutual terms, obligations, and conditions contained in this Settlement Agreement, the Settling Parties agree as set forth herein.

### **III. AGREEMENT**

As a compromise of their respective litigation positions, and subject to the Recitals and Reservations set forth in this Settlement Agreement, the Settling Parties hereby agree to resolve all issues raised by DRA, LGS and PG&E related to the Application as follows:

**A.** The Settling Parties agree to jointly request that the Commission adopt all of the Conditions as set forth in this Settlement Agreement. The Settling Parties shall by joint motion request Commission approval of this Settlement Agreement and implementation thereof by inclusion of the Conditions, as written, as Ordering Paragraphs in the decision granting the Application. The Settling Parties have agreed to the substance and form of the pleading to be submitted to the Commission seeking approval and implementation of the Settlement Agreement

by the Commission through adoption of the agreed-upon Conditions. The Settling Parties shall file such pleading without delay after execution of the Settlement Agreement. The Settling Parties agree that the Conditions set forth herein shall apply to Central Valley, and that Central Valley shall abide by such Conditions, effective upon the Commission's granting of the Application and issuance of a Commission decision containing such Conditions.

The Conditions are as follows:

### **CONDITION 1**

1. To address concerns raised in the proceeding by PG&E relating to construction and operation of the Project and related costs, Central Valley agrees to the following:
  - a. All costs of the proposed construction and operation of the 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. Upon approval by the Commission, Central Valley will become an independent storage provider ("ISP") and a gas utility under the Commission's regulations, and will be 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 Commission 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 Commission-approved gas quality tariff, Gas Rule 21.C. ¶ 4.
  - d. Central Valley acknowledges that the temporary interconnection to PG&E's Line 172 will be disconnected from Central Valley's system when the Line 401 interconnection and compressor facilities are completed and the gas storage facility is placed into service, and that Central Valley will bear all of the costs for disconnecting Line 172 from Central Valley's system. Central Valley further acknowledges that the Line 172 interconnection is not bi-directional, and that Central Valley is prohibited from delivering gas back into Line 172. Finally, Central Valley acknowledges that Line 172 has limited operational capacity and therefore Central Valley will be required to operate its facility within the available parameters and capacity of Line 172 as determined by PG&E to ensure that PG&E's end-use customers served by Line 172 continue to receive reliable gas service.

### **CONDITION 2**

2. To address reporting concerns raised by LGS, Central Valley agrees to the following:

- a. Semi-annually, on April 30 and on October 31, Central Valley shall report to the Director of the Commission's Energy Division, with a copy to the Division of Ratepayer Advocates, the following information about transactions which are not already subject to Sections 852 and 854 of the Public Utilities Code:
  - i. the identity of any affiliate that directly or indirectly has acquired or has made an investment resulting in a controlling interest or effective control, whether direct or indirect, in an entity in California or elsewhere in Western North America that produces natural gas or provides natural gas storage, transportation or distribution services; and
  - ii. the identity of any affiliate that directly or indirectly has acquired or has made an investment resulting in a controlling interest or effective control, whether direct or indirect, in an entity in California or elsewhere in Western North America that generates electricity, or provides electric transmission or distribution services. Information reported pursuant to subsections (i) and (ii) shall include the nature (including name and location) of the asset acquired or in which the investment was made, and the amount of the acquisition or investment.

For the purposes of this Condition 2(a) above, the following definitions apply: "affiliate" means any direct or indirect parent entity of Central Valley, any entity controlled by Central Valley whether directly or indirectly, any entity under common control with Central Valley by a direct or indirect parent entity (e.g. any subsidiary of any Central Valley parent entity); and "Western North America" is defined to mean, in addition to California, the states of Oregon, Washington, Arizona, New Mexico, Texas, Nevada, Colorado, Wyoming and Utah, as well as the provinces of British Columbia and Alberta in Canada and the State of Baja California Norte in Mexico. Competitively sensitive, confidential information may be submitted under seal in accordance with General Order 66-C and Public Utilities Code section 583.

- b. Provide to the Director of the Commission's Energy Division, for transactions to be completed within one year or less (short-term transactions), true copies of all service agreements for such transactions within thirty (30) days after commencement of the short-term service, to be followed by quarterly transaction summaries of specific sales. If Central Valley enters into multiple service agreements within a 30-day period, Central Valley may file these service agreements together so as to conserve the resources of both Central Valley and the Commission. The quarterly summary of transactions shall list, for all tariffed services, the purchaser, the transaction period, the type of service (e.g. firm, interruptible, balancing, etc.), the rate, the applicable volume, whether there is an affiliate relationship between Central Valley and the customer, and the total charge to the customer. Competitively sensitive, confidential information, including the short-term service agreements described herein, may be submitted under seal in accordance with General Order 66-C and Public Utilities Code section 583.

