

Decision 25-04-032 April 24, 2025

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

Joint Application of Pacific Gas and Electric Company (U 39 G), Pleasant Creek Gas Storage Holdings, LLC, and eCORP Natural Gas Storage Holdings, LLC for Approval of the Sale of the Pleasant Creek Gas Storage Field Under Public Utilities Code Section 851, Transfer of Certificate of Public Convenience and Necessity, and Designation as an Independent Storage Provider.

Application 23-07-007  
(Filed July 18, 2023)

**DECISION GRANTING JOINT APPLICATION**

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## DECISION GRANTING JOINT APPLICATION

### Summary

This decision grants the uncontested Joint Application of Pacific Gas and Electric Company (PG&E), Pleasant Creek Gas Storage Holdings, LLC, (Pleasant Creek LLC) and eCORP Natural Gas Storage Holdings, LLC (eCorp) for approval of the transfer of Pleasant Creek Gas Storage Field (PCGS) ownership from PG&E to Pleasant Creek LLC pursuant to Public Utilities Code Section 851.

This decision also (1) approves the transfer of PG&E's Certificate of Public Convenience and Necessity to Pleasant Creek LLC, subject to additional conditions, as proposed by the Joint Applicants; (2) designates Pleasant Creek LLC as an Independent Storage Provider authorized to charge market-based rates for natural gas storage services; (3) authorizes Pleasant Creek LLC to request a tariff for operation of the PCGS via a Tier 2 Advice Letter; (4) finds the proposed transfer of ownership of the PCGS is not subject to review under the California Environmental Quality Act; and (5) approves Joint Applicants' proposed ratemaking treatment of the loss on the transfer of the PCGS from PG&E to Pleasant Creek LLC.

This decision does not approve or authorize any projects or construction related to PCGS. In the future, Pleasant Creek LLC must obtain all necessary approvals from relevant regulatory authorities if it intends to undertake construction or any project at PCGS that may be subject to the California Environmental Quality Act or other laws. In addition, Pleasant Creek LLC must obtain all necessary approvals from relevant regulatory authorities, including the

California Geologic Energy Management Division of the California Department of Conservation (CalGEM), to operate PCGS as a gas storage field.

This proceeding is closed.

## **1. Background**

On July 18, 2023, Pacific Gas and Electric Company (PG&E), Pleasant Creek Gas Storage Holdings, LLC (Pleasant Creek LLC), and eCORP Natural Gas Storage Holdings, LLC (eCORP) (collectively, Joint Applicants) filed a Joint Application (A.) 23-07-007 (Joint Application) for approval of the transfer of the Pleasant Creek Gas Storage Field (PCGS) from PG&E to Pleasant Creek LLC (Proposed Transaction).

Specifically, Joint Applicants seek Commission (1) approval of the sale of PCGS from PG&E to Pleasant Creek LLC pursuant to Public Utilities (Pub. Util.) Code Section 851; (2) approval of the transfer of PG&E's Certificate of Public Convenience and Necessity (CPCN) to Pleasant Creek LLC; (3) designation of Pleasant Creek LLC as an Independent Storage Provider (ISP) authorized to charge market-based rates for natural gas storage services; (4) authorization for Pleasant Creek LLC to request a tariff for operation of PCGS via an Advice Letter process; (5) determination that the proposed transfer of ownership of PCGS is not subject to review under the California Environmental Quality Act (CEQA); and (6) approval of the proposed ratemaking treatment of the loss on the transfer of PCGS from PG&E to Pleasant Creek LLC.

### **1.1. Factual Background**

PCGS is an underground natural gas storage field located in Yolo County, California, west of Davis, California and at the northwest edge of Winters,

California. PCGS includes 400 acres of land and subsurface rights on an additional 2,167 acres.

Shell Oil Company first discovered, developed and produced gas from PCGS. PG&E purchased PCGS in 1958 and developed it into a gas storage field.<sup>1</sup> The Commission granted PG&E a CPCN to operate, and maintain PCGS and to recover through general rates PG&E's associated capital and operating costs.<sup>2</sup> PG&E's CPCN was based on an optimum working storage capacity of 3.25 billion cubic feet (Bcf).<sup>3</sup>

In 1960, PG&E began providing public utility gas storage at PCGS in and thereafter continued its active storage operations there through October 2020.<sup>4</sup>

PCGS has eleven segments of active gas pipeline totaling 1.76 miles in length. This active pipe ranges in diameter from 4.5 inches to 12.75 inches and has a maximum allowable operating pressure (MAOP) from 9.75 to 1300 pounds per square inch gauge (PSIG). In addition to the active pipe, there are three segments of deactivated pipeline present, totaling approximately 1.29 miles. PCGS is connected by a 12-inch pipeline to PG&E's intrastate backbone gas transmission Line 400 and is also connected to PG&E's electric distribution system.

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<sup>1</sup> See Joint Application at 5.

<sup>2</sup> See Joint Application at 5 (citing Decision (D.) 58388, May 12, 1959).

<sup>3</sup> See Joint Application at 5.

<sup>4</sup> See Joint Application at 5.

PCGS currently includes six active injection/withdrawal wells, including all appurtenant tubing and casing runs, an automatic surface safety valve, liquids separator, an above-ground tank for collecting liquids, flow meter, four plugged and abandoned wells, and appurtenant equipment. The field also includes a compressor station, gas measuring equipment, and air monitoring equipment.

The field's gas reservoir has a full working storage capacity of 2.3 Bcf and a cushion gas capacity of approximately 5.1 Bcf for a maximum total inventory capacity of approximately 7.4 Bcf.<sup>5</sup> Six wells and a compressor are designed for maximum injections of 32 million cubic feet (MMcf) per day and maximum withdrawals of 70 MMcf per day.

In 2017, PG&E and other stakeholders including several independent storage providers (ISPs) and The Utility Reform Network (TURN), met and agreed that PG&E's gas storage capacity over time had exceeded its reliability needs. In response, PG&E created a gas storage strategy that included discontinuing storage operations at PCGS and then either selling or decommissioning the field rather than incurring costs to retrofit the field to comply with new regulations.<sup>6</sup>

In D.19-09-025, issued September 23, 2019, the Commission approved PG&E's strategy and required PG&E to attempt to sell PCGS prior to

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<sup>5</sup> Joint Application at 10; Joint Applicants' August 28, 2024 Response to Administrative Law Judge Ruling Directing a Supplemental Information Response (Response to ALJ First Information Ruling) at 14.

<sup>6</sup> D.19-09-025 at 327 (Ordering Paragraph (OP) 42).

decommissioning it.<sup>7</sup> In line with the strategy, PG&E discontinued gas injections at PCGS in July 2019 and disconnected the gas compressor in September 2020. PG&E discontinued active operations of PCGS in October 2020. Approximately 5.74 Bcf of natural gas remains in the PCGS reservoir.<sup>8</sup>

On December 1, 2020, PG&E announced via a press release that it was seeking buyers for PCGS. Thereafter, PG&E contacted, or was contacted by, 45 potential buyers. Twelve of those potential buyers signed non-disclosure agreements that gave them access to detailed information about PCGS. Five of those twelve submitted bids. On July 15, 2021, PG&E selected Pleasant Creek LLC as the winning bidder.

The instant Joint Application concerns the proposed sale and transfer of PCGS ownership as well as the associated CPCN from PG&E to Pleasant Creek LLC -- the Proposed Transaction.

## **1.2. Procedural Background**

On August 21, 2023, The Utility Reform Network (TURN) filed a protest to the Joint Application.<sup>9</sup> TURN raised a single concern, objecting to PG&E's alternative recommendation in the Joint Application that proposed a ratemaking treatment for the decommissioning amounts for PCGS that were forecasted in

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<sup>7</sup> Joint Application at 5 and n.7 (citing D.19-09-025 at 327, OP 42, stating "Pacific Gas and Electric Company's (PG&E) proposal to sell or decommission the Pleasant Creek storage field is adopted, subject to PG&E demonstrating that it has attempted to sell the storage field. On or before January 31, 2020, PG&E must submit a Tier 1 Advice Letter proposing a plan to receive offers from potential purchasers.").

<sup>8</sup> Joint Application at 10.

<sup>9</sup> Protest of The Utility Reform Network (filed August 21, 2023).

PG&E's 2023 Test Year General Rate Case (2023 GRC). TURN opposed the alternative recommendation whereby PG&E would retain those amounts to reduce future customer collections for future gas asset decommissioning. TURN did not object to Joint Applicants' primary ratemaking proposal whereby the Commission would order through a proceeding that PG&E return the decommissioning amounts to customers.

Two competing independent natural gas storage companies -- Lodi Gas Storage, LLC, and Wild Goose Storage, LLC -- requested and were granted party status on August 17, 2023. The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) moved for party status on August 25, 2023. That motion was granted on October 2, 2023.

Aside from TURN, no other party filed any protest or otherwise assert objection or opposition to the Joint Application.

On August 30, 2023, Joint Applicants filed a response to TURN's protest and withdrew the alternative proposal that gave rise to TURN's protest.<sup>10</sup>

A prehearing conference (PHC) was held on September 26, 2023, to address the issues of law and fact, determine the need for a hearing, set the schedule for resolving the matter, and address other matters as necessary. At the PHC, TURN confirmed that the Joint Applicants' response to the protest had resolved TURN's concerns with the Joint Application and that TURN had no

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<sup>10</sup> Joint Reply of Pacific Gas and Electric Company, Pleasant Creek Gas Storage Holdings, LLC, and eCORP Natural Gas Storage Holdings, LLC to Protest of The Utility Reform Network (filed August 30, 2023).

further objections.<sup>11</sup> The Joint Application is currently unopposed by any party to the proceeding.

After considering the Application, the protest, and discussion at the PHC, Assigned Commissioner Karen Douglas issued a Scoping Memo and Ruling on October 16, 2023, and determined that no environmental and social justice issues had been raised.

On November 15, 2023, the Geologic Energy Management Division of the California Department of Conservation (CalGEM) sent a letter to counsel for Pleasant Creek LLC and eCORP (sometimes referred to herein as Buyer Applicants) expressing concerns about the Proposed Transaction and outlining CalGEM's requirements for either (1) upgrading and re-opening PCGS or (2) fully decommissioning it. The CalGEM letter stated that PG&E and/or Pleasant Creek LLC faced the following separate and independent post-transaction legal obligations under CalGEM's authority pursuant to (1) the CEQA environmental review process; (2) California Public Resources Code (PRC) Sections 3201, 3202, 3204 and 3205.3 bonding requirement provisions; (3) PRC Section 3237 predecessor liability provisions for decommissioning; and (4) CalGEM regulations for future project approvals.<sup>12</sup>

On December 1, 2023, Buyer Applicants filed a motion to admit the November 15, 2023 CalGEM letter into evidence in the record.

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<sup>11</sup> September 6, 2023 Prehearing Conference Transcript at 6.

<sup>12</sup> See Buyer Applicants Exhibit 01 (November 15, 2023 Geologic Energy Management Division of the California Department of Conservation (CalGEM) letter) at 1-5.

On February 27, 2024, this proceeding was reassigned from previously assigned Administrative Law Judges (ALJs) to ALJ Jeffrey Lee. In a March 18, 2024 ruling, ALJ Lee granted Buyer Applicants' joint motion to admit into evidence the November 15, 2023 CalGEM letter as Buyer Applicants Exhibit 01.<sup>13</sup>

ALJ Lee held a status conference on June 4, 2024.

On August 18, 2024, the ALJ issued a first Administrative Law Judge Ruling Directing a Supplemental Information Response (ALJ First Information Ruling). Joint Applicants timely filed a response on August 28, 2024 (Response to ALJ First Information Ruling). On March 18, 2025, the ALJ issued a Second Ruling Directing A Supplemental Information Response. (ALJ Second Information Ruling). Joint Applicants filed a timely response on March 20, 2025 (Response to ALJ Second Information Ruling).

