

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

Application of Wild Goose Storage, LLC to Amend its  
Certificate of Public Convenience and Necessity to  
Increase the Working Gas Capacity for Gas Storage  
Operations

A. 12-10-\_\_\_\_  
(Filed October 22, 2012)

**APPLICATION OF  
WILD GOOSE STORAGE, LLC TO AMEND  
ITS CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

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## TABLE OF CONTENTS

	Page
I. EXECUTIVE SUMMARY .....	2
A. The Applicant: Wild Goose Storage, LLC .....	2
B. Facility Description.....	2
1. Current Installations.....	2
2. Proposed WGCI.....	4
C. CEQA Compliance - Exemption from CEQA Review .....	5
D. Market Based Rates .....	7
E. Interconnection with PG&E .....	7
F. Authorizations Requested.....	7
II. APPLICANT.....	8
A. Wild Goose Storage, LLC .....	8
B. Communication.....	8
C. Qualifications to Transact Business .....	8
III. PROJECT DESCRIPTION.....	9
A. Description of the Entities .....	9
B. Surface/Subsurface Rights.....	9
1. Well Pad Site.....	9
2. Remote Facility Site .....	10
3. Pipeline Right-of-Way .....	10
C. Location and Description of the Facilities .....	10
1. Wild Goose Field.....	10
2. Well Pad Site.....	11
3. Remote Facility Site .....	11
4. Storage Pipeline .....	12
5. Backbone Connection Pipeline .....	12
6. Interconnect Sites.....	12
7. Construction Schedule .....	12
D. Competitors/Areas of Service .....	13
E. Map.....	15
F. Health and Safety Permits .....	15

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
G. Costs.....	15
H. Financing.....	16
I. General Order 104-A Requirement .....	16
IV. PUBLIC CONVENIENCE AND NECESSITY .....	17
A. The Proposed WGCI is Necessary .....	17
1. Presumptive Showing of Need.....	17
2. Clarification of Presumptive Needs Showing .....	17
3. Current and Foreseeable Market Conditions Indicate a Need for this Facility.....	19
a. Storage Market in California .....	20
b. Wild Goose’s Customer Base .....	22
B. The Proposed WGCI Meets the Requirements of P.U. Code Section 1002 .....	24
1. Community Values .....	25
a. Community Support.....	25
b. Operational Safety .....	26
2. Recreation and Parks .....	28
3. Historical and Aesthetics Values .....	28
4. Environmental Influence.....	28
V. MARKET BASED RATES.....	28
A. Continued Authority To Charge Market Based Rates is Justified .....	28
B. Statement of Rates .....	29
C. Compliance .....	30
VI. RULE 2.1 (C) REQUIREMENTS .....	30
A. Categorization .....	30
B. Need for Hearings .....	30
C. Issues to be Considered .....	31
D. Proposed Schedule .....	31
VII. CONCLUSION AND REQUEST FOR RELIEF .....	31

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Pursuant to Section 1001 of the Public Utilities Code of the State of California and Rules 2.4, 2.5 and 3.1 of the Rules of Practice and Procedures of the Public Utilities Commission of the State of California (“Commission”), Wild Goose Storage, LLC (“Wild Goose”) respectfully submits this Application requesting that the Commission:

1. Amend Wild Goose’s Certificate of Public Convenience and Necessity (“CPCN”) in order to authorize the increase in working gas capacity of its reservoir in Butte County California, from 50 Bcf to 75 Bcf (hereinafter termed the “Working Gas Capacity Increase” or “WGCI”).
2. Consistent with its initial and amended certificate authorization, authorize Wild Goose to use the expanded capacity to continue to provide baseload and short-term storage services at market-based rates; and
3. Find that the Wild Goose Working Gas Capacity Increase is exempt from review under the California Environmental Quality Act (CEQA).

The subject WGCI does not require an increase or modification to the Wild Goose well

count, pipelines or other facilities that have not been previously approved by the Commission.

In support of this Application, Wild Goose submits the following:

**I. EXECUTIVE SUMMARY**

**A. The Applicant: Wild Goose Storage, LLC**

Wild Goose became the first independent storage operator in California when it began commercial operations in April 1999. Wild Goose constructed and currently operates the Wild Goose Natural Gas Storage Facility (“the “Facility”) in Butte County, California. The approved Facility encompasses project components authorized by the Commission in its issuance of a CPCN to Wild Goose in Decision 97-06-091 (the “Base Project”), and the additional project components authorized by the Commission in Decision 02-07-036 (the “Expansion”) and Decision 10-12-025 (“WGX3 Expansion”). The Facility is currently certificated by the Commission to provide 1200 MMcf/d of withdrawal capability, 650 MMcf/d of injection capability and 50 Bcf of working gas storage capacity. The Facility is currently interconnected with two Pacific Gas and Electric Company (PG&E) transmission lines: (1) Backbone System Line 400; and (2) Line 167 of PG&E’s Sacramento Valley Local Transmission System. It will soon be interconnected to a third PG&E transmission line -- Backbone Line 401. The interconnection to Line 401 was approved by the Commission in Decision 02-07-036 as part of the Wild Goose Expansion and is scheduled to be completed in November 2012.

**B. Facility Description**

**1. Current Installations**

The Facility is located approximately fifty (50) miles north of Sacramento on the site of the depleted Wild Goose gas field (the “Wild Goose Field” or the “Field”). The Field that serves as the basis for the project is made up of twelve (12) reservoirs located at depths ranging from

2550 to 3450 feet. Each reservoir is separated by impervious rock formations. As part of its Base Project, Wild Goose developed only one reservoir, the L-4. As part of its Expansion Project, Wild Goose sought and received authorization to develop the L-1 and U-1/ U-2 reservoirs. Currently only three (3) of the reservoirs (the L-1, L-4 and U-2) have been developed, and to-date, have been sufficient to meet Wild Goose's maximum certificated working gas storage capacity, withdrawal and injection rates. Testing of the U-1/U-2 reservoir, however, suggests that it possesses significant incremental gas storage potential. This reservoir will be utilized to meet the increased inventory that is sought through this WGCI amendment application.

