

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



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Order Instituting Investigation on the
Commission's Own Motion into Natural
Gas Prices During Winter 2022-2023 and
Resulting Impacts to Energy Markets.

Investigation 23-03-008

**COMMENTS OF CENTRAL VALLEY GAS STORAGE, LLC
ON ASSIGNED COMMISSIONER'S RULING ISSUING FIRST AMENDMENT TO
SCOPING MEMO AND SEEKING COMMENTS**

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I. INTRODUCTION

Central Valley Gas Storage LLC (“CVGS”) submits these comments in response to the Assigned Commissioner’s Ruling Issuing First Amendment to Scoping Memo and Seeking Comments dated May 13, 2024 (“Ruling”). The Ruling amends the Scoping Memo and Ruling issued on September 5, 2023 (“Scoping Memo”) to update the proceeding schedule adopted in the Scoping Memo. Additionally, the California Public Utilities Commission (“Commission”) has requested party comments in response to the questions set forth in Attachment A to the Ruling. CVGS hereby submits these comments responding to certain of the questions set forth in Attachment A to the Ruling; CVGS takes no position at this time on the questions not addressed herein.

II. COMMENTS

- A. Question 4: Should the Commission require PG&E to provide more granular information on its Pipe Ranger website, including more information about how much inventory is allocated to base gas, working gas, park and loan, etc.? Should the Commission require SoCalGas to provide similar information on its Envoy website? Why or why not?**

The Pipe Ranger website provides useful updated information about gas flows on the PGE system and storage, including imbalances and total PG&E inventory. This information can be

useful to market participants as they try to find ways to deliver gas to customers and mitigate price spikes through this supply. CVGS views this information as very granular and does not see additional granularity as a mitigation to higher prices. That said, CVGS supports the Commission exploring other reporting from PG&E to provide more granular information and reserves other comment until there is more description of how the site would be more granular.

B. Question 5: Should the Commission require independent storage providers (ISPs) to publicly report daily inventory levels? Why or why not? If so, on what platforms should ISPs report daily inventory levels (e.g., respective gas utilities' websites, PG&E's website, the Commission's website, or a combination of these websites)?

The Independent Storage Providers ("ISPs") currently report daily inventory levels to the EIA weekly, which is available on an aggregated level on the EIA website. Additionally, ISPs report daily base, total, working injection and withdrawal amounts on a quarterly confidential basis to the CEC on form CEC-1314. While there might be value in additional public reporting on an aggregated ISP level, using the EIA data, on a weekly basis; reporting storage levels publicly on a daily basis would be unprecedented in competitive natural gas markets and could lead to further volatility in price spike events to the extent the wholesale energy traders use it to their advantage. The Pipe Ranger website might be the easiest and most logical place to report the information already provided to the EIA, assuming the reporting form and format were identical and the ISPs could do so with minimal changes.

C. Question 6: Should more PG&E storage capacity be allocated to core customers to reduce the amount of storage Core Gas Supply must purchase from ISPs? Should the rates charged by ISPs for storage procured by PG&E for core customers be set by the market or at cost-plus-rate-of-return?

The Commission's current policy for determining the amount of PG&E storage allocated to Core Gas Supply stems from PG&E's Natural Gas Storage Strategy, as adopted in Decision 19-09-025. Thereunder, PG&E proposed and the Commission agreed to cede the requirement of offering Core storage services to, and have Core procure such services from, ISPs given the cost

of upgrading and maintaining the existing PG&E storage assets relative to the modernity, safety and lower cost of the ISP services. Additionally Decision 19-09-025 provided a framework in Appendix I for assessing the reasonableness of the ISP purchases based on a modification of the procedure adopted in Decision 06-07-010 for evaluating storage purchases from ISPs. To date, CVGS understands that all of the ISP contracts have been reviewed and approved by the Commission under the Advice Letter mechanics adopted in Appendix I of Decision 19-09-025, which provide for up front review and comment by Cal Advocated and TURN, among other things.

The mechanisms implemented by the Commission in Decision 19-09-025 regarding the necessary amount of storage reserved for PG&E core customers and the cost of such appear to have been operating as designed. There has been no information presented in this proceeding that PG&E Core Gas Supply has inadequate access to ISP storage services for economic purposes or that storage service from ISPs is more expensive than that from PG&E, in fact the opposite seems to be true. Specifically TURN witness Florio testified in the recent PG&E GT&S CARD proceeding: “While the specific figures are confidential, the storage capacity that Core Gas Supply has purchased from ISPs in recent years has cost much less than PG&E is proposing to charge for the capacity it ‘assigns’ to Core Firm Service”.¹ Accordingly, CVGS does not believe that price spikes would be reduced by moving storage back to PG&E.

In fact, CVGS believes continued revisiting of settled structures might introduce more uncertainty into the winter gas markets, increasing the volatility and risk of price spikes. It would be a material change of policy if the Commission were to direct PG&E to reserve more of its storage and purchase less storage from ISPs. Absent compelling information that additional PG&E

¹ A.21-09-018, Exhibit No. TURN-1, Prepared Direct Testimony of Michel Peter Florio, Submitted on Behalf of The Utility Reform Network on August 8, 2022 at 42.

storage is required to mitigate the amount, cost and/or reliability of storage services available to Core Gas Supply (which has not been presented thus far), the Commission should not disturb the balance struck in PG&E's Natural Gas Storage Strategy and adopted in Decision 19-09-025.

With respect to the rates charged by ISPs for storage services, changing from a market-based to a cost-of-service-based pricing model would amount to a fundamental change in market design and the business model for ISPs. Before the Commission seriously entertains any such proposal, it would need to consider the many legal and policy issues that would ensue and measure the cost and consequences of those to any theoretical benefit to customers. Among other things, the Commission would need to consider whether competitive conditions in the natural gas storage market in northern California would continue to offer the lower costs than cost of service regulation, and whether a cost of service model would provide the necessary incentive for continued reinvestment in safe, highly secure and high deliverability infrastructure required to allow the California gas grid to transition to a lower emissions intensity over the medium and long term.

As discussed in CVGS's comments on April 15, 2024, in R.21-01-007, the clean energy transition will impact natural gas storage providers and CVGS is open to the Commission developing mechanisms for managing this transition. For example, declining gas demand is anticipated as the clean energy transition progresses, however deliverability swings for Core customers will continue to increase, especially in relation to the ultimate amount of gas stored and consumed, as the overall demand decreases. Moreover, natural gas fuel needed for utility electric generators during the ramp periods, after the sun sets and when evening load increases, has a similar increase in the ratio of daily and hourly demand to the lowering average overall demand. Accordingly, material policy changes, only should be considered in light of a detailed analysis and additional input thereto from stakeholders.

III. CONCLUSION

CVGS appreciates the opportunity to provide these comments in response to the Ruling. As reflected herein, CVGS does not believe additional granular data would mitigate price spikes but supports the Commission exploring alternatives for PG&E to provide more granular information on the PG&E Pipe Ranger website. Further, CVGS is not opposed to the Commission requiring ISPs to publicly report inventory levels on a no-more-than-weekly basis, aggregated for all ISPs. CVGS does not support revisiting the allocation of Core Gas Supply storage requirements between ISPs and PG&E, as CVGS believes that the Commission has already provided a reasonable framework in Decision 19-09-025. Finally, requiring ISPs to transition to a cost-of-service ratemaking model, absent a detailed analysis of the legal and policy impacts of such a fundamental market change, could provide disruptions to the interest of market participants in the Northern California natural gas market and should only be considered with the additional planning and participation by all parties.

Respectfully submitted this 10th day of June, 2024.

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