### **1.3. Proposed Transaction**

Joint Applicants (PG&E, Pleasant Creek LLC, and eCORP) are parties to the Proposed Transaction as described below:

- PG&E, the seller, is a public utility providing electric and gas service to customers in Northern and Central California.
- Pleasant Creek LLC, first of the two Buyer Applicants, is a Delaware limited liability company with headquarters in Houston, Texas. Pleasant Creek LLC was formed in 2023 with the purpose of acquiring PCGS and, thereafter, initiating the actions necessary to restore the site's operating capability, with

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<sup>13</sup> On May 2, 2024, Buyer Applicants initiated a procedural email communication to the assigned ALJ and all parties of record, requesting an updated case management schedule pursuant to Commission Rule of Practice and Procedure 8.1(e)(3)(A). That written communication also presented Buyer Applicants' argument regarding Buyer Applicants Exhibit 01 pursuant to Rule 8.2(c)(3)(A).

the goal of providing services as a Commission-regulated independent gas storage provider (ISP). All of the membership interests in Pleasant Creek LLC are held by eCORP Natural Gas Storage Holdings, LLC (below).

- eCORP, second of the two Buyer Applicants, is a Delaware limited liability company with headquarters in Houston, Texas. eCORP was formed in 2023 for the purpose of holding the membership interests in Pleasant Creek LLC and participating in the acquisition, restoration, and ultimate operation of PCGS. eCORP is a member of the eCORP International LLC family of companies that has owned and operated gas storage facilities throughout the United States.<sup>14</sup> Within California, the Commission has previously approved the acquisition of 75 percent of the ownership interests in, and subsequent operation of, the Gill Ranch gas storage facility by SENSEA Holdings LLC, an entity co-owned by a member of the eCORP family of companies.<sup>15</sup>

The Proposed Transaction concerns the transfer of 100 percent of PCGS ownership from PG&E to Pleasant Creek LLC. Pleasant Creek LLC conducted an initial development analysis of PCGS in its current state. Pleasant Creek LLC and eCORP hope to purchase PCGS and to resume gas storage operations at the site.

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<sup>14</sup> Joint Applicants represent that “In the last 25 years, the eCORP Group has been among the most prolific independent natural gas storage developers, owners and operators in the U.S., with particular expertise in depleted reservoir storage.” Response to ALJ First Information Ruling at 5. However, except for the Gill Ranch Gas Storage field in California, eCORP Group has not owned or operated any natural gas storage facility in the United States since before 2010. Response to ALJ First Information Ruling at 6.

<sup>15</sup> D.19-12-006. PG&E owns the other 25 percent of the ownership interests in Gill Ranch Storage.

Pleasant Creek LLC and PG&E executed a Purchase and Sale Agreement (PSA) on March 28, 2023.<sup>16</sup> Pursuant to the PSA, if the Proposed Transaction is approved by the Commission, PG&E would pay Pleasant Creek LLC a lump sum payment of \$11.5 million at the “closing” of the Proposed Transaction, identified in the PSA as the “close of escrow.”<sup>17</sup> In return, Pleasant Creek LLC would assume any and all obligations of any kind or nature whatsoever related to, arising from, or associated with PCGS, including those arising after the close of escrow. Pleasant Creek LLC would purchase PCGS “as is, where is, with all faults,” and would thereby relieve PG&E -- and its customers -- of further liability for the site.<sup>18</sup>

After acquiring the site, Pleasant Creek LLC intends to complete a feasibility assessment with a focus on bringing PCGS storage wells into compliance with the applicable regulations, including those administered by CalGEM. Pleasant Creek LLC would conduct that feasibility assessment with a business goal to restore and modernize PCGS so it can resume gas storage operations. Based on that feasibility assessment, Pleasant Creek LLC would either (1) modernize PCGS to bring it into compliance with existing and applicable regulations and return it to service as an independent gas storage field, or (2) decommission the site, as currently required of PG&E.

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<sup>16</sup> A copy of the written portion of the PSA is attached to this decision as Appendix 1.

<sup>17</sup> See PSA at § 1. PSA section 3.3 (“Closing”) provides that “The ‘Close of Escrow’ shall mean the time that the Grant Deed is recorded in the official records of Yolo County.”

<sup>18</sup> See PSA at § 5.1.

Significantly, the PSA imposes sole responsibility on Pleasant Creek LLC for “the performance of all Decommissioning Obligations with respect to PCGS.”<sup>19</sup> To ensure that Pleasant Creek LLC has and maintains the financial capability to implement decommissioning, the PSA obligates Pleasant Creek LLC to post “Decommissioning Security” in the form of a performance bond in an amount of at least \$29,598,787.<sup>20</sup> Pleasant Creek LLC must maintain that Decommissioning Security “in full force and effect and be enforceable until all Decommissioning Obligations have been completed.”<sup>21</sup>

Joint Applicants contend that a transfer of PG&E’s current operating authority under CPCN for PCGS to Pleasant Creek LLC is a necessary component of the Proposed Transaction. Joint Applicants propose that the Commission authorize transfer of PG&E’s existing CPCN to operate and maintain PCGS to Pleasant Creek LLC. In the Joint Application, the parties propose four “regulatory commitments” (Regulatory Commitments) to be imposed with a transfer of PG&E’s CPCN to Pleasant Creek LLC. These Regulatory Commitments are designed to ensure safe operations at PCGS if restored by Pleasant Creek LLC.

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<sup>19</sup> See PSA at § 5.10; Joint Application at 14.

<sup>20</sup> See PSA at 5.11; Joint Application at 14 and n.21 (citing PSA Section 5.11 and noting that \$29.6 million is PG&E’s most recent estimate of decommissioning costs, which is lower than its \$31.3 million estimate included in PG&E’s 2023 Test Year General Rate Case (2023 GRC)); and Joint Application, Attachment 1 (PSA) at Exhibit E (Performance Bond enumerating decommissioning obligations and associated cost estimates totalling \$29,598,787).

<sup>21</sup> See PSA at 5.11; Joint Application at 14.

The proposed Regulatory Commitments are: (1) appointment of a Chief Safety Accountability Officer for PCGS; (2) maintenance of safety standards, funding, and compliance with applicable laws; (3) development and assessment of a Pipeline Safety Management System; and (4) maintenance of \$20 million in general liability insurance per occurrence and in the aggregate, with increased insurance every five calendar years by an amount equal to inflation during the past five years, commencing when any development construction begins.<sup>22</sup>

#### **1.4. Submission Date**

This matter was submitted on March 20, 2025, upon the Joint Applicants' filing of a response to the ALJ Second Information Ruling.

## **2. Jurisdiction**

The Commission has jurisdiction over the activities of public utilities.<sup>23</sup> PG&E has operated as a public utility providing electric and gas services in California since 1905. PG&E is therefore a public utility subject to the Commission's jurisdiction.

The Commission granted PG&E authority to construct, operate, maintain, and use PCGS for underground natural gas storage pursuant to D.58388, granting a CPCN on May 12, 1959. D.58388 specified that the CPCN was "granted Pacific Gas and Electric Company to construct, operate, maintain and use the underground gas storage project, as described in this Application No. 40867."<sup>24</sup> There, in A.40867, filed February 19, 1959, PG&E had proposed

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<sup>22</sup> Joint Application at 21-22.

<sup>23</sup> Pub. Util. Code Section 216(a).

<sup>24</sup> D.58388 at 4.

construction of the PCGS underground storage project in two discrete stages: (1) using the site's pre-existing gas wells and transmission mains; and (2) completion of a gas transmission main for Canadian gas.<sup>25</sup> The Commission granted PG&E's CPCN upon the finding that "public convenience and necessity now require and will require the construction, operation, maintenance and use of the underground storage project, *as proposed in this proceeding*, and that a certificate should be issued for the same."<sup>26</sup>

The Commission also has jurisdiction under Pub. Util. Code Section 851 to review the requested approval of the transfer of PG&E's CPCN for PCGS to Pleasant Creek LLC. If the proposed transfer of CPCN is authorized, the transferred CPCN would authorize Pleasant Creek LLC to conduct activities at the PCGS under Commission jurisdiction.

### **3. Issues Before the Commission**

The October 16, 2023 Scoping Memo and Ruling identified the following six (6) issues to be resolved in this proceeding:

1. Should the Commission approve the transfer of PCGS to Pleasant Creek LLC?
2. Should the Commission approve the transfer of PG&E's CPCN to Pleasant Creek LLC?
3. Should the Commission designate Pleasant Creek LLC as an ISP?

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<sup>25</sup> See D.58388 at 1 and 3.

<sup>26</sup> D.58388 at 3 (emphasis added).

4. Should the Commission authorize Pleasant Creek LLC to file a tariff for the operation of PCGS via a Tier 1 advice letter?
5. Should the Commission find that the transfer of PCGS to Pleasant Creek LLC is exempt from review under the California Environmental Quality Act?
6. Should the Commission approve the Joint Applicant's proposed ratemaking treatment of the loss on the transfer of PCGS to Pleasant Creek LLC?

#### **4. PCGS Transfer Under Section 851**

Pub. Util. Code Section 851, in relevant part, provides that no public utility:

shall sell, lease, assign, mortgage, or otherwise dispose of or encumber the whole or any part of its . . . line, plant, system, or other property *necessary or useful in the performance of its duties to the public*, or any franchise or permit or any right thereunder . . . without first having either secured an order from the commission authorizing it to do so *for qualified transactions valued above five million dollars.*<sup>27</sup>

##### **4.1. Transaction Value Above Five Million Dollars**

In evaluating the transaction pursuant to Section 851, as discussed below, the Proposed Transaction value is well above Section 851's \$5 million threshold.

Joint Applicants aver that "[a]s of December 31, 2022, the net book value of PCGS was \$3.4 million and the original (also called historical) cost was \$14.6 million, both excluding the net book value of the gas remaining in the field."<sup>28</sup>

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<sup>27</sup> California Public Utilities Code Section 851 (emphasis added). Regulated entities may utilize the advice letter process for approval of transactions valued at or less than \$5 million.

<sup>28</sup> Joint Application at 10.

Under the March 28, 2023 PSA, if the transaction is approved by the Commission, PG&E will pay Pleasant Creek LLC a lump sum cash payment of \$11.5 million at the close of escrow.<sup>29</sup>

In addition, because Pleasant Creek LLC will assume any and all obligations of any kind or nature whatsoever related to, arising from, or associated with PCGS, the Proposed Transaction would relieve PG&E (and its customers) of further liability expenses for PCGS, including decommissioning costs and obligations. Accordingly, the Proposed Transaction is anticipated to significantly reduce costs to PG&E customers relative to the decommissioning mandate alone.<sup>30</sup> Based on Joint Applicant's currently-available information, PG&E's prospective sale of the field presents a projected savings valued at \$11.6 million, when compared to estimated decommissioning costs.<sup>31</sup>

Significantly, under the PSA, the sole responsibility for all Decommissioning Obligations with respect to PCGS would shift entirely to Pleasant Creek LLC. Pleasant Creek LLC must post Decommissioning Security in the form of a performance bond of at least \$29,598,787 and must maintain that Decommissioning Security in full force and effect until all Decommissioning Obligations have been completed.

Therefore, in light of the \$11.5 million payment by PG&E, discharge of liabilities that saves PG&E an estimated \$11.6 million, and Decommissioning

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<sup>29</sup> PSA § 1.

<sup>30</sup> See Joint Application at 11.

<sup>31</sup> See Joint Application at 11.

Security of at least \$29,598,787, we find that the total value of the Proposed Transaction far exceeds the \$5 million threshold for Commission review of the transaction pursuant to Section 851.