To access the L-1, L-4 and U-1/U-2 reservoirs, a well pad site was constructed, and subsequently expanded, at the location of the abandoned production and compression facility formerly used to produce gas from the Field (the "Well Pad Site"). Five horizontal wells and two vertical monitoring wells have been drilled into the L-4 reservoir, and seven horizontal wells plus one vertical observation well have been drilled into the L-1 formation. A vertical observation well and five horizontal wells have been drilled into the U-2 formation, and one of the original L-4 observation wells was recompleted into the U-1 formation.

In order to reduce the potential environmental impacts, the above-ground process facility site was not constructed adjacent to the Well Pad Site. Rather it was located outside of the wetlands, on 16.7 acres of agricultural land (the "Remote Facility Site").

The Remote Facility Site incorporates a control center as well as metering, processing equipment and currently 27,900 horsepower of natural gas-fired compression. Wild Goose, consistent with Commission authorization provided in Decision 10-12-025, has installed 7,100 HP of compression and a fourth gas process train at the Remote Facility Site, and is prepared to

install the final 7,100 HP of compression and fifth process train in the near future. This will bring the total compression to the Commission approved value of 35,000 HP at the Remote Facility Site. Currently gas flows between the Remote Facility Site and the Well Pad Site through 18-inch and 24-inch diameter bi-directional gas pipelines that are each 4.5 miles in length.

The Wild Goose Remote Facility Site interconnects with PG&E's transmission system through metering facilities at two locations. The Line 167 Gridley meter station, which ties into the Sacramento Valley Local Transmission System ("SVLTS"), is situated adjacent to the Remote Facility Site on the northeast side. The Delevan meter station is located next to PG&E's Backbone System south of PG&E's Delevan compressor station, interconnects with Line 400 (and soon with Line 401), and is tied to the Remote Facility Site by way of a 30 inch, 25.5 mile pipeline.

## **2. Proposed WGCI**

After 13 years of operation, Wild Goose has gained a better understanding of the reservoirs contained in the Field and has determined that greater gas storage potential exists within the L-1, L-4 and U-1/U-2 reservoirs than was originally contemplated when Wild Goose filed its initial and amended CPCN applications. Moreover, Wild Goose has determined that, at this juncture, the market is ready to begin to absorb an increase in working gas capacity. The combination of these two factors precipitated Wild Goose's filing of the subject WGCI application.

The WGCI will result in up to a 25 Bcf increase in inventory (from 50 to 75 Bcf). There will not be an increase in injection capacity of 650 MMcf/d, nor increase in withdrawal capacity of 1,200 MMcf/d. No alterations to the facility process, pipeline capacity, nor well count are

required to accommodate the increase in working gas capacity.

### **C. CEQA Compliance - Exemption from CEQA Review**

Commission Rule 2.4 states that “[a]ny application for authority to undertake a project that is statutorily or categorically exempt from CEQA requirements shall so state, with citation to the relevant authority.” Section 21084 of the California Public Resources Code and Title 14, California Code of Regulations Sections 15300, *et seq.* establish categories of development that have been categorically determined not to have a significant effect on the environment and, therefore, are exempt from CEQA. The WGCI falls within two such categories. Specifically, Section 15301 categorically exempts minor alterations to existing facilities and Section 15061(b)(3) exempts a project if “it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.”

Furthermore, none of the exceptions to categorical exemptions described in CEQA Guidelines Section 15300.2 apply to the WGCI. As noted in Appendix A, Project Information in Support of Categorical Exemption, the capacity increase will not impact any designated, precisely-mapped, and officially-adopted environmental resource of hazardous or critical concern, nor will it result in cumulative impacts. In addition, the WGCI will not have a significant effect on the environment due to “unusual circumstances.”<sup>1</sup> Increasing the working gas capacity of the storage reservoir will not result in any changes in the physical appearance of the Facility, which is not visible from or located within any State scenic highway; nor is the Facility located on a site which is included on any list compiled pursuant to Section 65962.5 of

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<sup>1</sup> See CEQA Guidelines Section 15300.2 (c) (A categorical exemption shall not be used for an activity where there is a reasonable possibility that the activity will have a significant effect on the environment due to unusual circumstances.



the California Government Code. Lastly, as the WGCI will not involve any ground work, there will be no impact on cultural, historic, or paleontological resources.

Given the scope and nature of the WGCI, the Commission should find that the proposed capacity increase qualifies for the CEQA exemption under either Section 15301 or Section 15061 (b)(3). As detailed in Appendix A, while the WGC increase will require changes to existing operations, *no construction or expansion of facilities will be required*. There will be no change to the existing facilities and the same gas storage reservoirs will be utilized. Appendix A illustrates how such a limited change to the project will not have a significant effect on the environment.

Granting of a categorical exemption for an increase in working gas capacity is not without precedent. In Decision 10-04-034 the Commission approved Southern California Gas Company's request to amend its Certificate of Public Convenience and Necessity for its Honor Rancho natural gas storage facility to construct and operate the facilities necessary to increase storage capacity at that facility and found the project to be categorically exempt from CEQA.<sup>2</sup> Specifically, with respect to its granting the categorical exemption, the Commission found:

The substantive evidence supporting this conclusion is that, while six new wells will be added to the existing 41 wells, there will be no expansion of the property boundaries or acquisition of new land, easements, or mineral rights (with most project actions taking place on existing well pads and/or previously disturbed land). In addition, there will be no expansion of the gas compressor capacity nor the gas injection and withdrawal rates. Thus, the facility will operate in essentially the same manner as it did prior to the Expansion Project.<sup>3</sup>

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<sup>2</sup> See D.01-06-086 (the Commission determined that the drilling of 8 new wells with new piping at the Southern California Gas Company's Aliso Canyon natural gas storage facility, and the reworking of 4 existing wells at Aliso Canyon and its La Goleta storage fields in order to add 14 Bcf of new capacity, were activities that were exempt from CEQA review under Class 1 Categorical Exemption and the Common Sense Exemption).

<sup>3</sup> Decision 10-04-034 at p. 9.

By comparison, the increase in Wild Goose's storage capacity will not involve the addition of any new facilities, thus presenting a stronger case for a categorical exemption. Thus consistent with this precedent, the Commission should find that the WGCI is exempt from CEQA.

