



**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 (U-915G)  
ON PROPOSED DECISION**

February 12, 2026

Jennifer Garlock  
Sheppard Mullin Richter & Hampton LLP  
350 South Grand Avenue, 40th Floor  
Los Angeles, California 90071  
Telephone: (213) 620-5570  
Email: jgarlock@sheppard.com

*Attorneys for Central Valley Gas Storage, LLC*

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**SUBJECT INDEX OF RECOMMENDED CHANGES**

<b>Subject</b>	<b>PD Page(s)</b>	<b>Recommended Change</b>
Section 5.2, Increase Storage Inventory Throughout California	39-40	As described in Section II of these comments, Section 5.2 should be revised to reflect that based on the evidence in the record, expanding the availability of gas storage capacity in California has benefits for lowering costs and mitigating gas price spikes, and the Commission will evaluate any specific proposals for gas storage capacity in the future accordingly.
Section 7, Efforts to Further Inform Commission Decision Making on Gas Markets and Gas Price Spikes	95	<p>Delete all three paragraphs on this page, for the reasons described in Section III of these comments. The first paragraph mischaracterizes PG&amp;E Core Gas Supply as a “captive customer” and erroneously compares ISPs to regulated monopolies.</p> <p>The second paragraph should be deleted because the record does not support, and in fact contradicts the need for, further evaluation of the ISP market and its relationship to price spikes. Instead, the PD should include a statement that it declines to adopt the first and second recommendations in White Paper Part II because there is not sufficient justification in the record.</p> <p>The third paragraph should be deleted because it will generate market uncertainty, and if the Commission wishes to undertake these actions in an appropriate proceeding it may do so under its existing authority.</p>

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**I. INTRODUCTION.**

Pursuant to Rule 14.3 of the Rules of Practice and Procedure (“Rules”) of the California Public Utilities Commission (“Commission”), Central Valley Gas Storage, LLC (“CVGS”) submits these comments on the Proposed Decision of Assigned Commissioner Douglas issued January 23, 2026 (“PD”). The PD reaches several conclusions that are inconsistent with the record in this proceeding. As discussed in detail below, the PD reaches several conclusions that are inconsistent with the record in this proceeding and should be modified. In summary:

The PD dismisses the recommendation from parties to incentivize the development of additional storage capacity to reduce the likelihood of gas price spikes similar to those during the winter of 2022-2023 occurring in the future. The record of this proceeding and prior Commission decisions establish that the availability of gas storage contributes to lower prices during periods of extreme weather and mitigates price spikes by providing an alternative to pipeline supplies when gas prices are high.

The PD also states that the Commission will evaluate the independent storage provider (“ISP”) storage market, including ISP ownership of storage capacity, contract pricing, market concentration, and ISP tariff structures, because the record does not provide a complete

understanding of the dynamics involved in price spikes. This conclusion is in error for three reasons: (1) the record of this proceeding, and the PD itself, identify clear causes of the gas price spikes and also state that ISPs did not cause or contribute to the gas price spikes; (2) undertaking an evaluation of the ISP storage market would disrupt market certainty, which directly contradicts the PD statements that the record does not justify a study of ISP rates and the Commission does not intend to create unnecessary market uncertainty; and (3) the PD mischaracterizes PG&E as a “captive customer” and erroneously compares ISPs to utilities with regulated monopoly power.

For the reasons stated herein, CVGS requests that the PD be revised to incorporate the changes discussed in Sections II and III, and listed in the Subject Index of Recommendations and Exhibit A.

**II. THE PROPOSED DECISION SHOULD BE REVISED TO DIRECT THE COMMISSION TO EVALUATE WHETHER INCREASED STORAGE CAPACITY WOULD ALLEVIATE PRICE SPIKES IN THE FUTURE.**

The PD discusses recommendations received from the parties on actions the Commission or other entities could take to reduce the likelihood of gas price spikes similar to the winter of 2022-2023 occurring in the future. Gill Ranch Storage, LLC (“Gill Ranch”) recommended that the Commission consider increasing the availability of gas storage capacity across California and streamline ways to develop such capacity.<sup>1</sup> The Small Business Utility Advocates (“SBUA”) also recommended that the Commission incentivize the development of new storage capacity and increase the required gas storage levels for utilities.<sup>2</sup> The PD concludes that, because there

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<sup>1</sup> PD at 39.