#### **4.2. The Public Interest**

As discussed below, we next find that the Proposed Transaction is in the public interest. In reviewing an application for compliance with Section 851, the Commission may “take such action, as a condition to the transfer, as the public interest may require.”<sup>32</sup> The public interest is served when utility property is used for other productive purposes without interfering with the utility’s operation or affecting service to utility customers.<sup>33</sup>

During the bidding process, 45 parties expressed interest in PCGS, 12 entered agreements with PG&E for confidential information, and five (5) parties submitted bids. This constitutes sufficient market participation and number of bids to determine that the \$11.5 million purchase price is a good faith value of the property. PG&E is therefore paying a price for the Proposed Transaction that is fair to its utility customers.

In our public interest consideration, we also review PG&E’s alternatives for the future ownership of PCGS. Those alternatives are: (1) continue to own the field and incur all liabilities for decommissioning an inactive field; or (2) sell the field “as is,” with Buyer Applicants assuming PG&E’s post-transaction liabilities for decommissioning or restoration to service.

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<sup>32</sup> D.3320, 10 CRRC 56, 63.

<sup>33</sup> D.00-07-010 at 6.

#### **4.2.1. Public Interest in Transferring Decommissioning Liabilities**

No evidence in the record suggests that the Proposed Transaction will interfere with PG&E's operations or ability to provide safe and reliable utility service to its customers. To the contrary, as an inactive storage field, PCGS has not served customers since October 2020, when PG&E ceased operations at the field. There is no plan for PG&E to resume PCGS operations on behalf of its customers. Instead, PCGS presents only a decommissioning liability with the attendant costs to PG&E and its customers.

Consummation of the Proposed Transaction under the PSA contractually transfers the mandated decommissioning obligation and costs from PG&E to Pleasant Creek LLC, reducing costs to PG&E customers relative to current decommissioning estimates.<sup>34</sup> Specifically, Joint Applicants estimate that sale of the field offers a savings of \$11.6 million from projected decommissioning costs.<sup>35</sup> This represents relief from costs that the utility and its customers would otherwise bear.<sup>36</sup>

Of course, there exists some risk that our ordered decommissioning would be frustrated by transfer of PCGS from a large utility to Pleasant Creek LLC. However, that risk is mitigated to a *de minimis* level by the terms of the PSA.

The PSA shifts sole responsibility on Pleasant Creek LLC to perform PG&E's Decommissioning Obligations at PCGS. Even should Pleasant Creek

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<sup>34</sup> See Joint Application at 11.

<sup>35</sup> See Joint Application at 11.

<sup>36</sup> See Joint Application at 11.

LLC become insolvent, a condition of the PSA obligates Pleasant Creek LLC to post Decommissioning Security through a performance bond of at least \$29,598,787.<sup>37</sup> Pleasant Creek LLC must maintain that Decommissioning Security until all Decommissioning Obligations have been completed.

Therefore, because the transfer of liabilities would save PG&E and its ratepayers an estimated \$11.6 million, and the PSA condition that Pleasant Creek LLC maintain Decommissioning Security of at least \$29,598,787 to perform a decommissioning, we find that the Proposed Transaction's transfer of decommissioning liabilities to Pleasant Creek LLC is in the public interest.

#### **4.2.2. Public Interest in PCGS Restoration and Operation**

Instead of decommissioning PCGS, should Pleasant Creek LLC restore the site to an operating gas storage field, the public interest would also be served.

Although speculative at this time, Pleasant Creek LLC and eCorp would first evaluate modernizing PCGS to bring it into full compliance with existing regulations and possibly return it to service as an independent gas storage field for potential future need. This option would allow what is currently an inactive and noncompliant storage field to be available for potentially safe and productive future purposes, if needed.

In D.23-12-003, the Commission recognized the importance of natural gas storage facilities within California, the non-operational status of PCGS, and

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<sup>37</sup> See PSA at 5.11; Joint Application, Attachment 1 (PSA) at Exhibit E (Performance Bond enumerating decommissioning obligations and associated cost estimates totalling \$29,598,787).

issues with the Aliso Canyon storage facility.<sup>38</sup> In that decision, we concluded that natural gas storage facilities are currently “necessary for reliability and cost management at this time,”<sup>39</sup> 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>40</sup> They help ensure “sufficient quantities of natural gas to be available during periods of peak demand to support reliability and affordability”<sup>41</sup> and “to meet winter demand.”<sup>42</sup>

The potential modernization and restoration of PCGS to an operational natural gas storage field could help yield those potential future reliability and cost management benefits to the public. Returning PCGS to operational status may also create future options for storage field needs, ensuring natural gas supply during peak demand periods and protecting both gas -- and electric -- customers from reliability and affordability issues.

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<sup>38</sup> D.23-12-003 (Issued December 21, 2023) at 35 (“[T]here are eleven natural gas storage facilities in California. SoCalGas owns and operates four natural gas storage facilities at Aliso Canyon, Honor Rancho, La Goleta, and Playa Del Rey. PG&E owns and operates natural gas storage facilities at McDonald Island and Los Medanos. Independent storage providers own and operate four other natural gas storage facilities in Northern California — WGS, Gill Ranch Storage, CVGS, and LGS. On July 18, 2023, PG&E filed an application requesting Commission approval of its proposed sale of Pleasant Creek Storage, and this facility is not currently operational. The Commission is considering whether the Aliso Canyon gas storage facility continues to be needed in I.17-02-002.”) (footnotes omitted).

<sup>39</sup> D.23-12-003 at 2 (“This decision finds that natural gas storage facilities are necessary for reliability and cost management at this time.”). See also D.23-12-003 at Conclusion of Law 20 (“Natural gas storage facilities are necessary for reliability and cost management.”).

<sup>40</sup> D.23-12-003 at Finding of Fact 28.

<sup>41</sup> D.23-12-003 at Finding of Fact 26.

<sup>42</sup> D.23-12-003 at Finding of Fact 27.

### **4.2.3. Post-Transaction Financial Issues**

In evaluating the public interest, we have some concerns. However, as discussed below, we conclude that, on balance, the Proposed Transaction satisfies the requirements of Pub. Util. Code Section 851, and is in the public interest.

Initially, we note that post-transaction, PCGS would be owned by Pleasant Creek LLC, an entity that identified in its June 30, 2024 (unaudited) balance sheet total assets of only \$1,506 and total liabilities of \$3,619,339.<sup>43</sup> Pleasant Creek LLC entered a credit agreement with Citadel Energy Marketing LLC (CEM) to fund pre-acquisition activities.<sup>44</sup>

Moreover, parent corporation eCorp's June 30, 2024 (unaudited balance sheet) shows total assets of only \$1,000 with no liabilities.<sup>45</sup> eCorp's unaudited six-month income statement, ending June 30, 2024, shows zero revenues and net losses of \$405,068.<sup>46</sup>

This financial information presented with the Joint Application and the Response to ALJ First Information Ruling, indicates that both buyer applicants, Pleasant Creek LLC and eCorp, currently lack additional funds on hand to

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<sup>43</sup> Response to ALJ First Information Ruling at Appendix A (Buyer Applicant unaudited Balance Sheet on June 30, 2024).

<sup>44</sup> Joint Application at 7.

<sup>45</sup> Response to ALJ First Information Ruling at Appendix A (Buyer Applicant unaudited Balance Sheet on June 30, 2024).

<sup>46</sup> Response to ALJ First Information Ruling at Appendix A (Buyer Applicant unaudited Income Statement ending on June 30, 2024).

complete the post-transaction feasibility study and then either (a) restore PCGS to operation, or (b) decommission PCGS.<sup>47</sup>

At closing of the Proposed Transaction, Pleasant Creek LLC and eCORP intend to use PG&E's \$11.5 million payment as the source of funds, first, to conduct the feasibility assessment and then, second, perform a possible site restoration.<sup>48</sup> PG&E's payment to Pleasant Creek LLC will also be used to repay the CEM loan for pre-transaction activities.<sup>49</sup> First, Pleasant Creek LLC and eCORP currently project that costs for the feasibility assessment of restoring storage services at PCGS will be in the range of \$100,000 to \$500,000 and, once begun, require approximately four months to complete.<sup>50</sup> No party to this proceeding disputes that Pleasant Creek LLC will have sufficient funds to complete the feasibility assessment and we find no basis to do so in light of the \$11.5 million payment to be received from PG&E.

Second, at this stage, Joint Applicants lack information to predict total costs for any restoration. Nevertheless, based on available information, Pleasant Creek LLC and eCORP "*believe* the \$11.5 million payment plus the value of the gas in storage, which is also to be conveyed in this transaction, *will be sufficient for*

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<sup>47</sup> See Joint Application at Attachment D (Buyer Applicants unaudited Balance Sheets on June 30, 2023) and Response to ALJ First Information Ruling at Appendix A (Buyer Applicants unaudited Balance Sheets on June 30, 2024).

<sup>48</sup> Response to ALJ First Information Ruling at 2.

<sup>49</sup> Joint Application at 7.

<sup>50</sup> Response to ALJ First Information Ruling at 2 and 13.

*the restoration.*"<sup>51</sup> This belief appears highly speculative without information – including a total restoration cost -- to be identified after the feasibility assessment is completed.

Should Pleasant Creek LLC lack funding to perform a total restoration, the company offers that it may seek additional funding: "To the extent incremental funding beyond the PG&E payment is necessary, [Pleasant Creek LLC and eCORP] *would consider* obtaining the funds through the eCORP Group (as defined in the Application) and/or from a third-party."<sup>52</sup> Pleasant Creek LLC and eCORP provide no certainty regarding such supplemental funding and financial arrangements that may be considered. Therefore, both the sufficiency of Pleasant Creek LLC funds and the likelihood of securing supplemental funding for a restoration are highly speculative. Therefore, the sufficiency of funding for restoration remains speculative – even if uncontested in this proceeding.

However, despite the uncertainty regarding restoration funding, we are satisfied that should Pleasant Creek LLC fail in its attempt to finance restoration of PCGS, the company would have sufficient funding to perform the required decommissioning. As discussed above, PSA Section 5.11 (Decommissioning Security) requires, as a condition to PG&E's obligation to sell, that Pleasant Creek LLC must execute a performance bond in the amount of at least \$29,598,787 to secure its obligations to decommission PCGS.<sup>53</sup> Pleasant Creek LLC must retain

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<sup>51</sup> Response to ALJ First Information Ruling at 2 (emphasis added).

<sup>52</sup> Response to ALJ First Information Ruling at 2 (emphasis added).

<sup>53</sup> PSA Section 5.11 and Joint Application, Attachment 1 (PSA) at Exhibit E (Performance Bond).

that performance bond until all decommissioning obligations have been completed.

In its 2023 GRC, PG&E informed the Commission that decommissioning the utility's assets in a safe, prudent and environmentally sound manner is a cost of providing service to its customers.<sup>54</sup> Through the Commission's ratemaking adversary process, PG&E and TURN briefed and presented their respective views on projected decommissioning costs for PCGS. We found it reasonable to adopt PG&E's forecasts of \$3.040 million annual decommissioning costs and the resulting \$12.161 million decommissioning costs for PCGS during the four-year 2023-2026 GRC period.<sup>55</sup>

Based on that \$3.040 million annual decommissioning cost, the Joint Applicants' proposed minimum \$29,598,787 performance bond would ensure up to 9.7 years of decommissioning work. Therefore, even should Pleasant Creek LLC lack financial resources to complete a possible restoration, it must maintain a minimum \$29,598,787 performance bond that appears sufficient to guarantee the permanent decommissioning of PCGS.<sup>56</sup>

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<sup>54</sup> D.23-11-069 at 677.