**D. Market Based Rates**

Wild Goose proposes to operate the WGCI seamlessly in conjunction with its current Facility from a customer's perspective. The storage services provided through the WGCI will be offered under Wild Goose's existing tariff on file at the Commission. Wild Goose was granted market-based rate authority by the Commission in Decision 97-06-091 and this authority was reaffirmed in Decisions 02-07-036 and 10-12-025. Wild Goose's shareholders remain completely at-risk for recovery of the costs of constructing and operating its storage facility and Wild Goose has no captive ratepayers. The significant number of competitive offerings for natural gas storage or alternative services in Northern California that now exist assures that Wild Goose will be unable to charge rates above competitive level. Accordingly, Wild Goose requests that its market-based rate authority be extended to the services rendered through the WGCI.

**E. Interconnection with PG&E**

As stated above, the Facility has two interconnects with PG&E – one at the northeast corner of the Remote Facility Site with the local transmission system (Line 167) and one at the Delevan site with Line 400. The Facility will soon have a third interconnect with PG&E at the Delevan site with Line 401. No changes will be made to the interconnections as a result of the WGCI.

**F. Authorizations Requested**

Based on the foregoing, as more fully developed in this Application, Wild Goose requests

that the Commission amend its Certificate of Public Convenience and Necessity as required in order to authorize the implementation and operation of the WGCI and to allow for the continued offering of Baseload and Short-term services at market-based rates.

## **II. APPLICANT**

### **A. Wild Goose Storage, LLC**

The exact legal name of the Applicant is Wild Goose Storage, LLC. Wild Goose's principal place of business is Butte County, California. Wild Goose is a corporation organized under the laws of the State of Delaware, and is qualified to do business in California by the Secretary of State.

### **B. Communications**

All communications regarding this Application should be addressed to:

Michael B. Day  
Goodin, MacBride, Squeri, Day & Lamprey, LLP  
505 Sansome Street, Suite 900  
San Francisco, CA 94111  
Telephone: 415-392-7900  
Facsimile: 415-389-4321  
E-mail: [mday@goodinmacbride.com](mailto:mday@goodinmacbride.com)

and

Jason A. Dubchak  
Wild Goose Storage, LLC  
607 – 8<sup>th</sup> Avenue, S.W.  
Suite 400  
Calgary, Alberta  
CANADA T2P 0A7  
Telephone: 403-513-8647  
Facsimile: 866-208-6397  
E-mail: [jason.dubchak@niskapartners.com](mailto:jason.dubchak@niskapartners.com)

### **C. Qualifications to Transact Business**

In accord with Rule 2.2 of the Commission's Rules of Practice and Procedure, a certified

copy of Wild Goose's Articles of Incorporation and a certificate of qualification to transact business in California are attached to this Application in Appendix B.

### **III. PROJECT DESCRIPTION**

#### **A. Description of the Entities**

Wild Goose is a subsidiary of Niska Gas Storage Partners LLC (Niska), the largest independent natural gas storage owner and operator in North America. Niska owns and operates approximately 213 billion cubic feet (Bcf) of working gas capacity in three facilities: the AECO Hub (comprised of the Suffield and Countess facilities) with 150 Bcf in Alberta, Wild Goose with 50 Bcf in Northern California and Salt Plains with 13 Bcf in Oklahoma. Niska also contracts 8.5 Bcf of natural gas storage capacity on the Natural Gas Pipeline Company of America pipeline system.

#### **B. Surface/Subsurface Rights**

##### **1. Well Pad Site**

As part of its initiation of the Base Project, Wild Goose obtained an interest in a series of leasehold interests with respect to certain of the surface and subsurface rights necessary to construct and operate the Facility. The leasehold interests, which are six in total, were obtained by way of an assignment from Wild Goose's predecessor in the project, and encompass the 8.5 acres of land on which the current Well Pad Site is located and approximately 1620 acres of underground natural gas storage rights. As the 8.5 acre tract as well as the necessary underground storage and mineral rights were secured as part of the Base Project, Wild Goose will not need to acquire any additional land acquisitions with respect to the WGCI.

## **2. Remote Facility Site**

Wild Goose currently has a leasehold interest in 16.7 acres of land on which the Remote Facility Site is located. No further extension of the Remote Facility Site is required for the WGCI.

## **3. Pipeline Right-of-Way**

Wild Goose currently owns and operates an 18-inch and a 24-inch diameter, bi-directional flow natural gas pipelines, each 4.5 miles in length, between the Well Pad Site and the Remote Facility Site. Wild Goose also operates a 30-inch diameter, 25.5 mile bi-directional pipeline between the PG&E Delevan Meter Station, situated adjacent to PG&E's Line Backbone System, and the Remote Facility Site. Wild Goose possesses all necessary permanent easements for the maintenance of these pipelines. No further pipeline capacity or right-of-way is required for the WGCI.

### **C. Location and Description of the Facilities**

The operational changes required to provide the contemplated WGCI are described in brief below, with additional details provided in Appendix A.

#### **1. Wild Goose Field**

The Field which serves as the basis for the project is made up of twelve (12) reservoirs located at depths ranging from 2550 to 3450 feet. Each reservoir is separated by impervious rock formations. The fact that the porous formations in each reservoir are segregated from each other by layers of hard rock allows individual zones to be converted to natural gas storage when needed to respond to additional market demand. While the current facility has developed only three of these reservoirs (known as the L-1, L-4 and U-2 zones), the capacity from these and the U-1 formations, will be sufficient to satisfy the proposed increase to 75 Bcf. Performance from

the L-1, L-4 and U-2 reservoirs has been very favorable.