<sup>2</sup> *Id.* at 39-40.

currently are no applications for a certificate of public convenience and necessity (“CPCN”) pending before the Commission, “we decline to speculate on the appropriateness of new gas storage facilities across California or on the necessity of streamlining their development.”<sup>3</sup>

The existence of a CPCN application for a specific storage facility is not required for the Commission to determine, as a matter of policy, that additional gas storage capacity in California would be beneficial to ratepayers and the state. The PD acknowledges that there is evidence in the record that “noncore customers’ access to ISP storage in Northern California kept the market liquid and contributed to lower prices in PG&E’s service territory than in SoCalGas’s.”<sup>4</sup> It is not surprising that access to gas storage contributed to lower prices during a period of extreme weather like the winter of 2022-2023. One of the main factors in the Commission approving PG&E’s 2006 proposal to increase its storage capacity for core customers was that the cost of increased storage capacity, sufficient to meet a 1-in-10-year planning standard, would be “small as compared to what could happen to gas prices and the gas supply in the event of a peak day event. Having more supply capacity on hand will reduce the core’s exposure to the spot market during extreme temperature events. Simply put, the cost associated with the planning standard is cheap insurance against the probability of a peak day event occurring.”<sup>5</sup>

White Paper Part I found that gas storage provides “critical services” including “the ability to meet daily and seasonal demand variation for reliability purposes and the opportunity to mitigate price spikes by providing an alternative to pipeline supplies when gas commodity

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<sup>3</sup> *Id.* at 40.

<sup>4</sup> *Id.* at 36, citing High Natural Gas Prices in Winter 2022-23: Part I, a Staff White Paper Supporting CPUC Investigation I.23-03-008 (July 2, 2024) at 47 (hereafter “White Paper Part I”).

<sup>5</sup> D.06-07-010 at 12.

prices are high.”<sup>6</sup> Data presented in White Paper Part I showed “the relative stability of the PG&E’s Citygate price compared to other regional indices during previous spike events, which is in part due to the availability of storage resources in Northern California.”<sup>7</sup> Recent Commission decisions also confirm the need for gas storage for reliability and cost minimization. As CVGS explained in its comments on the White Paper Part II, the Commission concluded in late 2023 that natural gas storage facilities are currently “necessary for reliability and cost management,” because they continue to “play a crucial role in protecting customers from reliability issues and adverse rate impacts in the electricity and gas sectors.”<sup>8</sup>

In addition to the reliability and cost benefits, incentivizing and streamlining the development of new or expanded gas storage, as suggested by Gill Ranch and SBUA in this proceeding, would also have the benefit of increasing competition in the ISP market.<sup>9</sup>

Given the evidence and Commission precedent discussed herein, it would be reasonable for the Commission to conclude in this proceeding that additional gas storage capacity in California would be beneficial, as it would help mitigate future gas price spikes and have overall benefits to ratepayers.<sup>10</sup> The Commission could evaluate the merits of any specific proposal for

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<sup>6</sup> White Paper Part I at 10.

<sup>7</sup> White Paper Part I at 33; see also *id.* at 46 (“Factors that may have contributed to PG&E’s more liquid bidweek market include...noncore customers’ ability to access storage through the ISPs.”).

<sup>8</sup> CVGS Comments on White Paper Part II at 10 (citing D.23-12-003 at 37).

<sup>9</sup> D.09-10-035 at 52 (“GRS’ entry into the gas storage market will increase competition among the current non-core storage providers, and, as a result, reduce market concentration in California.”); D.10-10-001 at 26 (“The additional storage capacity provided by the CVGS Project will make the market even more competitive.”)

<sup>10</sup> CVGS notes that this PD states that, without any specific application pending, it would be reasonable for the Commission to evaluate in a later proceeding certain aspects of the ISP market structure. PD at 95. The lack of a pending CPCN application therefore should not preclude the PD from stating that, as a policy matter and based on the record in this proceeding, there is evidence that gas storage capacity

new or expanded gas storage in a future CPCN application proceeding. Thus, Section 5.2 of the PD should be revised to reflect that based on the evidence in the record, expanding the availability of gas storage capacity in California has benefits for lowering costs and mitigating gas price spikes, and the Commission will evaluate any specific proposals for gas storage capacity in the future accordingly.