<sup>55</sup> D.23-11-069 at 677-79 and n.2458.

<sup>56</sup> We do not opine on the CalGEM assertions that PRC sections 3204 and 3208 require *additional* bonding by Pleasant Creek LLC of up to \$30 million or that PG&E would remain liable for decommissioning through PRC Section 3237 under a theory of predecessor liability. See Buyer Applicants Exhibit 01 (November 15, 2023 Geologic Energy Management Division of the California Department of Conservation (CalGEM) letter) at 3-4. However, assuming *arguendo* that PRC Section 3237 is applicable here, then even should decommissioning costs exceeded Pleasant Creek LLC performance bond amount under the PSA, PG&E and its customers would still benefit from the Proposed Transaction to the extent that the utility contractually shifts its

*Footnote continued on next page.*

Here, Joint Applicants point out that their current \$29.6 million estimate for decommissioning costs is \$1.7 million lower than the \$31.3 million forecast presented in PG&E's 2023 GRC.<sup>57</sup> The minimum \$29,598,787 amount was estimated based on a current itemized list of costs for decommissioning that accompanies the proposed Performance Bond.<sup>58</sup> That estimate is sufficiently similar to PG&E's forecasted amount in its 2023 GRC – where it was incentivized to maximize and support its forecast in order to recover projected prospective PCGS decommissioning costs from its customers. As a result, we do not find the 5.4 percent difference between the Joint Applicants' (*i.e.*, PG&E and Buyer Applicants') current, revised estimate and PG&E's June 2021 estimate in its 2023 GRC to invalidate the requirement for a Performance Bond in the minimum amount of \$29,598,787.

No party to this proceeding – including TURN -- disputes that the required Performance Bond is sufficient to fund PCGS' decommissioning. Therefore, current record information shows that a Performance Bond in the

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almost \$29.6 million decommissioning obligation behind Pleasant Creek's primary responsibility for that decommissioning, minus PG&E's costs for the Proposed Transaction.

<sup>57</sup> Joint Application at 14 and n.21 (citing PSA Section 5.11 and noting that \$29.6 million is PG&E's most recent estimate of decommissioning costs, which is lower than its \$31.3 million estimate included in PG&E's 2023 GRC.)

<sup>58</sup> See PSA Section 5.11 and Joint Application, Attachment 1 (PSA) at Exhibit E (Performance Bond enumerating decommissioning obligations and associated cost estimates totalling \$29,598,787). See also, Joint Application at 14 and n.21 (citing PSA Section 5.11 and noting that \$29.6 million is PG&E's most recent estimate of decommissioning costs, which is lower than its \$31.3 million estimate included in PG&E's 2023 GRC).

amount of at least \$29,598,787 is sufficient to cover projected decommissioning costs at PCGS.

We further recognize that the record establishes that even if decommissioning exceeds the Performance Bond amount, PG&E may remain liable for any excess. In its November 15, 2023 letter to Buyer Applicants, (Buyer Applicants' Exhibit 01), CalGEM informed the parties that "PG&E and Buyers can negotiate between them to assign liability to Buyers, but CalGEM can still look seriatim to PG&E and PG&E will still be responsible if Buyers fail to perform."

We conclude that the sale of PCGS on the terms contained in the PSA would provide benefits to the public by shifting financial responsibility for the mandated decommissioning of the site from PG&E to Pleasant Creek LLC with a sufficient Performance Bond in place. The Proposed Transaction would benefit PG&E customers by immunizing them against future liabilities, and related rate impacts, related to the ownership or operation of PCGS.<sup>59</sup> Moreover, the sale of PCGS on the terms presented in the PSA by Joint Applicants would provide substantial potential benefits to the public through the possible restored storage operations at PCGS.

In sum, we find that the proposed ownership transfer of PCGS from PG&E to Pleasant Creek LLC under the terms of the PSA presented by Joint Applicants would result in PCGS ultimately being decommissioned as required or, in the

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<sup>59</sup> Although purchasers assume all future liabilities related to the ownership or operation of PCGS, CalGEM retains the legal right to seek recourse from PG&E if Pleasant Creek LLC fails to meet any requirements imposed on it by CalGEM.

alternative, be restored in full regulatory compliance and made available for other potential future productive purposes without interfering with the utility's operation or affecting service to PG&E customers. As such, balancing the foregoing variables, we find that the Proposed Transaction satisfies the requirements of Pub. Util. Code Section 851, and is in the public interest.

#### **4.3. Ownership Transfer Approval**

Based on the foregoing, we approve the proposed ownership transfer of PCGS from PG&E to Pleasant Creek LLC under the terms of the PSA presented by Joint Applicants. Joint Applicants shall notify the Commission Energy Division of any changes to the PSA at least 30 days prior to closing the Proposed Transaction, *i.e.*, the "close of escrow" as described in the PSA. Joint Applicants shall also file as a compliance filing in this docket a certification within 30 days (a) evidence of the closing of the Proposed Transaction; and (b) evidence of Pleasant Creek LLC's procurement of the required Performance Bond and compliance with all decommissioning obligations under the PSA.

#### **5. Transfer of PG&E's CPCN**

Joint Applicants request that the Commission authorize the transfer to Pleasant Creek LLC of PG&E's CPCN to operate and maintain PCGS.<sup>60</sup> Pleasant Creek LLC and eCorp represent that they seek Commission authority to restore PCGS to its "full operational capacity" with a "a working gas capacity of

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<sup>60</sup> See Joint Application at 5 (citing D.58388, granting CPCN May 12, 1959).

approximately 2.3 Bcf and a cushion gas capacity of approximately 5.1 Bcf for a maximum total inventory capacity of approximately 7.4 Bcf.”<sup>61</sup>

Without a CPCN, Joint Applicants assert that Pleasant Creek LLC cannot modernize and retrofit PCGS to comply with applicable laws and regulations to restore the site’s operability as a gas storage facility. Instead, they would be limited to decommissioning PCGS. Joint Applicants state that such a result would frustrate the business purpose of the PSA and both buyers’ and the public’s interest in PCGS restoration as a gas storage facility. No parties to this proceeding oppose Joint Applicants’ request.

#### **5.1. Qualifications to Operate PCGS**

Pleasant Creek LLC and eCorp contend that Pleasant Creek LLC possesses sufficient managerial and technical experience through eCorp’s affiliated companies to warrant a CPCN to operate and maintain PCGS. They state that eCorp will provide specific personnel, substantial skills, experience, and other company resources to Pleasant Creek LLC for post-transaction activities at PCGS.<sup>62</sup>

They stress that as a well-established national gas storage business, eCorp maintains significant experience and expertise among its eCorp group personnel. In California, as noted in the Joint Application, Pleasant Creek LLC’s and eCorp’s affiliate, eCorp Storage LLC, was authorized by the Commission as part-owner

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<sup>61</sup> Response to ALJ First Information Ruling at 14.

<sup>62</sup> See Response to ALJ First Information Ruling at 3-5 and 9-10.

and operator of California's Gill Ranch Gas Storage field (GRGS), which it has done without incident.<sup>63</sup>

As a wholly-owned entity of eCorp, Pleasant Creek LLC will possess the necessary skill and experience through eCorp and eCorp affiliates to construct, operate, and maintain PCGS as a California gas storage field in compliance with applicable environmental laws and CalGEM regulations.

There is no contrary evidence presented in this proceeding regarding Pleasant Creek LLC's claim that it has the technical qualification to construct, operate, and maintain PCGS with eCorp's support and resources.

Therefore, we find that Pleasant Creek LLC possesses sufficient technical and managerial qualifications through eCorp to operate and maintain PCGS.

## **5.2. Financial, Safety, and Insurance Regulatory Commitments**

We recognize the differences between eCorp's acquisition and transition to operation of GRGS and that proposed here by Pleasant Creek LLC and eCorp at PCGS. First, in contrast to PCGS, GRGS was an operating gas storage field when eCorp acquired its ownership interest. PCGS has been inactive since October 2020. Second, through a transition agreement and process, eCorp began with PG&E personnel in place to continue PG&E's established operations at GRGS.<sup>64</sup> In contrast, PCGS prospective operations would recommence without PG&E

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<sup>63</sup> See Joint Application at 21 and n. 37 (citing D.19-12-006, Conclusion of Law No. 5); Response to ALJ First Information Ruling at 10-12 (summarizing GRGS compliance record).

<sup>64</sup> A transition agreement was used to ensure safe operation as eCorp assumed operational duties there. PG&E also maintained a 25 percent interest during and after eCorp's transition to operational duties at GRGS.

personnel, after years of inactivity, feasibility assessments, and site restoration. Pleasant Creek LLC and eCorp are hopeful and anticipate recommencement of operations at a new, modernized PCGS.

These differences indicate the unique extended duration that PCGS may remain inactive. As a result, Pleasant Creek LLC's prospective restoration, operation, and maintenance of PCGS under PG&E's CPCN requires additional, updated safety measures. The present uncertainty regarding the costs involved to restore PCGS and Pleasant Creek LLC's and eCorp's lack of cash on hand, also warrant financial assurances going forward, despite the \$11.5 million payment to be received from PG&E at closing of the Proposed Transaction.

To address these issues at PCGS, Pleasant Creek LLC and eCorp proposed through the Joint Application a set of financial, safety, and insurance Regulatory Commitments modeled after the conditions imposed by the Commission with its approval of ownership for Gill Ranch LLC.<sup>65</sup> These Regulatory Commitments in connection with PCGS are as follow:

1. Pleasant Creek LLC shall appoint a Chief Safety Accountability Officer (CSAO) for PCGS. Such CSAO shall have clearly defined duties and responsibilities. The CSAO will have authority and control over the human and financial resources required to establish and maintain PCGS' safety management system and programs to ensure that PCGS can meet its safety obligations.

Provide the Commission access to the Pleasant Creek LLC Manager meeting minutes and presentations for Manager

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<sup>65</sup> See Joint Application at 21-22 (citing D.19-12-006).

meetings that may directly or indirectly relate to safety matters at PCGS.

2. Pleasant Creek LLC and eCorp commit that (a) Pleasant Creek LLC will maintain safety standards and policies to meet the safety needs of PCGS; and (b) Pleasant Creek LLC will comply with applicable laws and Pleasant Creek LLC's safety standards and policies as they evolve over time. During the period after completion of the acquisition by Pleasant Creek LLC. Pleasant Creek LLC and eCorp commit that PCGS will be adequately funded to be safely maintained, operated, and, if applicable, decommissioned.
3. If Pleasant Creek LLC restores PCGS and resumes storage services, it shall:
  - a. Develop a Pipeline Safety Management System and other relevant plans and policies to create a comprehensive Safety Management System (SMS) prior to commencing storage services. The SMS shall apply to the entire PCGS facility, encompassing all operations, assets and personnel. In developing the SMS, Pleasant Creek LLC will incorporate best practices found in the American Petroleum Institute's (API) recommended practice 1173 SMS framework, and applicable portions of API 1171 for underground gas storage
  - b. Prepare a SMS and safety culture assessment. Pleasant Creek LLC shall (a) retain a third party to prepare the SMS and safety culture assessment; (b) provide the results of the assessment to the Commission; and (c) use the assessment to inform the expansion of the SMS. Pleasant Creek LLC would then conduct periodic safety culture assessments, no less frequently than every two years.
4. Pleasant Creek LLC shall maintain \$20 million of general liability insurance per occurrence and in the aggregate.

[footnote omitted] It shall increase its insurance every five calendar years by an amount equal to inflation during the previous five years, rounded to the nearest million. The first five-year period shall start once any development construction commences.

These Regulatory Commitments present prudent short and long-term financial, safety, and insurance measures so that Pleasant Creek LLC would restore, operate, and maintain PCGS in a safe and reliable manner, consistent with the existing authorized natural gas storage services at the site. Their implementation must accompany a Commission grant of operating authority to Pleasant Creek LLC for PCGS.