## **2. Well Pad Site**

In order to access the Field, the Well Pad Site was constructed within wetlands at the location of abandoned production and compression facilities formerly used to produce gas from the Field. To date five horizontal wells have been drilled into the L-4 reservoir as well as two vertical monitoring wells to observe reservoir behavior during gas storage operations. In addition, seven horizontal wells have been drilled into the L-1 reservoir, as well one vertical monitoring well. Finally, five horizontal wells have been drilled into the U-2 reservoir and one monitoring well for testing purposes. Wild Goose has attained sufficient information from deviated observation well no. 18 that had been originally completed in the L-4 formation. It was determined to put this wellbore to better use by recompleting it in the U-1 formation, allowing pressure to be monitored in this zone

Previously authorized infill drilling within the L-1, L-4 and U-2 reservoirs, as well as development of the U-1 reservoir, will require drilling up to three additional injection / withdrawal wells. This will result in a total of twenty four wells at the Well Pad Site. Decision 02-07-036 authorized Wild Goose to drill up to 24 wells, thus no additional authority is needed to drill the 3 wells to be utilized for the WGCI. The three future wells will be positioned/ contained within the existing well pad acreage.

## **3. Remote Facility Site**

As stated above, it is not necessary to extend the physical dimensions of the existing Remote Facility Site (RFS). No further additions to the facility are required. Rather, Wild Goose is targeting to optimize utilization of equipment that is currently in place.

On average, the compression equipment at the RFS is used 29% of the time over the

course of a calendar year. The increase in capacity will result in the need to operate compression and process equipment more regularly so as to ensure that the gas volume can be fully cycled during the withdrawal and injection seasons. The RFS, however, already possesses excess capability to manage the increased operating time.

#### **4. Storage Pipeline**

Currently, the Remote Facility Site and the Well Pad Site are connected by an 18-inch and 24-inch diameter, bi-directional flow natural gas pipelines of approximately 4.5 miles in length. Since no increase to flow capacity is required for the WGCI, no additional pipeline space is required.

#### **5. Backbone Connection Pipeline**

A 30-inch diameter x 25.5 mile bi-directional pipeline was installed between the Remote Facility Site and PG&E's Backbone System near the Delevan Compressor Station. Similar to what was noted under the "Storage Pipeline" section, since there is no requirement for increased flow capacity for the WGCI, no additional capacity is required within the Backbone Connection Pipeline.

#### **6. Interconnect Sites**

The Delevan Interconnect provides the custody transferring and metering point of natural gas movements between the Backbone Connection Pipeline and PG&E's Line 400 (and soon Line 401). The Gridley Interconnect provides custody transfer at northeast corner of the Remote Facility Site tying into PG&E Line 167. No changes are required at either the Gridley or Delevan Meter Station Interconnect sites.

#### **7. Construction Schedule**

There is no construction associated with the WGCI.

**D. Competitors/Areas of Service**

In conformance with Rule 3.1(b) of the Commission's Rules of Practice and Procedure, listed below are the names and addresses of all entities which are or may be marketing services in competition with Wild Goose:

1. Pacific Gas and Electric Company  
Law Department  
Attn: Keith Sampson  
P.O. Box 7442  
San Francisco, CA 94120
2. Southern California Gas Co.  
Attn: Rick Morrow  
555 W. Fifth Street, Suite 1400  
Los Angeles, CA 90013
3. Southwest Gas Corporation  
P.O. Box 98510  
Las Vegas, Nevada 89193
4. Lodi Gas Storage, LLC  
Attn: Todd Johnson - Vice President - Commercial Operations  
One Greenway Plaza  
Sixth Floor, Suite 600  
Houston, Texas 77046
5. El Paso Natural Gas Company  
P.O. Box 1087  
2 North Nevada Avenue  
Colorado Springs, CO 80944
6. Transwestern Pipeline Company  
5444 Westheimer Road  
Houston, Texas 77056
7. Gas Transmission Northwest  
1400 SW Avenue  
Portland, Oregon 97201
8. Mojave Pipeline Company  
P.O. Box 1087  
Bakersfield, California 93389



9. Kern River Gas Transmission Company  
Regulatory Affairs, Suite 200  
2775 E. Cottwood Parkway  
Salt Lake City, Utah 84121
10. Questar Southern Trails Pipeline Company  
P.O. Box 45360  
Salt Lake City UT 84145
11. Ruby Pipeline LLC  
Western Pipelines  
P.O. Box 1087  
Colorado Springs, CO 80944
12. Tricor Ten Section Hub, LLC  
c/o Chris Kunzi  
4675 Mac Arthur Court, Suite 670  
Newport Beach, CA 92660
13. Gill Ranch Storage, LLC  
c/o Ann Trowbridge  
Day Carter & Murphy LLP  
3620 American River Drive, Suite 205  
Sacramento, CA 95864
14. Central Valley Gas Storage (Nicor)  
1844 Ferry Road  
Naperville, IL 60563-9600

Wild Goose will continue to perform its storage services in Butte County, and Colusa County, California. The addresses of the counties are:

1. Butte County  
Butte County Administration Office  
25 County Center Drive  
Oroville, California 95965
2. Colusa County  
Colusa County Seat  
546 Jay Street  
Colusa, California 95932

As shown on the attached certificate of service, in accord with Commission Rule 3.1 (b), all the above entities have been served with a copy of the Application.

**E. Map**

In accord with Rule 3.1(c), a map is typically included that identifies proposed project components, and relation of such components location to other public utilities and companies with which the expanded Facility is likely to compete. Since there are no physical components being added to the Facility, wellpad, pipeline, or meter station/ interconnect, a map has been included in Appendix C showing proximity of existing facility to these locations.

**F. Health and Safety Permits**

Pursuant to Rule 3.1 (d), since no regulatory permits are required for the WGCI, attached as Appendix D is a table listing all necessary permits, with associated jurisdictional agency and the purpose of the permit requirement, that were attained during the WGX3 Expansion.

**G. Costs**

Commission Rule 3.1 (f) provides for the applicant to submit a statement detailing the estimated cost of the proposed construction or expansion and the estimated annual costs, both fixed and operating, associated therewith. There are no additional facilities related costs associated with the WGCI. Consistent with the Commission's ruling in Decision 98-06-083, Wild Goose has omitted an operating cost statement, for reasons explained below.