**III. THE RECORD OF THIS PROCEEDING AND RECENT COMMISSION DECISIONS DO NOT SUPPORT EVALUATION OF THE ISP MARKET STRUCTURE.**

The White Paper Part II recommended four areas for further inquiry related to the ISPs: (1) ISP ownership of storage capacity, contract pricing and market concentration; (2) whether ISP tariff structures protect ratepayers from excessive pricing in light of updated review of storage markets, (3) a requirement for ISPs to publicly report daily inventory levels, and (4) a cost-of-service study to determine if the rates charged by ISPs are justified and reflect a competitive market or an imbalance in market power.<sup>11</sup> The PD declines to adopt the third and fourth suggestions related to reporting daily storage levels and conducting a cost-of-service study,<sup>12</sup> but concludes it is reasonable for the Commission to act on the first and second suggestions, related to evaluation of ISP ownership of storage capacity, contract pricing, market concentration, and ISP tariff structures.

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contributes to lower prices and it would be reasonable for the Commission to evaluate ways to incentivize increased storage capacity in California.

<sup>11</sup> I.23-03-008, High Natural Gas Prices in Winter 2022-23: Part II, a Staff White Paper Supporting CPUC Investigation (I.) 23-03-008 (June 5, 2025) at 29 (hereafter, “White Paper Part II”).

<sup>12</sup> PD at 96; see also *id.* at 140-41 (acknowledging that reporting daily storage inventory levels may put ISPs at a competitive disadvantage and negatively impact the market, and adopting a requirement that ISPs publicly report monthly storage levels by the 15<sup>th</sup> of each month).

This conclusion is in error because (1) the record of this proceeding identifies causes of the gas price spike and does not support a need for further evaluation of ISP market structure; (2) the PD states that it would disrupt market certainty to state that a cost-of-service study will be prepared at some time in the future, while simultaneously stating that it will evaluate whether the ISP market is competitive, which evaluation could lead to a cost-of-service study; and (3) the PD mischaracterizes PG&E as a “captive customer” and erroneously compares ISPs to utilities with regulated monopoly power.

**A. The Record Does Not Support Further Evaluation of the ISP Market.**

The PD justifies evaluating the ISP market by stating there is a “lack of a record that informs a complete understanding of the broader dynamics involved in price spikes...”<sup>13</sup> But this is contradicted by the PD’s clear findings as to the cause of the price spikes, and the PD’s unconditional finding that the ISPs did not cause or contribute to the price spikes. The PD concludes that the price spikes were caused by five specific factors: prolonged below-normal temperatures and high precipitation during winter 2022-2023 that contributed to higher gas prices in California by increasing demand<sup>14</sup>; interstate pipeline constraints that reduced the supply of natural gas in California<sup>15</sup>; reduced natural gas flows into California, primarily from the Permian Basin, Western Canada, and the Rocky Mountain region, reduced California’s flowing natural gas supply and natural gas shortages and high prices in the eastern United States contributed to elevated national gas prices during Winter Storm Elliot<sup>16</sup>; reduced natural gas

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<sup>13</sup> PD at 95.

<sup>14</sup> *Id.* at 14, Finding of Fact 4.

<sup>15</sup> *Id.* at 16, Finding of Fact 9.

<sup>16</sup> *Id.* at 17, Finding of Fact 16.

storage supplies<sup>17</sup>; and events occurring just before and during bidweek contributed to high gas prices in January 2023.<sup>18</sup>

The PD also concludes, for three specific reasons, that the ISPs did not cause or contribute to the gas price spike:

For the following three reasons, we determine that the record does not support a finding that ISPs caused or contributed to the gas price spike. First, White Paper: Part II does not find evidence that ISPs' contracts were unreasonable or that ISPs' actions impacted storage levels. Second, there is evidence that noncore customers' access to ISP storage in Northern California kept the market liquid and contributed to lower prices in PG&E's service territory than in SoCalGas's. Finally, the winter 2022-2023 price spikes were not a California-specific issue. Prices spiked at other Western and Southwestern hubs starting in December 2022.<sup>19</sup>

There is no basis for the PD's statement that the record does not "inform[] a complete understanding of the broader dynamics involved in price spikes."<sup>20</sup> The PD identifies affirmative causes of the gas price spike, and concludes that neither the ISPs contracts nor the ISP market caused or contributed to the problem. The record clearly identifies factors that did and did not cause the gas price spikes, and the suggestion that somehow the record is incomplete and justifies further inquiry into ISP market structure is at odds with the record and the remainder of the PD.