- c. Provide to the Director of the Commission's Energy Division, for transactions that will not be completed within one-year (long-term transactions), true copies of all service agreements for such transactions within thirty (30) days after commencement of the long-term service. To ensure the clear identification of filings, and in order to facilitate the orderly maintenance of the Commission's records, service agreements for long-term transactions shall not be filed with summaries of short-term transactions. Competitively sensitive, confidential information, including the long-term service agreements described herein, may be submitted under seal in accordance with General Order 66-C and Public Utilities Code section 583.

### **CONDITION 3**

3. To address reporting concerns raised by the DRA, Central Valley agrees to provide an annual report to the DRA containing the following information for the Project:
  - a. The capacity of the Project storage facilities, i.e., total inventory, injection and withdrawal rights.
  - b. A summary showing average monthly storage inventory, injections and withdrawals for the Project, which summary shall be based on the Energy Information Reports Central Valley submits to the U.S. Department of Energy.
  - c. Daily operating records, aggregated on a weekly basis, based on the Energy Information Reports submitted to the U.S. Department of Energy.
  - d. A copy of the annual safety report, including a description of all safety-related incidents that is submitted to the U.S. Department of Transportation.
  - e. A report showing aggregate firm storage capacity under contract (containing monthly and annual data) and aggregate interruptible storage capacity sold (also containing monthly and annual data).

Competitively sensitive, confidential information shall be identified by Central Valley and treated by DRA as confidential pursuant to General Order 66-C and Public Utilities Code section 583.

B. The Settling Parties agree to actively support prompt approval of the Settlement Agreement and implementation thereof by inclusion of the Conditions without modification as Ordering Paragraphs in the decision granting the Application. The Settling Parties further agree to participate jointly in teleconference briefings to Commissioners and their advisors, to the extent necessary, regarding the Settlement Agreement and the issues resolved therein. Prior to a Commission decision in this proceeding, the Settling Parties further agree that they shall not directly or indirectly advocate or otherwise seek any modification to or elimination of any or all

of the Conditions.

C. The Settling Parties agree that upon issuance of a Commission decision adopting the Conditions, the Conditions may only be modified, revised, or eliminated by the Commission in a Decision issued in response to a formal petition to the Commission, which petition shall be served on all of the parties to this proceeding, including DRA, LGS and PG&E. Any such petition shall state with specificity the need and basis for any proposed modification, revision, or elimination of any Condition or Conditions. Prior to filing any such petition, the Settling Parties agree to cooperate in good faith to try and reach agreement on any proposed modification, revision, or elimination of any Condition or Conditions and, to the extent that any Settling Party petitions to modify the Conditions, all Settling Parties reserve the right to protest any such filing.

D. The Settling Parties agree and state their intent that upon Commission approval of this Settlement Agreement and implementation thereof by inclusion of the Conditions as Ordering Paragraphs in the decision granting the Application, all of the issues raised in the Limited Protest, Motion, Response and PHC Statements of DRA, LGS and PG&E shall be deemed resolved for purposes of this proceeding and that Central Valley shall abide by such Conditions.

E. The Settling Parties agree and state their intent that upon issuance of a Commission decision adopting the Conditions without modification, the Conditions may only be enforced by the Commission on its own investigation or pursuant to a formal or informal complaint by any of the Settling Parties, and that this Settlement Agreement does not create any contractual or other rights in the Settling Parties to enforce such Conditions in any forum other than the Commission.

#### **IV. RESERVATIONS.**

A. This Settlement Agreement embodies the entire understanding and agreement of the Settling Parties with respect to the matters described herein, and supersedes and cancels any and all prior oral or written agreements, principles, negotiations, statements, representations, or understandings among the Settling Parties.

B. Except as provided in Section III.C., above regarding the Conditions, this Settlement Agreement may be amended or changed only by a written agreement signed by the

Settling Parties.

C. The Settling Parties have bargained earnestly and in good faith to achieve this Settlement Agreement. The Conditions included in the Settlement Agreement are the result of comprehensive negotiations between the Settling Parties and reflect carefully considered compromises on important issues to the parties. The Settling Parties therefore agree that, if the Commission does not adopt the Conditions set forth above (other than changes which do not expand, narrow, or otherwise alter the substance of the Condition or Conditions) in a Proposed Decision or the Final Commission Decision granting the Application, any Settling Party may terminate this Settlement Agreement and may take any lawful steps to challenge the Proposed Decision, the Final Decision, or the Application. Prior to termination of the Settlement Agreement, but within three business days of issuance of a Proposed Decision or a Final Decision, the Settling Parties agree to meet and confer in good faith to consider options other than termination of the Settlement Agreement, including, but not limited to, the submission of a modified Settlement Agreement, joint *ex parte* discussions, or joint comments on a Proposed Decision. In addition, if the Commission rejects the Settlement Agreement in its entirety, the Settling Parties may pursue all rights under Commission Rule 12.4 and applicable law.