Specifically, in its application for the Base Project Wild Goose sought a waiver of then Rule 18(f) (currently Rule 3.1(f)) due to the fact that it was requesting that the Commission approve market-based rates for its services, not a cost-based rate. The rationale behind Wild Goose's request was clear — as the required cost information is only required to develop cost-based rates, it becomes immaterial to a project for which market-based rates were sought. In granting Wild Goose its CPCN and allowing it to charge market-based rates, the Commission did not entirely waive the requirement to file cost information. However, upon Wild Goose

petitioning for a modification of this aspect of its CPCN decision, the Commission agreed with Wild Goose, ruling that it would “not require Wild Goose to provide cost data to the Commission to have its tariffs approved.”<sup>4</sup> Subsequently, citing the Wild Goose case as applicable precedent, the Commission did not require Lodi, which was also seeking approval to provide gas storage service at market-based rates, to file cost data supporting its submission.<sup>5</sup>

Using the above precedent, Wild Goose sought a comparable waiver when it filed its 2001 Expansion and 2009 WGX3 Expansion Applications. Such a waiver was granted in both Decisions 02-07-036 and 10-12-025. Lodi has also received comparable waivers for both its Kirby Hills I and Kirby Hills II expansion projects.<sup>6</sup> Accordingly, based on the Commission’s rulings with respect to certifying Wild Goose’s Base Project, Expansion and WGX3 Expansion Project, as also applied in various decisions pertaining to Lodi, Wild Goose requests that a waiver of the requirements of Rule 3.1(f), as such applies to the WGCI, be summarily granted by the Commission.

#### **H. Financing**

Rule 3.1 (g) requires a statement or exhibits showing the financial ability of the Applicant to render the proposed service together with information regarding the manner in which Applicant proposes to finance the cost of the proposed construction. Since there are no construction costs, this is not required.

#### **I. General Order 104-A Requirement**

Wild Goose knows of no matters within the scope of General Order 104-A requirements

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<sup>4</sup> *Re Wild Goose Storage, LLC*, D. 98-06-083, 1998 Cal. PUC LEXIS 481, \*10.

<sup>5</sup> *Re Lodi Gas Storage, LLC*, D. 00-05-048, *mirneo*, at p 75, Conclusions of Law Nos. 14 and 15.

<sup>6</sup> Similar waivers were also granted Gill Ranch Storage (D-09-10-035) and Central Valley Gas Storage (D. 10-01-001).

associated with the WGCI.

#### **IV. PUBLIC CONVENIENCE AND NECESSITY**

##### **A. The Proposed WGCI is Necessary**

##### **1. Presumptive Showing of Need**

The granting of the requested amendment to Wild Goose’s CPCN is in the public convenience and necessity. In granting Wild Goose’s initial and amended CPCN, the Commission followed the dictates of its *Storage Decision* with respect to the historical requirement of a “needs” showing. While a needs showing had been a traditional element of a certificate application for the construction or expansion of utility facilities, the *Storage Decision* found that such is no longer critical to that analysis. Specifically, the *Storage Decision*, through adoption of a “let the market decide policy” with respect to the construction or expansion of new storage facilities<sup>7</sup> created a presumptive showing of need. In other words, as long as the applicant was willing to take the financial risks associated with its proposed project, seeking recovery of its investment solely through the rates negotiated with its customers, then it was unnecessary to test the need for a new facility on a traditional resource planning basis. In the applications for the Base, Expansion and WGX3 Expansion Projects, Wild Goose illustrated its intent and ability to bear the entirety of the financial risk of the project and thus was able to take advantage of the presumptive showing of need established through the *Storage Decision*.

##### **2. Clarification of Presumptive Needs Showing**

The presumptive needs test established under the *Storage Decision* is still acknowledged by the Commission. However, the Commission has also recognized that while the needs showing formerly required under Public Utilities Code Section 1001 may have been rendered unnecessary

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<sup>7</sup> *Storage Decision*, 48 CPUC 2d at 119.

in certain instances, that same showing may be required in order for the applicant to receive other necessary authorizations.

In this respect, in addressing the request by Lodi for a certificate of public convenience and necessity, the Commission noted that if Lodi only relied on the *Storage Decision* for a presumptive showing of need, then:

[I]t may be difficult for the Commission to determine whether or not there is evidence to support a finding of overriding consideration, if necessary, with respect to the [impact report] EIR that CEQA requires in this case. In short, in some instances, a fuller showing of need may be necessary to the extent required by law.<sup>8</sup>

The Commission went on to note that under SB 177, enacted in 1999 (subsequent to certification of the Wild Goose Base Project), public utilities must make various showings of need prior to exercising the right of eminent domain. Thus, while the *Storage Decision* may have eradicated the traditional needs test for certification of at-risk projects under Section 1001 of the Public Utilities Code, it did not eliminate all circumstances in which a needs showing may be required.

Although it was unclear as to whether statutory certification of the Lodi project required a finding of need, the Commission proceeded to make the analysis and reach such a conclusion. Thus, the Commission concluded that the record had established “a general need for competitive gas storage services in California,” and that “the benefits of competitive gas storage include: (a) increased reliability; (b) increased availability of storage in California; (c) the potential for reduced energy price volatility; and (d) the potential for reduced need for gas transmission service.”<sup>9</sup> The changing nature of the energy market in California has made the “general need” for competitive gas storage which was identified in the Lodi decision, a specific and compelling

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<sup>8</sup> D. 00-05-048, at p.25

<sup>9</sup> *Id.*, at p. 27.

need, all as set forth below.

### **3. Current and Foreseeable Market Conditions Indicate a Need for this Facility**

Gas storage is a critical component of an efficient energy market. As the Commission has concluded in the past, it provides: (a) increased gas reliability; (b) the potential for reduced energy price volatility; and (c) the potential for more efficient gas transmission service. Incremental gas storage, such as that which would be afforded through Wild Goose's WGCI, provides increased competition amongst storage providers and providers of alternative services, ensuring competitively priced services.

This Commission has long been a proponent of independent gas storage and the benefits it can afford the state. Such support commenced with the 1993 decision to open up the California gas storage market to independent providers, continued through its certification of the Wild Goose and Lodi projects, and their subsequent expansions, as well as those of Central Valley Gas Storage and Gill Ranch Storage.<sup>10</sup> It was also further evidenced by the opening of the core storage market to competition.<sup>11</sup> Consistent with these actions, the Commission, in conjunction with the California Energy Commission, identified as a key action item in the Energy Action Plan the "need to [p]rovide that the natural gas delivery and storage system is sufficient to meet California's peak demand needs" and "[e]ncourage the development of additional in-state natural gas storage to enhance reliability and mitigate price volatility."<sup>12</sup> The WGCI is fully consistent with the Commission's support for independent storage and its recognition of the benefits that additional in-state gas storage can bring to California natural gas consumers.