No parties to this proceeding oppose imposition of these Regulatory Commitments. As a result, we find that transfer of PG&E's CPCN to Pleasant Creek LLC to operate and maintain PCGS, with the Regulatory Commitments above is in the public interest and adopt them as conditions of our CPCN transfer.

In D.58388, we specified that the CPCN was “granted Pacific Gas and Electric Company to construct, operate, maintain and use the underground gas storage project, as described in this Application No. 40867.”<sup>66</sup> In A.40867, PG&E proposed two discrete construction phases to create the underground storage site at PCGS that we reviewed and approved.<sup>67</sup> That proposed project identified an estimated optimum working storage capacity of 3.2 Bcf of gas.<sup>68</sup> In contrast, Joint

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<sup>66</sup> D.58388 at 4 (Order).

<sup>67</sup> D.58388 at 3.

<sup>68</sup> D.58388 at 3.

Applicants have not proposed any new construction project(s) at PCGS for any purpose. As a result, we do not approve or certify any construction project at PCGS in this decision.

Moreover, the authority granted through PG&E's CPCN is limited to restoration and operation of PCGS at the maximum total inventory capacity of approximately 7.4 Bcf, as described by Joint Applicants.

Accordingly, we authorize the transfer of PG&E's CPCN to Pleasant Creek LLC with the conditions of the Regulatory Commitments identified above.

Upon requesting a tariff for operation of PCGS and then annually thereafter, Pleasant Creek LLC must file a report with the Commission's Energy Division containing detailed information regarding the measures taken to satisfy each Regulatory Commitment above and certifying its compliance with these Regulatory Commitments. The report must contain the SMS and safety culture assessment as well as any subsequent updates to the SMS and/or safety culture assessment.

The Commission will designate a public utility number under which Pleasant Creek LLC must submit filings. No fewer than ninety (90) days prior to recommencing operation of PCGS, Pleasant Creek LLC must file a Tier 2 Advice Letter with the Director of the Commission Energy Division to identify all restored activities and operations to recommence under PG&E's existing CPCN.

## **6. ISP Authorized to Charge Market-Based Rates**

We next address Joint Applicants' request that the Commission designate Pleasant Creek LLC as an ISP with authority to charge market-based rates instead of traditional cost-of-service ratemaking if and when PCGS resumes

storage operations.<sup>69</sup> No parties to this proceeding oppose Joint Applicants' request. As discussed below, we conclude that Pleasant Creek LLC's prospective operation of PCGS warrants ISP status and authorization to charge market-based rates for its services.<sup>70</sup>

### **6.1. Independently-Owned Natural Gas Storage Providers**

The Commission has the duty to assure that California has adequate natural gas storage capacity set aside to meet customer demands.<sup>71</sup> It regulates natural gas utility service for California customers that receive natural gas service from investor-owned utilities.<sup>72</sup>

As a public gas utility, PG&E owns and operates underground natural gas storage facilities utilizing depleted gas reservoir fields located within its service territories in Northern California. PCGS is one such utility-owned storage field.

To supplement utility-owned storage, independently-owned natural gas storage fields arose after a 1993 Commission gas industry restructuring initiative. These ISP fields provide additional gas infrastructure capacity beyond utility-owned storage to help meet California natural gas customers' requirements. The existence of ISPs helps ensure natural gas supplies so that the state gas industry

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<sup>69</sup> See Joint Application at 23 and n. 39-41.

<sup>70</sup> The Commission reserves its authority to revisit its regulation of public utility ISPs and designation that an ISP may charge market-based rates.

<sup>71</sup> It bears noting that the majority of natural gas utility customers in California are residential and small commercials customers, referred to as "core" customers. Larger volume gas customers, like electric generators and industrial customers, are "noncore" customers.

<sup>72</sup> These gas utilities include PG&E, Southern California Gas (SoCalGas), San Diego Gas & Electric (SDG&E), Southwest Gas, and some smaller investor-owned natural gas utilities.

can (1) meet peak seasonal and daily natural gas demand; and (2) allow California customers to secure natural gas supplies more efficiently.

Significantly, ISPs enable California to meet peak gas requirements and secure supplies using the current natural gas pipeline capacity.<sup>73</sup>

At present, four ISPs exist in the state: (1) Lodi Gas Storage; (2) Wild Goose Storage; (3) Central Valley Gas Storage (CVGS); and (4) Gill Ranch Gas Storage (GRGS). PG&E owns a 25% share of GRGS through operator Gill Ranch Storage, LLC. eCorp Storage LLC, an eCorp Group-owned affiliate of Pleasant Creek LLC, is the co-owner of the remaining 75% interest in GRGS and Gill Ranch Storage, LLC.

## **6.2. Pleasant Creek LLC's Limited Market Power**

The Joint Application asserts that the possibility that PCGS will be restored to operation warrants prospective ISP status and Commission authorization to charge market-based rates for its services. Buyer Applicants argue that if PCGS is restored, “[B]y itself, and even in combination with Gill Ranch LLC, Pleasant Creek LLC [would] lack[] market power” among its more established ISP competitors in the state’s gas storage marketplace.<sup>74</sup>

Joint Applicants rely on D.10-10-001, where we granted ISP Central Valley Gas Storage’s request for market-based rates. There, the Commission examined the market circumstances and focused on three facts: (1) the presence of existing

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<sup>73</sup> See Commission website at <https://www.cpuc.ca.gov/industries-and-topics/natural-gas#:~:text=The%20CPUC%20regulates%20natural%20gas,Storage%20and%20Gill%20Ranch%20Storage.>

<sup>74</sup> Joint Application at 23. See also Response to ALJ First Information Ruling at 13-15.

competitors; (2) the prospective ISP's lack of customers upon market entry; and (3) the new firm's inability to force existing competitors out of the market by virtue of adding only a "relatively small incremental capacity" to the existing market.<sup>75</sup> Here, if PCGS is restored to operation, Pleasant Creek LLC would be a comparatively small, new entrant in the competitive independent natural gas storage services market. It would thereby present the same market circumstances and facts as CVGS in D.10-10-001.

First, Pleasant Creek LLC would encounter established competitors upon entering the market with a restored PCGS. Four established ISP facilities provide competing services in the same geographic California market (*i.e.*, PG&E's existing natural gas utility storage area): (1) Lodi Gas Storage; (2) Wild Goose Storage; (3) Central Valley Gas Storage; and (4) GRGS.

Second, as a prospective new market entrant, Pleasant Creek LLC would begin with no existing customers for a restored PCGS field. Nevertheless, as when Central Valley Gas Storage entered the market, the additional storage capacity provided by a restored PCGS facility would make the market more competitive.

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<sup>75</sup> See D.10-10-001 at 26, stating as follows:

First, CVGS is a new entrant into a market that has several established providers of gas storage services. The additional storage capacity provided by the CVGS Project will make the market even more competitive. Second, CVGS will start with a customer base of zero. Finally, as a new entrant, CVGS will not be able to force other gas storage providers to exit the market because CVGS will be adding a relatively small amount of incremental capacity to a market with well-established competitors. We conclude for the previous reasons that it is reasonable to grant VGS's request to charge market-based rates for its services.

Third, a restored PCGS site would add only “relatively small incremental capacity” to the existing market. This added storage capacity would be unlikely to force existing competitors out of the market.

If authorized to purchase PCGS and then able to restore it to full operational capacity, Pleasant Creek LLC verified that it would have a maximum total storage capacity of approximately 7.4 Bcf.<sup>76</sup> In comparison, the current ISP market participants provide the following storage capacities: Wild Goose Storage LLC has 75 Bcf; Lodi Gas Storage LLC has 46 Bcf; Central Valley Storage LLC has 11 Bcf; and Gill Ranch Storage LLC has 15 Bcf.<sup>77</sup> Together these ISPs provide a maximum total storage capacity of approximately 147 Bcf. As a result, PCGS’s 7.4 Bcf capacity would represent only 5.03% of the capacity of its established ISP competitors.<sup>78</sup>

Joint Applicants point out that if we consider PCGS in combination with its eCorp affiliate, ISP Gill Ranch Storage LLC, approval of this Joint Application would result in the eCORP Group operating roughly 22.4 Bcf of natural gas

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<sup>76</sup> See Response to ALJ First Information Ruling at 14 and n.19.

<sup>77</sup> See Response to ALJ First Information Ruling at 13-14 and n.16-18.

<sup>78</sup> As indicated above, ninety (90) days prior to recommencing operation of PCGS, Pleasant Creek LLC must file a Tier 2 Advice Letter with the Director of the Commission Energy Division to identify all restored activities and operations to commence under PG&E’s existing CPCN. Confirmation of the maximum total storage capacity of approximately 7.4 Bcf or an explanation and justification of any increased capacity must accompany that Advice Letter.

storage in the region.<sup>79</sup> Thus, affiliated eCorp sites PCGS and GRGS would constitute only about 15% of the ISP market in the PG&E service territory.<sup>80</sup>

We find that a restored PCGS facility would add a relatively small amount of incremental storage capacity to a market with well-established competitors, such that Pleasant Creek LLC would lack the ability to force any other ISP to exit the market. Accordingly, Pleasant Creek LLC presents the same market circumstances and facts as found in D.10-10-001, warranting status to operate PCGS as an ISP and to charge market-based rates for its services if and when it resumes storage operations at PCGS.

### **6.3. Public Interest in Additional Gas Storage**

Consistent with our discussion in Section 4.1.2.2. above, we recognize that an additional ISP in Northern California would contribute to natural gas supply and availability to meet peak seasonal and daily natural gas demand and allow customers to secure natural gas supplies more efficiently. The added natural gas storage capacity in a modernized PCGS would be useful to mitigate gas shortages and gas price shocks that might arise from a variety of possible causes, including increased customer demand, outages of interstate or intrastate transmission lines, and decreased storage at other ISP and/or PG&E fields. In addition, availability of gas from PCGS, if needed, would contribute as a brake

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<sup>79</sup> See Response to ALJ First Information Ruling at 14 and n.20.

<sup>80</sup> See Response to ALJ First Information Ruling at 14 and n.20.

on prices paid by both household (core) and business (noncore) ratepayers in the future.

Accordingly, we find it in the public interest to authorize Pleasant Creek LLC to serve as an ISP with authority to charge market-based rates if and when PCGS resumes storage operations at PCGS.

## **7. Pleasant Creek LLC Tariff Via Advice Letter**

Although no party or regulator has determined whether, when, or in what capacity PCGS might be restored to operation, Joint Applicants request that the Commission prospectively authorize Pleasant Creek LLC to file an Advice Letter tariff with provisions “that mirror those the Commission approved for Gill Ranch LLC,” for the possible operation of PCGS. No parties to this proceeding oppose Joint Applicants’ request.

### **7.1. Prospective Need for a PCGS-Specific Tariff**

Commission General Order (GO) 96-B, General Rule 3.15 provides that “‘Tariffs’ refer collectively to the sheets that a utility must file, maintain, and publish as directed by the Commission, and that set forth the terms and conditions of the utility’s services to its customers; ‘tariffs’ may also refer to the individual rates, tolls, rentals, charges, classifications, special conditions, and rules of a utility.”