Further, the Commission itself has recently affirmed that the ISP market is competitive. As CVGS explained in its comments on the White Paper Part II, less than a year ago the Commission approved the sale of the Pleasant Creek storage facility from PG&E to Pleasant Creek Gas Storage Holdings, LLC, finding that Pleasant Creek Gas Storage Holdings, LLC "would be a comparatively small, new entrant in the competitive independent natural gas storage

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<sup>17</sup> *Id.* at 20, Finding of Fact 24.

<sup>18</sup> *Id.* at 22, Finding of Fact 29.

<sup>19</sup> *Id.* at 36, Findings of Fact 66 – 69.

<sup>20</sup> *Id.* at 95.

services market.”<sup>21</sup> The Commission stated that it reached this conclusion, *less than a year ago*, because “the same market circumstances and facts” exist today as existed in 2010 when CVGS was granted authority to charge market-based rates.<sup>22</sup>

The record does not support the PD conclusion that it would be reasonable for the Commission to evaluate ISP ownership of storage capacity, contract pricing, market concentration, and ISP tariff structures because the record of this proceeding’s investigation does not fully inform a complete understanding of gas price spikes. In fact, this conclusion is contrary to the findings of the PD (stating clear causes of the gas price spike and concluding the ISPs did not cause or contribute to the gas price spike) and to recent Commission decisions. The PD should be revised to decline adoption of the first and second White Paper Part II recommendations to evaluate the ISP market.

**B. The Proposed Decision is Internally Inconsistent with Respect to its Impacts on the ISP Markets and Investors.**

CVGS agrees with the PD’s conclusion that it will not conduct a cost-of-service study because (1) there is not sufficient justification in the record to conduct such a study, and (2) stating the Commission will undertake a cost-of-service study at some unspecified time in the future “will create unnecessary market uncertainty.”<sup>23</sup> However, stating that the Commission will evaluate ISP ownership of storage capacity, contract pricing, market concentration, and whether current ISP tariff structures protect ratepayers from excess pricing are all intended to evaluate whether the ISP market is competitive or not, and ambiguously leaves open the door to

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<sup>21</sup> CVGS Comments on White Paper Part II at 10 (citing D.25-04-032 at 35).

<sup>22</sup> *Id.* at 10 (citing D.25-04-032 at 37).

<sup>23</sup> PD at 96.

conducting a cost-of-service study. Stating that these market features will be evaluated “outside this proceeding” at some unspecified time, potentially in response to a future ISP application,<sup>24</sup> creates the same unnecessary market uncertainty the PD purports to avoid by declining to conduct a cost-of-service study at this time.

The PD declines to adopt the suggestion in White Paper Part II that it conduct a cost-of-service study for the following reason:

“Second, White Paper: Part II recommends that we undertake a cost-of-service study to determine if the rates charged by ISPs are justified and reflect a competitive market or an imbalance in market power. We decline to adopt this recommendation because *we do not find sufficient justification in White Paper: Part II to conduct such a study. Moreover, we share the ISPs’ concern that stating we will undertake a cost-of-service study at an unspecified future date will create unnecessary market uncertainty.*”<sup>25</sup>

In its comments on the White Paper Part II, CVGS expressed concern that *all four* of the Staff proposals for further inquiry,<sup>26</sup> not just the cost-of-service study, would negatively impact ISPs, the investors that have supported the ISP market, and potential new entrants into the California energy market.<sup>27</sup> Wild Goose Storage and Lodi Gas Storage agreed, stating in their reply comments that “CVGS is correct that the regulatory uncertainty created by inquiries into ISP holdings or market structure would likely have negative impacts on equity investments in the ISPs. It is a well-established principle that regulatory uncertainty can drive up customer costs

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<sup>24</sup> *Id.* at 95.

<sup>25</sup> *Id.* at 96 (emphasis added).

<sup>26</sup> Those four areas of inquiry were: (1) ISP ownership of storage capacity, contract pricing and market concentration; (2) whether ISP tariff structures protect ratepayers from excessive pricing in light of updated review of storage markets, (3) a requirement for ISPs to publicly report daily inventory levels, and (4) a cost-of-service study to determine if the rates charged by ISPs are justified and reflect a competitive market or an imbalance in market power. CVGS Comments on White Paper Part II at 11.