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<sup>10</sup> See Decisions 10-10-001 and 09-10-035, respectively

<sup>11</sup> See Decision 04-09-022.

<sup>12</sup> Storage users, selling into price peaks, will dampen those peaks, to the benefit of all consumers.

Wild Goose contemplates developing the WGCI as it has in the past when it built the Base Project, Expansion Project, and WGX3 Expansion Project: in a seamless manner as much as possible in pace with the market needs. This will allow an orderly and cost effective WGCI and allow the new storage capacity to be brought into service in time to meet market demand. Wild Goose has over 13 years of California gas storage market experience, including well-established relationships with market participants, and is convinced that growing demand driven by energy market fundamentals supports this application. Wild Goose strongly believes in building its projects in advance of foreseeable market need coming to fruition to ensure facilities are constructed and fully tested prior to a market crisis. Wild Goose has historically utilized a combination of Open Seasons, Requests for Proposals, and direct negotiations with existing and prospective customers to gauge and fulfill market demand. It anticipates employing a similar strategy for the WGCI upon receipt of an amended CPCN and the certainty such certificate conveys to potential customers.

**a. Storage Market in California**

Prior to April 1999 when Wild Goose first commenced operation, PG&E, the incumbent utility in Northern California, was the sole provider of natural gas storage services in Northern California. At that time, PG&E had a working gas capacity of 39.7 Bcf at its three facilities in California.

Wild Goose commenced commercial operations in April 1999 with a certificated working gas volume of 14 Bcf. Wild Goose's Expansion certificated an amendment to its CPCN to increase the certificated capacity to 29 Bcf. In the WGX3 Expansion, the Facility's certificated working gas volume was again increased to a total of 50 Bcf. Due to strong storage demand, starting April 2011, Wild Goose placed into commercial operation all 21 Bcf of incremental





enjoys a market with many different storage operators offering a variety of competitively priced products and services.

**b. Wild Goose's Customer Base**

Wild Goose has consistently grown its customer base. Indeed, in several years it has exceeded its internal goals for its higher cycling storage services. Wild Goose's customers represent a diverse portfolio of the energy industry, including: gas and power utilities, producers, financial institutions, and marketing companies.

As the storage market has matured in Northern California two distinct types of service requirements have developed: high deliverability and baseload storage services. High deliverability (or "higher-cycling") service can be characterized by the customer's contractual ability to inject and/or withdraw large quantities of gas over a short period of time. This service is often highly customized to meet the user's specific needs. High deliverability service is often contracted by power generators, utilities, and marketing companies. In contrast, baseload storage service can be characterized by the storage operator providing lower or steady injection and/or withdrawal service over a set period of time to the customers.

Storage operators closely model and analyze their reservoirs and facilities to determine the optimal amount of each service they can provide, while ensuring safe and reliable service. The changing market demand for each of these services and the unique characteristics of high deliverability service can result in some customer's annual storage requirements not being satisfied due to facility limitations. In particular, the demand for high deliverability service has increased with the growth in power generation and the summer cooling demand in California.

Figure 1 illustrates that the ability to provide high deliverability withdrawal service primarily depends on how full the storage reservoirs are. When the facility is at 100% capacity it

has the greatest withdrawal capability and it declines as the reservoir empties and pressure decreases.

