

Decision 11-01-040 January 27, 2011

**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 Transfer of Legal Ownership and Control of Gill Ranch Storage, LLC Through a Corporate Restructuring. (U914G)

Application 10-08-010  
(Filed August 13, 2010)

**DECISION ADDRESSING JOINT APPLICATION OF GILL RANCH STORAGE, LLC, NORTHWEST NATURAL GAS COMPANY, NW NATURAL ENERGY, LLC, AND NW NATURAL GAS STORAGE, LLC FOR TRANSFER OF LEGAL OWNERSHIP AND CONTROL**

**Summary**

This decision grants the joint application of Gill Ranch Storage, LLC (GRS), Northwest Natural Gas Company (NW Natural), NW Natural Energy, LLC (NW Natural Energy), and NW Natural Gas Storage, LLC (NW Natural Gas Storage) for authorization to transfer legal ownership and control of GRS from NW Natural to NW Natural Energy and from NW Natural Energy to NW Natural Gas Storage. The transfer of legal ownership and control is the result of an internal corporate restructuring.

**1. Background**

Application (A.) 10-08-010 (Application) requests Commission authorization to transfer, through an internal restructuring, legal ownership and control of Gill Ranch Storage, LLC (GRS) from Northwest Natural Gas Company (NW Natural) to NW Natural Energy, LLC (NW Natural Energy), and from

NW Natural Energy to NW Natural Gas Storage, LLC (NW Natural Gas Storage), pursuant to Pub. Util. Code § 854(a).<sup>1</sup> The transfer of legal ownership and control is the result of an internal corporate restructuring.

Concurrent with the filing of the Application, GRS, NW Natural Energy, and NW Natural Gas Storage filed a motion requesting leave to file under seal financial information submitted in support of the Application.<sup>2</sup>

Notice of the Application appeared in the Commission's Daily Calendar on August 20, 2010. No protests or responses to the Application were filed.

## **2. Parties to the Transaction<sup>3</sup>**

GRS is an Oregon limited liability company formed in 2007 for the purpose of developing, owning, and operating the Gill Ranch Gas Storage Project (Project).<sup>4</sup> GRS is qualified by the California Secretary of State to do business in

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<sup>1</sup> All statutory references are to the Public Utilities Code, unless otherwise noted.

<sup>2</sup> August 13, 2010 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.

<sup>3</sup> None of the entities that are parties to the proposed transaction have gross annual California revenues exceeding \$500,000,000, and, as a result, § 854(c) does not apply to this Application.

<sup>4</sup> The Project is located at the Gill Ranch Gas Field in Madera and Fresno Counties approximately 10 miles east of Mendota and 20 miles west of Fresno. The Project 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.

California, and presently is a wholly owned subsidiary of NW Natural. Decision (D.) 09-10-035 granted GRS a certificate of public convenience and necessity (CPCN) to construct and operate the Project to provide natural gas storage services at market-based rates.

NW Natural is an Oregon corporation engaged in the business of purchasing, selling, storing, transporting, and distributing natural gas to more than 652,000 customers in Oregon and southwest Washington. NW Natural's facilities and services in Oregon and Washington are subject to the jurisdiction of the Public Utility Commission of Oregon and the Washington Utilities and Transportation Commission and, to a limited extent, to the jurisdiction of the Federal Energy Regulatory Commission (FERC).<sup>5 6</sup>

In addition to NW Natural's pipeline and distribution facilities serving core customers in Oregon and Washington, NW Natural holds contracts for transportation capacity on the Northwest Pipeline GP (Northwest Pipeline) and GTN pipelines in the Pacific Northwest to transport gas to its Oregon and

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<sup>5</sup> NW Natural's affiliate, KB Pipeline Company (KBPC), owns a small interest in the Kelso-Beaver Pipeline, a FERC-regulated interstate natural gas pipeline that runs approximately 19 miles from the interstate pipeline facilities of Northwest Pipeline in Cowlitz County, Washington, to Columbia County, Oregon. KBPC is a wholly owned subsidiary of NNG Financial Corporation. NNG Financial Corporation, an Oregon limited liability company, is a wholly owned subsidiary of NW Natural.

