

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



**FILED**

07/31/24

04:59 PM

12303008

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 (U-915G) ON STAFF  
WHITE PAPER ("HIGH NATURAL GAS PRICES IN WINTER 2022-23: PART I")**

Lisa A. Cottle  
Sheppard Mullin Richter & Hampton LLP  
Four Embarcadero, 17<sup>th</sup> Floor  
San Francisco, California 94111  
Telephone: (415) 774-3117  
Email: lcottle@sheppardmullin.com

*Attorneys for Central Valley Gas Storage, LLC*

July 31, 2024

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

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 (U-915G) ON STAFF  
WHITE PAPER (“HIGH NATURAL GAS PRICES IN WINTER 2022-23: PART I”)**

**I. INTRODUCTION**

Pursuant to the Administrative Law Judge’s Ruling Admitting Staff White Paper Part 1 and Seeking Comments issued on July 2, 2024 (“ALJ Ruling”), Central Valley Gas Storage, LLC (“CVGS”) submits comments on the white paper entitled “High Natural Gas Prices in Winter 2022-23: Part I—A Staff White Paper Supporting CPUC Investigation I.23-03-008” (the “White Paper”). The White Paper seeks to address two questions posed in the scoping ruling in this proceeding: (1) what factors caused or contributed to gas price increases beginning on November 1, 2022; and (2) did any of the entities under the regulatory jurisdiction of the California Public Utilities Commission play a role in causing or contributing to the gas price increase in California border prices between November 1, 2022 and March 31, 2023.<sup>1</sup> The ALJ Ruling invited parties to provide “recommendations, corrections, and/or clarifications to the White Paper by opening comments due July 31, 2024, and reply comments due August 14, 2024.”<sup>2</sup> In response to the ALJ Ruling, CVGS provides the following corrections and clarifications, focusing on the White Paper’s discussion of gas storage facilities

---

<sup>1</sup> White Paper at 3.

<sup>2</sup> ALJ Ruling at 1.

in Northern California.

## II. COMMENTS

**A. The White Paper confuses storage customers' available contracted inventory capacity (which the customers decide how to use) with uncontracted storage capacity that is available for purchase.**

The White Paper describes the gas storage purchases, or lack thereof, of noncore customers. Noncore customers “are responsible for procuring their own gas supplies and scheduling delivery on the inter- and intrastate systems” and in Northern California, noncore customers also “have access to gas storage through independent storage providers” (“ISPs”).<sup>3</sup> ISPs in Northern California such as CVGS offer firm storage services (“FSS”) to noncore customers, which can include an inventory demand rate charged for reserving inventory capacity for the customer. After signing an agreement with an ISP for FSS at a specified inventory capacity, the customer decides whether to make use of that contracted inventory capacity within the terms set by the FSS agreement and the ISP’s tariff. For example, a noncore customer that reserves two billion cubic feet (“Bcf”) of inventory capacity under its FSS agreement for a period lasting several years may decide to deliver only one Bcf of gas to the ISP for storage in a certain injection season. That decision could be made based on the seasonal forward price curve if forward prices for gas are not high enough to incentivize the customer to procure gas at current prices and store that gas using the customer’s full reserved storage capacity.<sup>4</sup>

The White Paper references ISP inventory levels provided by PG&E for PG&E’s Core Gas Supply and by the California Energy Commission (“CEC”), and states that the ISPs “had a combined inventory of an estimated 113.5 Bcf, or 83 percent, of their 137 Bcf in total

---

<sup>3</sup> White Paper at 20.

<sup>4</sup> See Pacific Gas and Electric Company (“PG&E”) En Banc Presentation, February 7, 2023, slide 4.

capacity,” leading to the White Paper’s conclusion that “[t]here was thus storage capacity available for noncore customers who wished to purchase it.”<sup>5</sup>

There is not sufficient evidence in the White Paper, the PG&E En Banc Presentation, or elsewhere in the record to support the foregoing conclusion. Available inventory at an ISP’s storage facility may refer to inventory capacity that has been purchased, but is not currently being used, by storage customers. In the example above, for the customer that reserved 2 Bcf of inventory capacity but delivered only 1 Bcf of gas to the ISP for storage, that customer’s available inventory capacity would appear in the storage inventory levels cited by PG&E and CEC as fifty percent full, even though the customer reserved one hundred percent of the 2 Bcf of capacity. Because a customer has reserved that capacity, the 1 Bcf that is showing as inventory is not actually available for purchase by other customers.

For greater accuracy, future analyses of the use of storage should distinguish between contracted, but unused inventory capacity, versus available, uncontracted storage capacity. This would better show how storage capacity is being reserved and used to mitigate forward price risk, which also would help show why customers might elect not to use all contracted inventory capacity in a particular injection season.

**B. As a point of information, the CVGS inventory capacity was approximately ninety-four percent utilized in December 2022.**

To supplement the information provided by PG&E and CEC that is cited in the White Paper, it would be helpful to acknowledge that the CVGS inventory capacity was ninety-four percent full on December 1, 2022, as compared to ninety-nine percent full on December 1, 2021.<sup>6</sup> These figures represent use of contracted inventory capacity. As explained in Section A above,

---

<sup>5</sup> White Paper at 35-36.

<sup>6</sup> See “Comments of Central Valley Gas Storage, LLC in Response to Order Instituting Investigation” filed in this proceeding on April 7, 2023 at 2.

use of the contracted inventory capacity is not controlled by CVGS but rather by its customers who have reserved it, and who may or may not use one hundred percent of their reserved storage capacity on any given day. On December 1, 2022, customer gas stored at the CVGS storage facility was ninety-four percent of the facility’s maximum capacity, which shows a high use of storage in the period under review, and a higher usage compared with the White Paper’s statement (citing the CEC’s estimate) that “independent storage providers had a combined inventory of an estimated 113.5 Bcf, or 83 percent, of their 137 Bcf in total capacity.”<sup>7</sup>

### III. CONCLUSION

CVGS appreciates the opportunity to present these comments and looks forward to continuing to participate in this proceeding.

July 31, 2024

Respectfully submitted,

By: /s/ Lisa A. Cottle

Lisa A. Cottle  
Sheppard Mullin Richter & Hampton LLP  
Four Embarcadero, 17<sup>th</sup> Floor  
San Francisco, California 94111  
Telephone: (415) 774-3117  
Email: lcottle@sheppardmullin.com  
*Attorneys for Central Valley Gas Storage, LLC*

---

<sup>7</sup> White Paper at 36.