Joint Applicants state that PG&E previously provided service from PCGS under PG&E’s general tariffs that applied to *all* PG&E-owned natural gas storage facilities.<sup>81</sup> Because no PCGS-specific tariff exists for Pleasant Creek LLC to

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<sup>81</sup> Joint Application at 24.

adopt, the company anticipates that the Commission must authorize a new tariff if and when it begins providing natural gas storage services at a restored PCCS.<sup>82</sup>

Pleasant Creek LLC requests authorization to submit an Advice Letter to seek approval for an ISP-based tariff with “provisions that mirror those recently approved by the Commission for Gill Ranch LLC.”<sup>83</sup> The company recommends a Tier 1 Advice Letter for that purpose, contending that it would “ensure a well-vetted tariff while reducing the burden on the Commission and Pleasant Creek LLC.”<sup>84</sup>

## **7.2. Commission Advice Letters**

Our Advice Letter process is well-established. GO 96-B, General Rule 3.1 identifies an Advice Letter as “(1) an informal request by a utility for Commission approval, authorization, or other relief, including an informal request for approval to furnish service under rates, charges, terms or conditions other than those contained in the utility’s tariffs then in effect, and (2) a compliance submittal by a load-serving entity pursuant to Public Utilities Code Section 380.” General Rule 5.1 provides that “The advice letter process provides a quick and simplified review of the types of utility requests that are expected neither to be controversial nor to raise important policy questions.”

The Commission has established three advice letter tiers via GO 96-B, Energy Industry Rules 5.1, 5.2 and 5.3. Energy Industry Rule 5.1 provides that

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<sup>82</sup> Joint Application at 24.

<sup>83</sup> See Joint Application at 24; Response to ALJ First Information Ruling at 15 and n.22.

<sup>84</sup> Joint Application at 24-25.

Tier 1 Advice Letters are effective pending disposition. They typically involve only routine matters, such as fixing typographical errors in tariffs, and addressing matters that follow directly from a statute or order.

Energy Industry Rule 5.2 provides that Tier 2 Advice Letters require Commission staff review. They are effective upon staff approval and are appealable to the Commission. Tier 2 Advice Letters typically address more complicated or difficult matters that may have been approved by the Commission but not completely spelled out, such as rate changes.

Energy Industry Rule 5.2 provides that Tier 3 Advice Letters involve the most complex and controversial matters. They are only effective upon Commission approval via resolution.

### **7.3. Authorization to File Advice Letter**

Pleasant Creek LLC proposes to use a Tier 1 advice letter to file a tariff for the operation of PCGS. More specifically, Pleasant Creek LLC projects that in the future it will request for PCGS “tariff provisions that mirror those the Commission approved for Gill Ranch LLC.”<sup>85</sup> Pleasant Creek LLC anticipates that tariff provisions for PCGS “shall include the same types and classes of service, the same general terms and conditions (billings/payments, dispute resolution, notices, etc.), and the same rules (definitions, description of services, service requests, etc).”<sup>86</sup> Although Joint Applicants recognize that entity specific information (*e.g.*, name, description of territory, and facility location map) would

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<sup>85</sup> See Joint Application at 24; Response to ALJ First Information Ruling at 15 and n.22.

<sup>86</sup> Response to ALJ First Information Ruling at 15.

be different, Pleasant Creek LLC expects modification “will be minimal and of no consequence on the actual terms of service to be offered” at PCGS.<sup>87</sup>

We find the request to request an eventual tariff for PCGS via Advice Letter to be reasonable. However, the path to restoration and regulatory approvals to operate PCGS is a long one with many uncertainties. The journey down that path has not even begun. In addition, the circumstances at PCGS in the future may differ significantly from those existing and envisioned today. Likewise, the applicable laws, rules, orders and Commission considerations at an indeterminate point in the future are currently unknown. Accordingly, we cannot, at this time, assume that the tariff provisions for PCGS and Gill Ranch facilities can, will, or should “mirror” each other if and when PCGS is deemed operational. As a result, we decline at this time to deem a prospective tariff request to operate a restored PGCS at some date in the future as routine, non-controversial, and suitable for a Tier 1 Advice Letter.

Instead, we find that a Tier 2 Advice Letter, effective upon Commission staff review and approval and appealable to the Commission, is reasonable and prudent. In the future, when the Tier 2 Advice Letter is submitted, that process will afford Commission staff an opportunity for review and allow public participation if complicated matters arise regarding PCGS. Should the tariff request be routine, as currently anticipated and described by Joint Applicants, then a Tier 2 Advice Letter process should not impose a significant procedural

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<sup>87</sup> Response to ALJ First Information Ruling at 15.

burden on Pleasant Creek LLC. If significant complexity or controversy exists, then the Advice Letter may be upgraded to Tier 3.

Accordingly, a Tier 2 Advice Letter process is reasonable and appropriate for a PCGS tariff in light of future uncertainties. Accordingly, we find it in the public interest to authorize Pleasant Creek LLC to file a Tier 2 Advice Letter, after the proposed transfer of ownership of PCGS under the PSA, requesting tariff language applicable to the restored operation of PCGS prior to commencing operations.

## **8. California Environmental Quality Act**

We next address CEQA review of the Proposed Transaction.<sup>88</sup> Under CEQA and Rule 2.4, the Commission is the lead agency and must consider the environmental consequences of projects that are subject to our discretionary approval.<sup>89</sup> A “project” is defined as any activity that "may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment."<sup>90</sup> However, even if an activity is a project under CEQA, it will be deemed exempt from CEQA if it "can be seen with certainty that the project will not have a 'significant' effect on the environment."<sup>91</sup>

The Joint Application requests that the Commission find that the Proposed Transaction is not a “project” under the CEQA.<sup>92</sup> In the alternative, the Joint Application

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<sup>88</sup> California Public Resources Code §§ 21000 *et seq.*

<sup>89</sup> *See* Public Resources Code § 21080.

<sup>90</sup> Public Resources Code § 21065.

<sup>91</sup> CEQA Guidelines, 14 CCR § 15061(b)(3).

<sup>92</sup> Joint Application at 31.

argues that the Proposed Transaction is exempt from review under the CEQA Guidelines.<sup>93</sup>

Here, the Joint Application demonstrates with certainty that the proposed sale (*i.e.*, transfer of ownership) of PCGS from PG&E to Pleasant Creek LLC would not result in a reasonably foreseeable direct or indirect physical change in the environment. As a result, the proposed transfer would not constitute a “project” under CEQA. Accordingly, we find that approval of the Proposed Transaction, transferring ownership of PCGS from PG&E to Pleasant Creek LLC, is not subject to CEQA review.

Post-transfer, Pleasant Creek LLC “intends to complete its analysis of what is required to bring the storage field wells into compliance with current regulations and thereafter resume storage Operations.”<sup>94</sup> Alternatively, it may opt to perform work to decommission PCGS.

Any post-transfer construction or other projects at PCGS may be subject to CEQA review. This decision does not approve or authorize any project or construction related to PCGS. Pleasant Creek LLC acknowledges that it must “seek to obtain the necessary environmental and governmental approvals to perform development work on PCGS to comply with applicable laws and regulations.”<sup>95</sup> CalGEM, in particular, has notified the Buyer Applicants

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<sup>93</sup> Joint Application at 31-32.

<sup>94</sup> Joint Application at 3.

<sup>95</sup> Joint Application at 3. *See also*, Joint Application at 12 and 15; Response to ALJ First Information Ruling at 6-7.

regarding that agency's authority over decommissioning and restoration activities at PCGS.<sup>96</sup>

The transfer of PCGS ownership is an activity that does not rise to the level of a "project" triggering CEQA review here. However, for post-transfer activities at PCGS, including to restore the site to an operating storage facility, Pleasant Creek LLC must satisfy other environmental requirements, including CalGEM regulations.<sup>97</sup> Accordingly, Pleasant Creek LLC must obtain all necessary approvals from all relevant regulatory authorities including CalGEM if it intends to undertake post-transaction construction or any project at PCGS that may be subject to CEQA or other laws.

## **9. Proposed Ratemaking Treatment**

PCGS's Net Book Value (*i.e.*, the December 31, 2022 "historical cost" of \$18.8 million with gas in the field, less accumulated depreciation) as of December 31, 2022, is approximately \$7.6 million.<sup>98</sup> A negotiated sales price of \$11.5 million and estimated transaction costs of \$0.6 million bring the total amount to be paid by PG&E to \$12.1 million.<sup>99</sup>

PG&E estimates that sale of PCGS will result in a total estimated \$11.6 million benefit to its customers.<sup>100</sup> The Joint Application, Attachment B and the Response to ALJ Second Information Ruling show that this estimated benefit

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<sup>96</sup> See Buyer Applicants' Exhibit 01.

<sup>97</sup> Joint Application at 6. See also, Buyer Applicant Exhibit 01.

<sup>98</sup> Joint Application at 25.

<sup>99</sup> Joint Application at 25.

<sup>100</sup> Joint Application at 25-26.

results from (1) a pre-tax loss-on-sale of \$19.7 million to be recovered from customers; (2) return to customers of \$19.1 million in decommissioning amounts collected through December 31, 2022, as adopted by the Commission in PG&E's 2019 Gas Transmission and Storage case; and (3) return of forecasted \$12.2 million in decommissioning accruals proposed in PG&E's Test Year 2023 General Rate Case (2023 GRC).<sup>101</sup>

Joint Applicants estimated \$11.6 million total customer benefit to PG&E customers was based on available financial data prior to the Commission's adoption in PG&E's 2023 GRC of the approximately \$12.2 million forecast for future decommissioning accruals for years 2023 through 2026.<sup>102</sup> Subsequent to filing of the Joint Application, the Commission issued D.23-11-069 in PG&E's 2023 GRC and found it reasonable to adopt PG&E's forecasts of \$3.040 million annual decommissioning costs and the resulting \$12.161 million decommissioning costs for PCGS during the four-year 2023-2026 GRC period.<sup>103</sup> We recognized that "If [PCGS] is sold, the Commission will at that time address the calculation of gains or losses, and any refund or collection from customers, including depreciation and decommissioning, in PG&E's application proceeding under Pub. Util. Code section 851. That application proceeding will provide an

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<sup>101</sup> Joint Application, Attachment B at 3; Response to ALJ Second Information Ruling at 1-3.

<sup>102</sup> Joint Application at 25-26 and Attachment B (table showing estimated Net Loss/Decommissioning Accrual amount of \$11,573,589 to be returned to customers).

<sup>103</sup> D.23-11-069 at 677-79 and n.2458; Joint Application at Attachment B (table showing estimated Decommissioning Accrual amount of \$12,161,189 to be returned to customers from forecast for 2023 GRC).

efficient process for handling potential adjustments. . . .”<sup>104</sup> Here, we are faced with that anticipated proceeding.

PG&E proposes that we adopt an Advice Letter ratemaking process to (1) update that \$11.6 million estimated benefit and (2) return the adjusted total to its customers. Specifically, it seeks Commission authorization to file a Tier 1 Advice Letter within 75 days of the close of the Proposed Transaction to (1) provide updated financial data; and (2) update PG&E’s estimated decommissioning forecast (that we adopted through D.23-11-069 in PG&E’s 2023 GRC).<sup>105</sup> PG&E proposes returning to its customers the PCGS decommissioning accrual amounts collected pursuant to its 2023 GRC through the Annual Gas True-up (AGT) advice letter process for a period concurrent with the adopted recovery schedule for those decommissioning amounts.<sup>106</sup>

PG&E also proposes recovery of the following through the AGT Advice Letter process: (1) the loss on the sale of “cushion gas” at PCGS;<sup>107</sup> (2) the net impact of the decommissioning through December 31, 2022; and (3) loss on the sale of PCGS from applicable natural gas customers on an Equal-Cents-Per-Therm basis through the Core Fixed Cost Account (CFCA) and the Noncore

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<sup>104</sup> D.23-11-069 at 678 (emphasis added).

<sup>105</sup> Joint Application at 26.

<sup>106</sup> Joint Application at 27. An AGT Advice Letter is submitted by PG&E to the Commission for review and approval each year. The AGT details and reconciles discrepancies between the estimated gas service costs used for billing customers throughout the year and the actual costs the utility experienced, establishing adjustments to recover the correct amount of revenue.