<sup>6</sup> NW Natural and TransCanada Corporation were the members of Palomar Gas Holdings, LLC, the parent of Palomar Gas Transmission, LLC, an Oregon limited liability company (Palomar Pipeline). NW Natural recently assigned its membership interest in Palomar Pipeline to NW Natural Energy. Palomar Pipeline has a pending proposal before the FERC to build a new interstate natural gas pipeline in Oregon to connect the Gas Transmission Northwest (GTN) pipeline system to NW Natural's local distribution system.

Washington citygates. Only Northwest Pipeline's interstate system has direct interconnections with NW Natural's local distribution systems.

NW Natural developed, owns and, since 1989, has operated the Mist Storage Facility (Mist), an underground natural gas storage facility in Columbia County, Oregon. NW Natural uses Mist primarily for its core local distribution customers but has made excess and new storage capacity available to customers in the interstate market since 2001, pursuant to a limited jurisdiction blanket certificate issued by FERC. The Mist facility connects only to NW Natural's local distribution system in Oregon, which in turn has direct connections only with Northwest Pipeline and the Kelso-Beaver Pipeline, neither of which directly serves California.

NW Natural owns two liquefied natural gas facilities in its service territory. These facilities liquefy natural gas during the summer months for storage until the peak winter heating season, and are used to serve NW Natural's core customers.

NW Natural is not authorized to and does not provide natural gas local distribution, storage, transmission, or any other services in California.

NW Natural neither directly owns nor controls natural gas transportation or storage infrastructure in or directly connected to California.

The Application states that NW Natural formed NW Natural Energy and NW Natural Gas Storage on May 26, 2009 and July 31, 2009, respectively, to segregate and account for NW Natural's regulated core gas distribution business, its regulated gas storage business, and its other investments and business activities, including NW Natural's wholly owned subsidiary NNG Financial Corporation and its equity investment in the Palomar Pipeline. NW Natural

Energy is a wholly owned subsidiary of NW Natural, and NW Natural Gas Storage is a wholly owned subsidiary of NW Natural Energy.

### **3. Proposed Transaction**

The Application states that, on February 23, 2010, the board of directors of NW Natural authorized its officers and directors, subject to advance Commission approval, to take the actions necessary to transfer 100% of NW Natural's membership interest in GRS to its wholly owned subsidiary, NW Natural Energy, and to immediately transfer this membership to NW Natural Energy's wholly owned subsidiary, NW Natural Gas Storage.

Specifically, NW Natural will contribute and dispose of its membership interest and all related rights as a member in GRS to NW Natural Energy. NW Natural Energy will immediately contribute and dispose of the same to NW Natural Gas Storage. NW Natural Gas Storage will assume the obligations of NW Natural and be admitted as a member in GRS.<sup>7</sup> Upon completion of these transactions, GRS will be wholly owned by NW Natural Gas Storage. The corporate organization structure prior to and after the proposed transactions is shown in Appendix A.

The Application states that the proposed restructuring will change the legal ownership, and the legal, but not actual, control of GRS, and no outside entity will be injected into the GRS chain of ownership. According to GRS, NW Natural, NW Natural Energy, and NW Natural Gas Storage (Applicants),

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<sup>7</sup> Exhibit K to the Application contains a copy of the Assignment of Membership Interest pursuant to which the proposed transactions will be accomplished, and Exhibit L contains organization charts showing the corporate organization structure prior to and after the proposed transactions.

this internal restructuring will allow NW Natural to more appropriately categorize and segregate business segments to facilitate the identification and consolidation of the company's non-utility business activities for reporting purposes. Applicants state that the internal restructuring will more clearly distinguish these affiliates as separate legal entities from core distribution utility services, and accommodate other non-core business opportunities that NW Natural may undertake in the future.

Upon approval of the Application and completion of the corporate restructuring, NW Natural Gas Storage will own GRS. GRS will continue to operate as an independent natural gas storage provider subject to Commission jurisdiction, GRS will continue to own a 75% interest in the Project and GRS will continue to serve as the initial operator of the Project. GRS will remain bound by the terms and conditions set forth in D.09-10-035 granting GRS' and PG&E's applications for authority to construct and operate the Project.