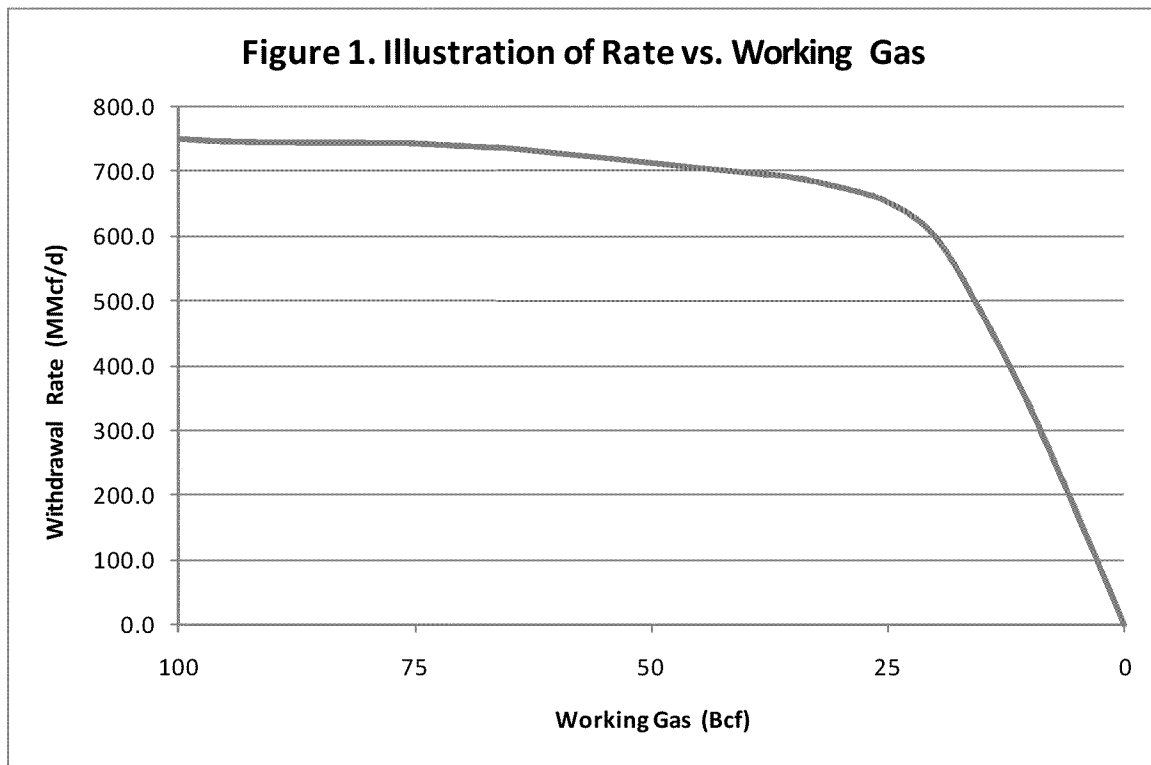
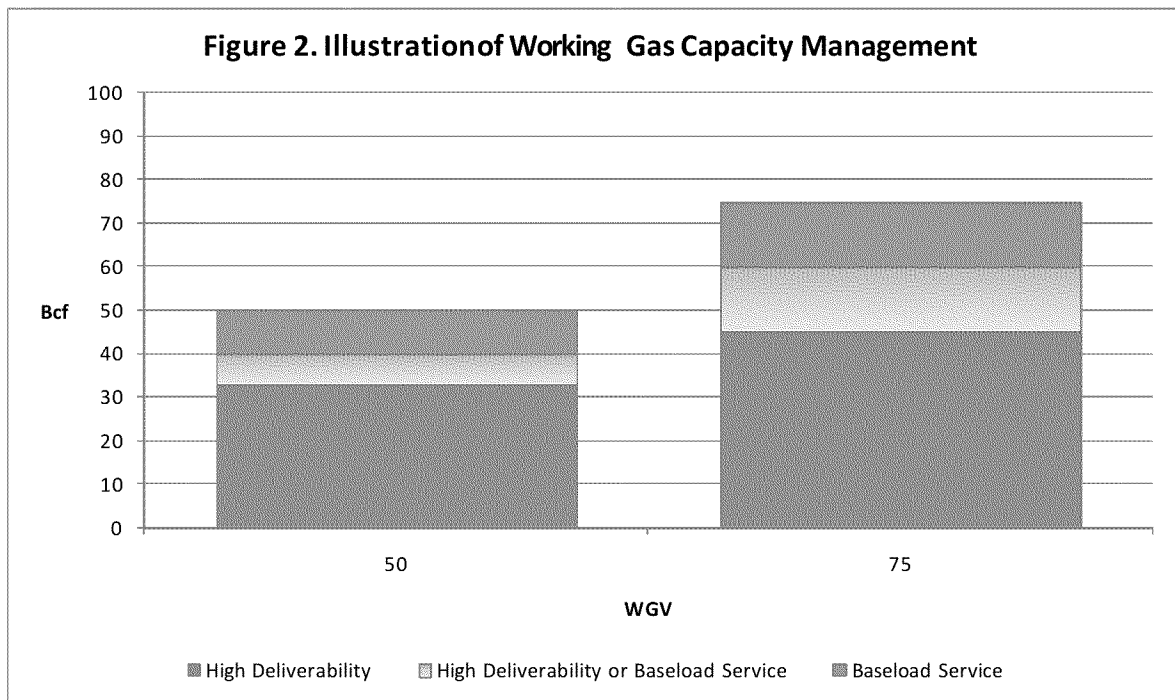


Figure 2 below illustrates the concept of how a storage facility can be managed through contracting practices to provide an optimal combination of high deliverability and baseload storage services. The flexibility to provide different types of services as the market dictates is critical for the both the storage operator and its customer base. The split between these two base services is dynamic and will depend on annual market demand for each of these services. The larger the working gas capacity of a facility, the more flexibility an operator has to meet changing market demands and the unique requirements of customers. Storage operators, such as Wild Goose, manage closely the amount of each type of service they provide so as to ensure that they are able to meet their contractual obligations. A storage operator manages a portfolio of contracts to ensure that the reservoir's capabilities are maximized, *i.e.*, that the aggregate working gas volume in the reservoir can support the injection or withdrawal rate (Figure 1). This

portfolio is dynamic and changes from year to year and it is critical that the storage operator can adapt to these changes and provide varying amounts of high deliverability and baseload storage services. Wild Goose has sold out of its high deliverability service over the past two years as the market has increasingly demanded this service. Figure 2 below shows that at 50 Bcf Wild Goose is limited in the amount of high deliverability and baseload services it can provide to the market. Absent the proposed WGCI, Wild Goose will be unable to meet the expected growing demand for high deliverability service.



The proposed WGCI to 75 Bcf will increase Wild Goose’s ability and flexibility to respond to changing market demand for baseload and high deliverability storage services in the future.

**B. The Proposed WGCI Meets the Requirements of P.U. Code Section 1002**

In addition to any required needs analysis which must be performed by the Commission,

Public Utilities Code Section 1002 provides in applicable part that:

The Commission, as a basis for granting any certificate pursuant to Section 1001 shall give consideration to the following factors:

- (1) Community values
- (2) Recreation and parks
- (3) Historical and aesthetic areas
- (4) Influence on the environment.

The Commission's obligation to consider factors listed in § 1002 is independent of its obligations under CEQA.<sup>14</sup> Thus, in addition to its CEQA obligations, Public Utilities Code Section § 1002 provides the Commission "with obligations independent of CEQA to include environmental influences and community values in [its] consideration of a request for a CPCN."<sup>15</sup> Accordingly, Wild Goose will address each of the factors contained in Section 1002 below.

### **1. Community Values**

The factors to be considered in addressing whether a proposed project is consistent with community values are not clearly defined. Rather, they are more fluid in nature, taking into account the peculiarities of the area in which the project is to be constructed.

#### **a. Community Support**

In assessing whether a proposed project is compatible with community values, the Commission "gives considerable weight to the views of the local community."<sup>16</sup> In addition, the Commission has stated that the views of local representatives in the areas which the project is to be built are given a high level of deference as they speak on behalf of a broad base of

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<sup>14</sup> *Re Lodi Gas Storage, LLC*, D. 00-05-048, at p. 27

<sup>15</sup> *Re Southern California Edison Co.*, D. 90-09-059, 37 CPUC 2d 413, 453.

<sup>16</sup> Decision 00-05-048, at p. 28.

constituents.<sup>17</sup> Wild Goose has a developed and nurtured a very good relationship with landowners and community officials within the county and surrounding area. As part of this outreach Wild Goose has developed a Public Awareness Program that enhances the community's understanding of the Wild Goose Facility. Such public outreach has resulted in the local community being supportive of previous expansions. Currently, Wild Goose is the process of communicating with state, county and municipal leaders to discuss the WGCI and assure the community that there will be no environmental impact from the capacity increase.