<sup>107</sup> Estimated at \$3,400,000. Joint Application at Attachment B.

Customer Class Charge Account (NCA).<sup>108</sup> PG&E proposes that it implement these recoveries through the AGT Advice Letter process over a 12-month period.<sup>109</sup>

The proposed result of the AGT Advice Letter process would essentially "true up" PG&E's rates to reflect the accurate cost of gas storage services. It would identify the adjustments to the estimated \$11.6 million customer benefit that we contemplated in D.23-11-069 upon sale of PCGS.

No parties to this proceeding have opposed Joint Applicants' proposed ratemaking identified above, either before or after we issued D.23-11-069. Indeed, TURN had no objection to this ratemaking proposal whereby PG&E returns the decommissioning benefits to customers.<sup>110</sup>

We find PG&E's proposed ratemaking through the AGT Advice Letter process to be reasonable, subject to updated information and adjustment for Commission review.

Accordingly, we adopt the ratemaking process as proposed by PG&E, subject to PG&E filing a Tier 2 Advice Letter within 75 days of the closing of the Proposed Transaction (*i.e.*, the "close of escrow" as described in the PSA) to update the estimated \$11.6 million total financial benefit of the Proposed

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<sup>108</sup> Joint Application at 26-27 and n. 46.

<sup>109</sup> Joint Application at 27.

<sup>110</sup> TURN objected only to PG&E's alternative recommendation whereby PG&E would retain the decommissioning accrual and use it to reduce customer collections for future gas asset decommissioning. TURN withdrew its objection upon PG&E's withdrawal of the alternate ratemaking proposal.

Transaction to PG&E identified in D.23-11-069 upon sale of PCGS. Should any party protest that Tier 2 Advice Letter, it may be converted to a Tier 3 Advice Letter or, the Commission may require PG&E to file an application. As part of the approved ratemaking process, PG&E must return to its customers the adjusted total financial benefit of the Proposed Transaction through the AGT Advice Letter process over a 12-month period.

#### **10. Summary of Public Comment**

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the “Public Comment” tab of the online Docket Card for that proceeding on the Commission’s website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

No relevant public comments appeared on the Docket Card in this proceeding.

#### **11. Conclusion**

Based on the foregoing, this decision grants the uncontested relief requested in the Joint Application and approves the Proposed Transaction to transfer ownership of PCGS from PG&E to Pleasant Creek LLC under the PSA (presented as Appendix 1). We further (1) approve the transfer of PG&E’s CPCN to operate and maintain PCGS to Pleasant Creek LLC, subject to additional Regulatory Commitments proposed by the Joint Applicants (presented in Appendix 2) and adopted in this decision; (2) authorize Pleasant Creek LLC to serve as an ISP with authority to charge market-based rates if and when PCGS resumes natural gas storage services at PCGS; (3) authorize Pleasant Creek LLC to file a Tier 2 Advice Letter requesting tariff language applicable to the restored operation of PCGS prior to commencing operations; (4) find the proposed transfer of ownership of PCGS from PG&E to Pleasant Creek LLC is not subject to review under

CEQA; and (5) approve the proposed ratemaking treatment of the loss on the transfer of PCGS from PG&E to Pleasant Creek LLC whereby PG&E must return to its customers the adjusted total financial benefit of the Proposed Transaction through the AGT Advice Letter process over a 12-month period.

This decision closes proceeding A.23-07-007.

## **12. Procedural Matters**

This decision affirms all rulings made by the assigned ALJs and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

## **13. Waiver of Comments on Proposed Decision**

Where a proposed decision grants the uncontested relief requested, public review and comment may be waived pursuant to Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure. Accordingly, the comment period for the proposed decision of ALJ Jeffrey Lee in this matter is waived because the Joint Application is uncontested and grants the requested relief.

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

In Resolution ALJ 176-3531 dated August 10, 2023, the Commission preliminarily categorized the Application as ratesetting and preliminarily determined that hearings were necessary. Although a protest was filed by TURN, which could have resulted in hearings, the protested issue was resolved among the parties and the parties agree that there are no outstanding contested issues of material fact that require evidentiary hearings to be held in this proceeding

## **15. Assignment of Proceeding**

Karen Douglas is the assigned Commissioner and Jeffrey Lee is the assigned ALJ in this proceeding.

### **Findings of Fact**

1. Applicant PG&E is a public utility providing electric and gas service to customers in Northern and Central California.

2. Applicant Pleasant Creek LLC is a Delaware limited liability company with headquarters in Houston, Texas, formed in 2023 to acquire PCGS, initiate the restoration of PCGS's operating capability, and to provide services as a Commission-regulated ISP. All membership interests in Pleasant Creek LLC are held by eCorp.

3. Applicant eCORP is a Delaware limited liability company, formed in 2023 with headquarters in Houston, Texas, to hold all membership interests in Pleasant Creek LLC and participate in the acquisition, restoration, and ultimate operation of PCGS.

4. TURN was the only party that filed a protest to the Joint Application; and in it, TURN raised a single concern, objecting to PG&E's alternative ratemaking treatment whereby PG&E would retain collected amounts to reduce future customer collections for future gas asset decommissioning.

5. Joint Applicants filed a response to TURN's protest wherein they withdrew the alternative proposal that gave rise to the protest, making this an uncontested proceeding.

6. TURN did not object to Joint Applicants' primary ratemaking proposal whereby the Commission would order through this proceeding that PG&E return the decommissioning amounts to customers.

7. PCGS is an underground natural gas storage field owned by PG&E located in Yolo County, California, west of Davis, California, and at the northwest edge of Winters, California.

8. On May 12, 1959, by D.58388, the Commission granted PG&E a CPCN to construct, operate, maintain and use PCGS; and in 1960, PG&E commenced providing public utility gas storage from PCGS.

9. On September 23, 2019, by D.19-09-025, the Commission directed PG&E to attempt to sell PCGS prior to decommissioning it.

10. PG&E discontinued gas injections at PCGS in July 2019, disconnected the PCGS gas compressor in September 2020, and discontinued active operations at PCGS in October 2020.

11. PCGC's gas reservoir has a working storage capacity of approximately 2.3 Bcf and a maximum total inventory capacity of approximately 7.4 Bcf.

12. Approximately 5.74 Bcf of natural gas remains in the PCGS reservoir at present.

13. On July 15, 2021, PG&E selected Pleasant Creek LLC as the winner out of five bidders for the sale of PCGS.

14. PG&E and Pleasant Creek LLC executed a PSA on March 28, 2023, (attached as Appendix 1) under which PG&E would transfer ownership of PCGS to Pleasant Creek LLC pursuant to Public Utilities Code Section 851.

15. Under the PSA, PG&E would pay Pleasant Creek LLC a lump sum cash payment of \$11.5 million at the close of escrow.

16. Under the PSA, Pleasant Creek LLC would assume any and all obligations of any kind or nature whatsoever related to, arising from, or associated with PCGS, to the extent arising after the close of escrow.

17. Under the PSA, Pleasant Creek LLC would purchase PCGS “as is, where is, with all faults.”

18. Under the PSA, Pleasant Creek LLC would assume sole responsibility for the performance of all decommissioning obligations with respect to PCGS.

19. Under the PSA, Pleasant Creek LLC must post decommissioning security in the form of a performance bond in an amount of at least \$29,598,787.

20. Under the PSA, Pleasant Creek LLC must maintain the required decommissioning security in full force and effect until all decommissioning obligations at PCGS have been completed.

21. Total value of the Proposed Transaction exceeds \$5 million.

22. PG&E’s \$11.5 million payment amount under the PSA for the Proposed Transaction is fair to its utility customers.

23. The Proposed Transaction would result in PCGS either being decommissioned or used for productive purposes as a restored natural gas storage facility.

24. The Proposed Transaction would not interfere with PG&E’s operations or affect PG&E’s service to its customers.

25. The Proposed Transaction would transfer the Commission-mandated decommissioning obligation and costs from PG&E to Pleasant Creek LLC.

26. The Proposed Transaction would result in an estimated savings to PG&E of \$11.6 million from PG&E’s projected decommissioning costs.

27. The Proposed Transaction's transfer of decommissioning liabilities from PG&E to Pleasant Creek LLC would be in the public interest.

28. The modernization and restoration of PCGS to an operational natural gas storage field by Pleasant Creek LLC would support reliability and cost management benefits and would be in the public interest.

29. Returning PCGS to operational status could help ensure natural gas supply during peak demand periods and protect both gas and electric customers from reliability and affordability issues.

30. A minimum \$29,598,787 Performance Bond is sufficient to guarantee the permanent decommissioning of PCGS.

31. The sale of PCGS on the terms contained in the PSA would benefit PG&E customers by immunizing them against future liabilities related to the ownership or operation of PCGS.

32. The proposed ownership transfer of PCGS from PG&E to Pleasant Creek LLC is unopposed.

33. Buyer Applicants possess sufficient technical and managerial qualifications to construct, operate, and maintain PCGS.

34. Pleasant Creek LLC's post-transfer operation and maintenance of PCGS under the CPCN transferred from PG&E would require additional, updated safety measures.

35. The present uncertainties regarding timing as well as related costs and regulatory challenges involved in restoring PCGS warrant financial assurances going forward.

36. Buyer Applicants proposed through the Joint Application a set of financial, safety, and insurance Regulatory Commitments (found in Appendix 2) for safe operations at PCGS if restored to operation as a natural gas storage facility by Pleasant Creek LLC: (1) appointment of a Chief Safety Accountability Officer for PCGS; (2) maintenance of safety standards, funding, and compliance with applicable laws; (3) development and assessment of a Pipeline Safety Management System; and (4) maintenance of \$20 million in general liability insurance per occurrence and in the aggregate, with increased insurance every five calendar years by an amount equal to inflation during the past five years, commencing when any development construction begins.

37. Joint Applicants' proposed Regulatory Commitments present prudent short and long-term financial assurances and safety measures so that Pleasant Creek LLC would operate and maintain PCGS in a safe and reliable manner.

38. The transfer of PG&E's CPCN to Pleasant Creek LLC to operate and maintain PCGS with the proposed Regulatory Commitments would be in the public interest.

39. ISP storage fields provide gas infrastructure capacity to help meet California's natural gas customers' requirements.

40. Pleasant Creek LLC would encounter established competitors upon entering the market with a restored PCGS.

41. As a prospective new market entrant, Pleasant Creek LLC would begin with no existing customers for a restored PCGS.

42. The additional storage capacity provided by a restored PCGS facility would make the existing market more competitive.

43. A restored PCGS facility would add a relatively small amount of incremental storage capacity to an existing market with well-established competitors.

44. Pleasant Creek LLC's operation of a restored PCGS facility would lack the market power to force any other ISP to exit the market.

45. It would be in the public interest for Pleasant Creek LLC to serve as an ISP with authority to charge market-based rates if and when PCGS resumes natural gas storage services.

46. No PCGS-specific tariff exists that Pleasant Creek LLC may adopt for operation of a restored PCGS as a natural gas storage field.

47. It would be reasonable for Pleasant Creek LLC to request an eventual tariff for PCGS via Advice Letter.

48. It would be in the public interest for Pleasant Creek LLC to request a tariff for operation of PCGS via a Tier 2 Advice Letter.

49. The proposed transfer of ownership of PCGS from PG&E to Pleasant Creek LLC would not result in a reasonably foreseeable direct or indirect physical change in the environment.

50. The Joint Application is unopposed and uncontested.

### **Conclusions of Law**

1. The uncontested Joint Application should be granted, as set forth in this decision.

2. The Proposed Transaction, including the proposed ownership transfer of PCGS from PG&E to Pleasant Creek LLC under the terms of the PSA (attached as

Appendix 1), satisfies the requirements of Pub. Util. Code Section 851, is in the public interest, and should be approved.