#### **4. Discussion**

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 and related sections is to enable the Commission, before any transfer of a public utility is consummated, to review the situation and to take such action, as a condition of the transfer, as the public interest may require.<sup>8</sup>

The primary standard used by the Commission to determine if a transaction should be authorized under § 854 is whether the transaction will

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<sup>8</sup> San Jose Water Co. (1916) 10 CRC 56.

adversely affect the public interest, although the Commission may also consider if the transaction will serve the public interest.<sup>9</sup> We conclude that the proposed transaction will not adversely affect the public interest, and that the transfer is in the public interest.

The Commission has determined the applicability of § 854 on a case-by-case basis. In certain cases, the Commission has held § 854 to be inapplicable on unique facts involving a change in the form of ownership but no change in the actual management or control of the utility.<sup>10</sup> However, in connection with gas storage utilities, the Commission states:

Generally, we think 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>11</sup>

Here, the proposed restructuring will change the legal ownership and control of GRS, but will not change the actual control of GRS. Prior to the transfer, NW Natural directly wholly owns GRS; and after the transfer, NW Natural will indirectly own GRS through NW Natural's ownership of its wholly owned subsidiaries, NW Natural Energy and NW Natural Gas Storage. However, because the change of legal control occurs indirectly through corporate

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<sup>9</sup> See D.07-05-031 at 3; see also D.10-10-017 at 11.

<sup>10</sup> See D.92-05-006, D.94-02-036.

<sup>11</sup> D.03-02-071 at 12-14.

intermediaries, Applicants have made a showing that the transfer of ownership and control is in the public interest.

The change in legal control and ownership will preserve the financial condition of GRS and the quality of service GRS will provide to California customers. In particular, there will be no change in the officers or operations of GRS, and there are no changes to the services to be provided by GRS or to the terms and conditions of service. GRS will provide storage services to the public at market-based rates, pursuant to the authority granted by D.09-10-035, and will continue to be bound by all of the terms and conditions of its CPCN.

The change in legal control and ownership will not negatively affect the continued economic viability of GRS, and will not negatively affect the market or ratepayer groups. Therefore, the change in legal ownership and control of GRS is not adverse to the public interest and should be approved.

Applicants must notify the Director of the Commission's Energy Division in writing of the transfer of control, 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. Applicability of the California Environmental Quality Act**

The Application requests that the Commission's order include a finding 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>12</sup>

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<sup>12</sup> See CEQA Guidelines § 15061(b)(3).

Pursuant to CEQA, we must consider the environmental consequences of projects that are subject to our discretionary approval.<sup>13</sup> It is possible that a change of ownership and/or control may alter an approved project, result in new projects, or change facility operations, etc., in ways that have an environmental impact. Based upon the record, the change of legal ownership and control at issue in this proceeding will have no significant effect on the environment.

The Project authorized by D.09-10-035 will continue to be developed and operated as previously authorized, all environmental mitigation measures contained in the certified mitigated negative declaration (MND) will continue to apply, and all monitoring requirements and restrictions imposed in D.09-10-035, which certified the MND, will continue.

Approval of this Application will have no significant effect on the environment because the transfer of ownership and control of GRS will preserve the status quo ante of GRS' plant, operations, and resource use. Consequently, it can be seen with certainty that there is no possibility that the transfer of ownership and control of GRS approved by this decision may have a significant effect on the environment, and, therefore, is exempt from CEQA review, pursuant to CEQA Guidelines § 15061(b)(3).

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

Pursuant to Rule 3.6(e) of the Commission's Rules of Practice and Procedure (Rules),<sup>14</sup> NW Natural, NW Natural Energy, NW Natural Gas Storage,

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<sup>13</sup> Public Resources Code § 21080.

<sup>14</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

*Footnote continued on next page*

and GRS submitted their most recent balance sheets (unaudited) and income statements (unaudited) (collectively, Financials).<sup>15</sup> Concurrent with the filing of the Application, Applicants filed a motion requesting leave to file under seal the Financials for NW Natural Energy, NW Natural Gas Storage, and GRS (Motion).<sup>16</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 C. Alex Miller, GRS Vice President, Treasurer and Director of Regulatory Affairs (Miller Declaration).