<sup>27</sup> CVGS Comments on White Paper Part II at 11.

through increased costs of borrowing, constrained operating reserves, and reduced access to capital markets.”<sup>28</sup>

The PD should be revised to reflect the Commission’s concern that unclear statements regarding evaluation of the ISP’s market based rates would unnecessarily create market uncertainty, and decline to adopt the White Paper Part II suggestions 1 and 2, related to evaluation of storage capacity, contract pricing, market concentration, and whether current ISP tariff structures protect ratepayers from excess pricing. The Commission may choose to more closely analyze ISP market power in a future proceeding in which ISP market power is at issue. It does not need to state its intent to do so here, especially where the record in this proceeding does not warrant such a market power inquiry.

**C. The Proposed Decision Mischaracterizes PG&E as a “Captive Customer.”**

The PD states that “White Paper: Part II demonstrates that the ISPs provide a critical service to a captive customer: PG&E Core Gas Supply on behalf of core customers... These features are standard among regulated monopolies that charge cost-of-service rates, not market-based rates that the Commission allows ISPs to charge.”<sup>29</sup>

The PD mischaracterizes the relationship between PG&E and the ISPs. First, PG&E can contract with any one of four ISPs for storage on behalf of core customers, and is not a “captive customer” to any single ISP. The contracts PG&E enters with the ISP of its choosing are continually reviewed and approved by the Commission, after PG&E confers with Cal Advocates

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<sup>28</sup> Wild Goose Reply Comments at 2.

<sup>29</sup> PD at 95.

and TURN to determine whether the contract is reasonably priced.<sup>30</sup> This is hardly a scenario of a “captive customer.”

Second, PG&E is only one of many customers that ISPs serve. In its comments on the White Paper Part II, CVGS estimated that PG&E’s Core Gas Supply purchases less than a quarter of total available ISP storage capacity, and the ISPs must compete with each other for this small share of the overall storage market.<sup>31</sup> The ISPs must also compete with each other for contracts with other customers, including gas marketers, core transport agents, noncore industrial, and electricity generation customers. The ISPs do not have the same monopoly structure and captive customers that other investor-owned utilities have, and as such are not subject to cost-of-service ratemaking.

#### **IV. CONCLUSION.**

CVGS requests that the Commission refine the PD as described in the Subject Index of Recommended Changes and Sections II and III of these comments, and make changes to the Findings of Fact and Conclusions of Law as set forth in Exhibit A.

February 12, 2026

Respectfully submitted,

By: /s/ Jennifer Garlock

Jennifer Garlock  
Sheppard Mullin Richter & Hampton LLP  
350 South Grand Avenue, 40th Floor  
Los Angeles, California 90071  
Telephone: (213) 620-5570  
Email: jgarlock@sheppard.com  
*Attorneys for Central Valley Gas Storage, LLC*

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<sup>30</sup> CVGS Comments on White Paper Part II at 9.

<sup>31</sup> *Id.* at 8-9.

**Exhibit A**  
**Proposed Findings of Fact and Conclusions of Law**

Proposed deletions are shown in ~~bold strikethrough~~ and proposed additions are shown in **bold double-underline**.

*Findings of Fact*

72. ~~Entities interested in developing a new gas storage facility in California must request authorization to construct and operate such a facility from the Commission by applying for a CPCN.~~

73. ~~Currently, there are no pending CPCN applications for new storage facilities proposed in California.~~

[#] **Access to gas storage mitigates price spikes by providing an alternative to pipeline supplies when gas commodity prices are high.**

120. The record does not ~~contain sufficient justification~~ **enable a full understanding to undertake an evaluation** of ISP market dynamics.

*Conclusions of Law*

11. ~~Given the need to collect or examine additional information to assess whether ISP market dynamics caused or contributed to the 2022-2023 gas price spike, it is reasonable for the Commission to:~~

~~-(a) Review ISP's ownership of storage capacity, contract pricing, and market concentration; and~~

~~-(b) Evaluate whether current ISP tariff structures protect ratepayers from excessive pricing in light of the updated review of storage markets.~~

[#] **It is reasonable to conclude that additional gas storage capacity in California would be beneficial to help mitigate gas price spikes and protect customers from reliability issues and adverse rate impacts in the electricity and gas sectors.**