D. Each of the Settling Parties and their respective counsel has contributed to the preparation of this Settlement. Accordingly, the Settling Parties agree that no provision of this Settlement Agreement shall be construed against any Settling Party because that party or its counsel drafted the provision.

E. This Settlement Agreement shall become effective among the Settling Parties on the date the last Settling Party executes the Settlement Agreement as indicated below, provided however, that the Conditions shall only be effective upon the effective date of a Commission decision granting the Application and adopting the Conditions.

F. The Settlement Agreement may be executed in counterparts, all of which shall be one instrument and all of which shall be considered duplicate originals.

G. By signing below, each signatory for a Settling Party represents and warrants that he/she is authorized to sign this Settlement Agreement on such entity's behalf and to thereby bind such entity to the terms of this Settlement Agreement.

[SIGNATURE PAGE FOLLOWS]

In witness whereof, intending to be legally bound, the Settling Parties hereto have duly executed this Settlement Agreement on behalf of the parties they represent.

CENTRAL VALLEY GAS STORAGE, LLC

By: Steve Cittadine  
Name: Steve Cittadine  
Title: President

DIVISION OF RATEPAYER ADVOCATES

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

LODI GAS STORAGE, L.L.C.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

PACIFIC GAS AND ELECTRIC COMPANY

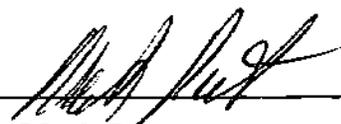
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

In witness whereof, intending to be legally bound, the Settling Parties hereto have duly executed this Settlement Agreement on behalf of the parties they represent.

CENTRAL VALLEY GAS STORAGE, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

DIVISION OF RATEPAYER ADVOCATES

By:  \_\_\_\_\_  
Name: **Mark Pocta** \_\_\_\_\_  
Title: **DRA Program Manager** \_\_\_\_\_

LODI GAS STORAGE, L.L.C.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

PACIFIC GAS AND ELECTRIC COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

In witness whereof, intending to be legally bound, the Settling Parties hereto have duly executed this Settlement Agreement on behalf of the parties they represent.

CENTRAL VALLEY GAS STORAGE, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

DIVISION OF RATEPAYER ADVOCATES

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

LODI GAS STORAGE, L.L.C.

By:  \_\_\_\_\_

Name: Peter G Esposito

Title: Attorney for Lodi Gas Storage, L.L.C.

PACIFIC GAS AND ELECTRIC COMPANY

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

In witness whereof, intending to be legally bound, the Settling Parties hereto have duly executed this Settlement Agreement on behalf of the parties they represent.

CENTRAL VALLEY GAS STORAGE, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

DIVISION OF RATEPAYER ADVOCATES

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

LODI GAS STORAGE, L.L.C.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

PACIFIC GAS AND ELECTRIC COMPANY

By:  \_\_\_\_\_

Name: Keith T. Sampson

Title: Attorney

CERTIFICATE OF SERVICE

I, Christopher A. Schindler, hereby certify that I served a copy of the JOINT MOTION OF CENTRAL VALLEY GAS STORAGE, LLC THE DIVISION OF RATEPAYER ADVOCATES, LODI GAS STORAGE, L.L.C., AND PACIFIC GAS AND ELECTRIC COMPANY FOR APPROVAL OF SETTLEMENT AGREEMENT on March 24, 2010, on all known parties to Service List(s) for A.09-08-008 via electronic mail to those whose addresses are available and via U.S. mail to those who do not have an electronic address as follows:

Service Via Electronic Mail:

CHRISTOPHER A.	SCHINDLER	CASchindler@hhlaw.com
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Rashid A.	Rashid	rhd@cpuc.ca.gov
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Richard A.	Myers	ram@cpuc.ca.gov
Robert M.	Poeta	rmp@cpuc.ca.gov
Timothy	Kenney	tim@cpuc.ca.gov

Service Via First-Class Mail:

Copies were also sent by first-class mail with postage prepaid to Commissioner Dian M. Grueneich and Administrative Law Judge Timothy Kenney as follows:

Commissioner Dian M. Grueneich  
California Public Utilities Commission  
505 Van Ness Avenue

San Francisco, CA 94102

Administrative Law Judge Timothy Kenney  
California Public Utilities Commission  
505 Van Ness Avenue, Room 5015  
San Francisco, CA 94102-3214  
(415) 703-1626  
tim@cpuc.ca.gov

I declare under penalty of perjury under the laws of the District of Columbia that the above is true and correct.

Executed on this 24th day of March, 2010, at Washington, D.C.

/s/Christopher A. Schindler

Christopher A. Schindler  
Hogan & Hartson LLP  
555 Thirteenth Street, N.W.  
Washington, DC 20004  
Telephone: (202) 637-5723  
Facsimile: (202) 637-5910  
E-mail: CASchindler@hhlaw.com