The Motion states that the Financials are confidential and their disclosure would place Applicants at an unfair business disadvantage. The Miller Declaration states that GRS, NW Natural Energy, and NW Natural Gas Storage are not publicly traded companies, that the financial condition of GRS, NW Natural Energy, and NW Natural Gas Storage is not public knowledge, and that

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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>15</sup> The Financials for GRS are attached to the Application as Exhibit G, and are entitled: "Gill Ranch Storage, LLC Condensed Balance Sheet (Unaudited) June 30, 2010" and "Gill Ranch Storage, LLC Condensed Income Statement, Six Months Ended June 30, 2010 (Unaudited)." The Financials for NW Natural Energy are attached to the Application as Exhibit H, and are entitled: "NW Natural Energy, LLC Condensed Balance Sheet (Unaudited) dated June 30, 2010" and "NW Natural Energy, LLC Condensed Income Statement, Six Months Ended June 30, 2010 (Unaudited)." The Financials for NW Natural Gas Storage are attached to the Application as Exhibit I, and are entitled: "NW Natural Gas Storage, LLC Condensed Balance Sheet (Unaudited) dated June 30, 2010" and "NW Natural Gas Storage, LLC Condensed Income Statement, Six Months Ended June 30, 2010 (Unaudited)."

<sup>16</sup> The Application also includes as Exhibit J the unaudited financial statements for NW Natural as of June 30, 2010. Applicants do not seek protection of Exhibit J.

GRS, NW Natural Energy, and NW Natural Gas Storage are not required to reveal their financial condition to the general public.

The Motion is unopposed.

The Public Records Act (PRA) requires an agency to justify withholding any record by demonstrating that the record in question is exempt under express provisions of the PRA or that on the facts of the particular case the public interest served by not disclosing the record clearly outweighs the public interest served by disclosure of the record.<sup>17</sup> Section 583 and General Order 66-C establish a framework and process for considering confidentiality requests but do not establish a confidentiality right or privilege. The requestor bears the burden of showing why protection of certain information from disclosure is appropriate.

Applicants assert that releasing the Financials would cause NW Natural Energy, NW Natural Gas Storage, and GRS to suffer an unfair business disadvantage by revealing purchasing and financing strategies, and that Applicants' competitors in the gas storage industry could use the Financials to their advantage and to the disadvantage of GRS.

In adopting the gas storage policy, D.93-02-013 determined that a competitive gas storage market would efficiently allocate gas supplies, provide access to diverse gas supplies, and lower costs through gas-on-gas competition.<sup>18</sup> As a competitive gas storage provider, GRS' shareholders are at complete risk for investments in gas storage operations.<sup>19</sup> Because the shareholders of independent gas storage providers are completely at risk for investments, the

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<sup>17</sup> Government Code § 6255(a).

<sup>18</sup> D.93-02-013, 48 CPUC2d 107, 118.

<sup>19</sup> *Ibid.*, Finding of Fact No. 43.

Commission determined that it is unnecessary to place a high regulatory burden on a new entrant.<sup>20</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 as set forth below.

We grant Applicants' request for confidential treatment of the Financials for a period of two years from the effective date of this 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 Administrative Law Judge (ALJ), or the ALJ then designated as Law and Motion Judge.

If 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**

This is an uncontested matter in which the 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.

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<sup>20</sup> D.98-06-083 re: Wild Goose.

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

In Resolution ALJ 176-3260 dated September 2, 2010, 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. Evidentiary hearings are not needed in this proceeding.

## **9. Assignment of Proceeding**

Timothy Alan Simon is the assigned Commissioner and Richard Smith is the assigned ALJ in this proceeding.

### **Findings of Fact**

1. GRS is an Oregon limited liability company formed in 2007 for the purpose of developing, owning, and operating the Project.
2. GRS is qualified to do business in California, and presently is a wholly owned subsidiary of NW Natural.
3. GRS holds a CPCN to construct and operate the Project to provide natural gas storage services within California at market-based rates.
4. NW Natural is an Oregon corporation engaged in the business of purchasing, selling, storing, transporting, and distributing natural gas to more than 652,000 customers in Oregon and southwest Washington.
5. NW Natural is not authorized to and does not provide natural gas local distribution, storage, transmission, or any other services in California.
6. NW Natural formed NW Natural Energy and NW Natural Gas Storage on May 26, 2009 and July 31, 2009, respectively, to segregate and account for NW Natural's regulated core gas distribution business, its regulated gas storage

business, and its other investments and business activities, including NW Natural's wholly owned subsidiary NNG Financial Corporation and its equity investment in the Palomar Pipeline.

7. NW Natural Energy is a wholly owned subsidiary of NW Natural, and NW Natural Gas Storage is a wholly owned subsidiary of NW Natural Energy.