3. The proposed transfer of PG&E's CPCN to Pleasant Creek LLC should be granted.

4. Joint Applicants' proposed Regulatory Commitments (attached as Appendix 2) should be incorporated and adopted as conditions of this decision.

5. The Commission should designate a public utility number under which Pleasant Creek LLC must submit filings.

6. It is reasonable to direct Pleasant Creek LLC to file a Tier 2 Advice Letter with the Director of the Commission Energy Division, no fewer than ninety (90) days in advance of recommencing PCGS operation, to identify all restored activities and operations to commence under PG&E's existing CPCN.

Confirmation of the maximum total inventory storage capacity of approximately 7.4 Bcf or an explanation and justification of any different capacity should accompany that Advice Letter.

7. Pleasant Creek LLC would present the same market circumstances and facts as in D.10-10-001, warranting status to operate PCGS as an ISP and to charge market-based rates for its services upon its proposed ownership and operation of PCGS.

8. It would be in the public interest for Pleasant Creek LLC to serve as an ISP with authority to charge market-based rates if and when PCGS resumes storage operations at PCGS.

9. Pleasant Creek LLC's request to serve as an ISP with authority to charge market-based rates if and when PCGS resumes storage operations at PCGS should be approved.

10. After the proposed transfer of control of PCGS under the PSA, Pleasant Creek LLC should file a Tier 2 Advice Letter requesting tariff language applicable to the restored operations of PCGS prior to commencing operations.

11. The proposed transfer of ownership of PCGS from PG&E to Pleasant Creek LLC is not a project subject to CEQA review.

12. This decision should not approve or authorize any projects or construction related to PCGS.

13. Pleasant Creek LLC should obtain all necessary approvals from all relevant regulatory authorities if it intends to undertake construction or any project at PCGS that may be subject to CEQA or other laws.

14. It is reasonable for PG&E to file a Tier 2 Advice Letter within 75 days of the close of the Proposed Transaction to (1) provide updated financial data; and (2) update the estimated decommissioning forecast that we adopted in D.23-11-069 for PG&E's 2023 General Rate Case.

15. The Commission should adopt an Advice Letter ratemaking process requiring PG&E to file a Tier 2 Advice Letter within 75 days of the close of the Proposed Transaction under the PSA to update the estimated \$11.6 million total financial benefit of the Proposed Transaction to PG&E identified in D.23-11-069.

16. Pacific Gas and Electric Company should return to its customers the adjusted total financial benefit of the Proposed Transaction to PG&E through the AGT Advice Letter process over a 12-month period.

17. This is an uncontested matter in which the decision grants the relief requested, and therefore, public review and comment should be waived pursuant to Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure.

18. This proceeding should be closed.

## **O R D E R**

**IT IS ORDERED** that:

1. The proposed transfer of ownership of Pleasant Creek Gas Storage Field under the Purchase and Sale Agreement (attached as Appendix 1) from Pacific Gas and Electric Company to Pleasant Creek Gas Storage Holdings, LLC is approved.

2. Any future operation of the public utility storage field by Pleasant Creek LLC is dependent upon applicable approvals to be obtained from all applicable regulatory bodies, including California Geologic Energy Management Division of the California Department of Conservation.

3. The Director of the California Public Utilities Commission Energy Division shall designate a public utility number under which Pleasant Creek Gas Storage Holdings, LLC must submit filings to the California Public Utilities Commission.

4. At least 30 days prior to completing the purchase and sale authorized in Ordering Paragraph 1, Pacific Gas and Electric Company, Pleasant Creek Gas Storage Holdings, LLC, and eCORP Natural Gas Storage Holdings, LLC shall promptly serve the parties to Application 23-07-007 and file as a compliance filing on the docket of Application 23-07-007, (a) a report and copies of any revisions or amendments to the Purchase and Sale Agreement and any exhibits thereto, and (b) a report of any circumstances in which Pleasant Creek Gas

Storage Holdings, LLC is allowed to deviate from the aforementioned agreement or where discretionary provisions are relied upon to release or modify obligations imposed upon Pleasant Creek Gas Storage Holdings, LLC.

5. Within 30 days of completing the purchase and sale authorized in Ordering Paragraph 1, Pleasant Creek Gas Storage Holdings, LLC, must send a letter to the Director of the California Public Utilities Commission Energy Division confirming the completion of the purchase and sale.

6. Pacific Gas and Electric Company, Pleasant Creek Gas Storage Holdings, LLC, and eCORP Natural Gas Storage Holdings shall submit, no later than 30 days after the closing date of the proposed transfer of ownership of Pleasant Creek Gas Storage Field under the Purchase and Sale Agreement (attached as Appendix 1) from Pacific Gas and Electric Company to Pleasant Creek Gas Storage Holdings, LLC, a Tier 1 Advice Letter to the Commission's Energy Division, proof of and certification that Pleasant Creek LLC has procured the performance bond required by the Purchase and Sale Agreement and is otherwise in compliance with all decommissioning obligations under the Purchase and Sale Agreement.

7. The proposed transfer of Pacific Gas and Electric Company's Certificate of Public Convenience and Necessity to Pleasant Creek Gas Storage Holdings, LLC is granted and is conditioned on the Regulatory Commitments identified in Appendix 2, which is incorporated to this Ordering Paragraph by this reference and adopted as conditions to this decision.

8. The authority granted through the transfer of Pacific Gas and Electric Company's Certificate of Public Convenience and Necessity to Pleasant Creek

Gas Storage Holdings, LLC is expressly limited to the 7.4 billion cubic feet maximum total inventory capacity described by Joint Applicants.

9. Pleasant Creek Gas Storage Holdings, LLC shall not expand the storage capacity of the Pleasant Creek Gas Storage Field beyond the capacity approved by the Commission in this proceeding without first seeking and receiving from this Commission any authority that may be required by laws and regulations applicable at the time of any proposed capacity expansion.

10. Ninety (90) days prior to recommencing operation of Pleasant Creek Gas Storage Field, Pleasant Creek Gas Storage Holdings, LLC must file a Tier 2 Advice Letter with the Director of the California Public Utilities Commission Energy Division to identify all activities and operations to commence under PG&E's transferred Certificate of Public Convenience and Necessity. Confirmation of the maximum total inventory capacity of approximately 7.4 billion cubic feet or an explanation and justification of any increased capacity must accompany that Advice Letter.

11. Pleasant Creek Gas Storage Holdings, LLC's request to operate Pleasant Creek Gas Storage Field as an Independent Storage Provider with authority to charge market-based rates if and when it resumes storage operations at Pleasant Creek Gas Storage Field is approved.

12. After the proposed transfer of ownership of Pleasant Creek Gas Storage Field under the Purchase and Sale Agreement, Pleasant Creek Gas Storage Holdings, LLC must file a Tier 2 Advice Letter requesting tariff language applicable to the restored operation of Pleasant Creek Gas Storage Field prior to commencing operations.

13. Pacific Gas and Electric Company, Pleasant Creek Gas Storage Holdings, LLC, and eCORP Natural Gas Storage Holdings shall submit, with Pleasant Creek Gas Storage Holdings, LLC's Tier 2 Advice Letter requesting tariff language applicable to the restored operation of Pleasant Creek Gas Storage Field, a certification to the Commission's Energy Division to confirm that Pleasant Creek Gas Storage Holdings, LLC is in compliance with all Regulatory Commitments found in Appendix 2. Then, annually on or by January 31 in each successive year, Pleasant Creek LLC must file a report with the Commission's Energy Division containing detailed information regarding the measures taken to satisfy each Regulatory Commitment found in Appendix 2 and certifying its compliance with each Regulatory Commitment. That report must contain Safety Management System (SMS) and safety culture assessments as well as any subsequent updates to the SMS and/or safety culture assessments.

14. Pacific Gas and Electric Company shall file a Tier 2 Advice Letter within 75 days of the close of the Proposed Transaction transferring control of Pleasant Creek Gas Storage Field under the Purchase and Sale Agreement (Exhibit A to the Joint Application) from Pacific Gas and Electric Company to Pleasant Creek Gas Storage Holdings, LLC to adjust the estimated \$11.6 million total financial benefit of the Proposed Transaction to Pacific Gas and Electric Company, identified in Decision 23-11-069.

15. Pacific Gas and Electric Company shall return to its customers the adjusted total financial benefit of the Proposed Transaction through the Annual Gas True-Up Advice Letter process over a 12-month period.

16. Pleasant Creek Gas Storage Holdings, LLC shall serve on all parties to this proceeding any notice, application and/or advice letter required by these Ordering Paragraphs or by laws and regulations applicable at the time Commission authority is sought.

17. The authority granted by this decision for the proposed transfer of ownership of Pleasant Creek Gas Storage Field under the Purchase and Sale Agreement (Exhibit A to the Joint Application) from Pacific Gas and Electric Company to Pleasant Creek Gas Storage Holdings, LLC will expire if not exercised within 12 months after the effective date of this order.

18. Public review and comment for the proposed decision is waived pursuant to Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure.

19. No evidentiary hearings are necessary.

20. Application 23-07-007 is closed.

This order is effective today.

Dated April 24, 2025, at Sacramento, California.

ALICE REYNOLDS

President

DARCIE L. HOUCK

JOHN REYNOLDS

KAREN DOUGLAS

Commissioners

Commissioner Matthew Baker recused himself from this agenda item and was not part of the quorum in its consideration.

**APPENDIX 1**

**March 28, 2023 Purchase and Sale Agreement**

**(END OF APPENDIX 1)**

**APPENDIX 2**

**Pleasant Creek LLC Regulatory Commitments**

1. Pleasant Creek LLC shall appoint a Chief Safety Accountability Officer (CSAO) for PCGS. Such CSAO shall have clearly defined duties and responsibilities. The CSAO will have authority and control over the human and financial resources required to establish and maintain PCGS' safety management system and programs to ensure that PCGS can meet its safety obligations.

Provide the Commission access to the Pleasant Creek LLC Manager meeting minutes and presentations for Manager meetings that may directly or indirectly relate to safety matters at PCGS.

2. Buyer Applicants commit that (a) Pleasant Creek LLC will maintain safety standards and policies to meet the safety needs of PCGS; and (b) Pleasant Creek LLC will comply with

applicable laws and Pleasant Creek LLC's safety standards and policies as they evolve over time. During the period after completion of the acquisition by Pleasant Creek LLC. Buyer Applicants commit that PCGS will be adequately funded to be safely maintained, operated, and, if applicable, decommissioned.

3. If Pleasant Creek LLC restores PCGS and resumes storage services, it shall:
  - a. Develop a Pipeline Safety Management System and other relevant plans and policies to create a comprehensive Safety Management System (SMS) prior to commencing storage services. The SMS shall apply to the entire PCGS facility, encompassing all operations, assets and personnel. In developing the SMS, Pleasant Creek LLC will incorporate best practices found in the American Petroleum Institute's (API) recommended practice 1173 SMS framework, and applicable portions of API 1171 for underground gas storage.
  - b. Prepare a SMS and safety culture assessment. Pleasant Creek LLC shall (a) retain a third party to prepare the SMS and safety culture assessment; (b) provide the results of the assessment to the Commission; and (c) use the assessment to inform the expansion of the SMS. Pleasant Creek LLC would then conduct periodic safety culture assessments, no less frequently than every two years.
4. Pleasant Creek LLC shall maintain \$20 million of general liability insurance per occurrence and in the aggregate. It shall increase its insurance every five calendar years by an amount equal to inflation during the previous five years, rounded to the nearest million. The first five-year period shall start once any development construction commences.

**(END OF APPENDIX 2)**