8. The transfer of legal ownership and control is the result of an internal corporate restructuring.

9. On February 23, 2010, the board of directors of NW Natural authorized its officers and directors, subject to advance Commission approval, to take the actions necessary to transfer 100% of NW Natural's membership interest in GRS to its wholly owned subsidiary, NW Natural Energy, and to immediately transfer this membership to NW Natural Energy's wholly owned subsidiary, NW Natural Gas Storage. Upon completion of these transactions, GRS will be wholly owned by NW Natural Gas Storage.

10. The proposed restructuring will change the legal ownership, and the legal, but not actual, control of GRS, and no outside entity will be injected into the GRS chain of ownership.

11. The internal restructuring will allow NW Natural to more appropriately categorize and segregate business segments to facilitate the identification and consolidation of the company's non-utility business activities for reporting purposes, will more clearly distinguish affiliates as separate legal entities from core distribution utility services, and will accommodate other non-core business opportunities that NW Natural may undertake in the future.

12. There will be no change in the officers or operations of GRS.

13. GRS will provide storage services to the public at market-based rates, pursuant to the authority granted by D.09-10-035, and will continue to be bound by all of the terms and conditions of its CPCN.

14. There will be no transfer or assignment of the operating authority held by GRS or result in a name change by GRS as a result of the transaction.

15. Customers of GRS will continue to receive service under the same rates, terms, and conditions that currently apply to those services.

16. It can be seen with certainty that there is no possibility that the transfer of ownership and control of GRS may have a significant effect on the environment because the transfer of ownership and control of GRS will preserve the status quo ante of GRS' plant, operations, and resource use.

17. GRS, NW Natural Energy, and NW Natural Gas Storage are not publicly traded companies.

18. The financial condition of GRS, NW Natural Energy, and NW Natural Gas Storage is not public knowledge, and GRS, NW Natural Energy, and NW Natural Gas Storage are not required to reveal their financial condition to the general public.

19. Notice of this application appeared on the Commission's Daily Calendar on August 20, 2010.

20. There were no protests or responses to this application.

21. No hearings are necessary.

### **Conclusions of Law**

1. The change in legal control and ownership will not negatively affect the continued economic viability of GRS, and will not negatively affect the market or ratepayer groups.

2. As a result of the transaction, NW Natural will continue to indirectly own GRS and therefore will continue to have ultimate control of GRS.

3. The transfer of legal ownership and control of GRS to NW Natural Gas Storage is not adverse to the public interest and should be approved.

4. It can be seen with certainty that there is no possibility that the transfer of legal ownership and control of GRS approved by this decision may have a significant effect on the environment, and, therefore, is exempt from CEQA review, pursuant to CEQA Guidelines § 15061(b)(3).

5. The Financials for GRS, NW Natural Energy, and NW Natural Gas Storage are confidential and their disclosure would place Applicants at an unfair business disadvantage.

6. GRS, NW Natural Energy, and NW Natural Gas Storage's Motion 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. If GRS, NW Natural Energy, or NW Natural Gas Storage believes that further protection of the information kept under seal is needed, it should file a motion no later than one month before the expiration date stating the justification for further withholding of the information from public inspection, or for such other relief as the Commission rules may then provide.

7. The Project authorized by D.09-10-035 should continue to be developed and operated as previously authorized, all environmental mitigation measures contained in the certified MND should continue to apply, and all monitoring requirements and restrictions imposed in D.09-10-035, which certified the MND, should continue.

8. Applicants should be required to notify the Director of the Commission's Energy Division in writing of the transfer of control, as authorized herein, within ten days of consummation of the transaction. A true copy of the instrument(s) of transfer should be attached to the notification.

9. 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).

10. This decision should be made effective immediately.

## **O R D E R**

**IT IS ORDERED** that:

1. 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 transfer legal

ownership and control of Gill Ranch Storage, LLC from Northwest Natural Gas Company to NW Natural Energy, LLC, and from NW Natural Energy, LLC to NW Natural Gas Storage, LLC is approved.

2. The August 13, 2010 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.

3. 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 transfer of control, 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.

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

5. The preliminary determination regarding the need for hearing is changed from yes to no. Hearings are not necessary.

6. Application 10-08-010 is closed.

This order is effective today.

Dated January 27, 2011, at San Francisco, California.

MICHAEL R. PEEVEY

President

MICHEL PETER FLORIO

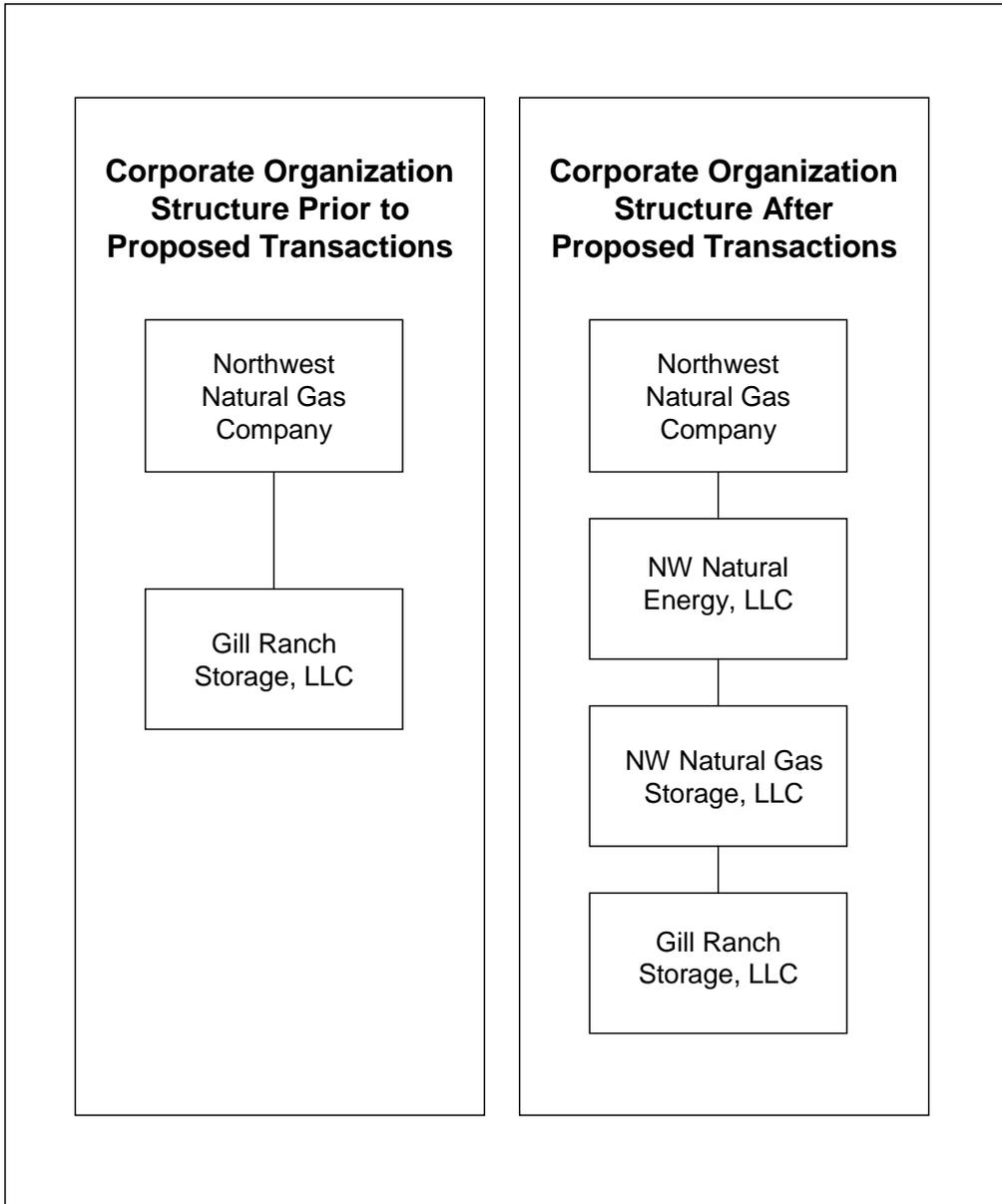
CATHERINE J.K. SANDOVAL

Commissioners

Commissioner Timothy Alan Simon, being necessarily absent, did not participate.

**APPENDIX A**

**Corporate Organization Structure Prior to and After the Proposed Transactions**



**(END OF APPENDIX A)**