**b. Operational Safety**

Wild Goose is very much aware of the safety concerns of the local community. The publicly-traded parent company of Wild Goose, Niska Gas Storage Partners LLC, instills a culture of safe operations and promotes the implementation of an extensive preventative maintenance program. This is supported by the fact that there have been zero recordable lost time accidents at all of Niska's gas storage facilities. Niska recognizes that the life cycle of a gas storage facility is typically much longer than an average gas production facility. As such, Niska considers it critical that a significant amount of effort is put into the upfront design, and ongoing inspection/maintenance of the facility, to ensure safe operation and minimize the chance of unscheduled downtime. With Niska's years of experience in the area of natural gas storage, it has developed the reputation of a highly skilled operator with an excellent safety record. Niska/Wild Goose employ an extensive training program for their staff. Since commencing business in April 1999, neither Wild Goose nor PG&E has experienced any significant safety or operational issues associated with the facility.

To this end, Wild Goose has developed operational and maintenance procedures for the

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<sup>17</sup> *Id.*

Facility that serve to ensure the safe operation of the project. Chief among those procedures is an intricate system of facility inspections and preventative maintenance. The regular inspection of the fully “ smart-pigable” pipelines, equipment, wells, instrumentation, control and support systems is critical to the safe, efficient and economical operation of the project. Early identification of items in need of maintenance, repair or replacement ensures continued safe operation of the natural gas storage systems and precludes inopportune equipment failure. The inspection schedule and maintenance program designed by Wild Goose meet this goal. The Wild Goose Facility has safety systems and equipment consistent with all federal, state, and local codes and requirements. In addition, the Facility employs supplemental emergency detection, monitoring, and shut down equipment including: subsurface safety valves on each of the horizontal wells, redundant auto shutdown valves on header piping at the WPS, gas and fire detection in the compressor building, fiber optics cable for quick communication to wells as required, electronic versus pneumatic equipment for quicker communication and response time when making adjustments, an emergency shutdown system should the maximum operating pressure of the pipeline or possible flow capabilities of wells be exceeded, and monitoring equipment on wells for sand detection.

The RFS, WPS, pipelines and meter sites are situated in remote areas with very low population density. WGS has a comprehensive emergency response plan in place, that requires annual reviews, and routine exercises to ensure that WGS Operations, Niska Management, and local emergency response groups are ready to react, should an incident occur.<sup>18</sup>

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<sup>18</sup> The Integrity Management Plan and Emergency Response Plan were filed with the Commission on June 29, 2012 in Rulemaking 11-09-021 as part of Wild Goose’ Natural Gas System Operator Plan .

## **2. Recreation and Parks**

The WGCI will solely impact the current Wild Goose Facility. No recreational, park, or other lands outside of the site's boundaries will be disturbed or otherwise affected.

## **3. Historical and Aesthetics Values**

The WGCI will not compromise the historical or aesthetic values of the community. As explained in Appendix A, increasing the working gas capacity of the storage reservoir will not result in any changes in the physical appearance of the Well Pad Site or any other facility associated with the project. Moreover, there will be no additional sources of light or glare from the project.

The project will not require any earthwork or construction; therefore, there will be no impact to cultural, historic, or paleontological resources.

## **4. Environmental Influence**

As stated in section I.C., above, and illustrated in Appendix A, the WGCI will have no significant impact on the environment. Wild Goose will continue to exercise best practices to minimize any environmental impacts of its Facility.

# **V. MARKET BASED RATES**

## **A. Continued Authority To Charge Market Based Rates is Justified**

Through the Application for its Base Project, Wild Goose sought and received the authority to charge market-based rates. This authority was grounded in the finding that Wild Goose did not possess market power — “Wild Goose should be allowed to have market based pricing because there is no evidence that Wild Goose has significant market power.”<sup>19</sup> In its Decisions granting Wild Goose's Expansion and its WGX3 Expansion, the Commission

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<sup>19</sup> Decision 98-06-083, 1998 Cal. PUC LEXIS 481, \*12, Conclusion of Law No. 7 (modifying Conclusion of Law No. 5 in D. 97-06-091).

authorized Wild Goose's continued use of market based rates.

While certain of the factual premises upon which the Commission made its initial determination that Wild Goose lacked market power no longer exist — e.g., new market entrant, no market share — such should not impact the Commission's ultimate determination to allow Wild Goose to charge market based rates. Indeed, as noted above, since the time of Wild Goose's commencement of storage services, a number of new gas storage competitors in northern California have emerged and pre-existing competitors have expanded, thus diluting Wild Goose's market share. The result is significant competition among the providers and service types (e.g., excess pipeline capacity, pipeline or utility balancing services, and price arbitrage provided by natural gas futures markets) with which Wild Goose competes. The presence of these alternatives forces storage providers, such as Wild Goose, to make their services available on competitive terms. In other words, the available alternatives have precluded, and will continue to preclude, Wild Goose from increasing its prices above competitive levels.

## **B. Statement of Rates**

Commission Rule 3.1 (h) requires the applicant to “provide a statement of the rates to be charged for service to be rendered by means of the construction or extension the applicant seeks to certify.” In the application for its Base Project, Wild Goose sought waiver of this rule on the basis that the purpose behind the rule — to state a rate that the Commission can judge to be fair and reasonable — is negated by the use of market based rates. In the alternative, Wild Goose proposed filing an estimated range of rates, with a floor and ceiling. The Commission adopted this “rate zone” approach, removing any requirement that Wild Goose cost-justify any rate



ceiling or floor.<sup>20</sup> On December 18, 1998, Wild Goose filed Advice Letter 1 -G to establish its initial tariff schedule, including therein a range of market based rates. This tariff filing was approved by Commission Resolution in March 1999.<sup>34</sup> Subsequently the Commission used the “rate zone approach” in granting Lodi the authority to charge market based rates. Wild Goose submits that there is no reason to deviate from the standard that the Commission has developed, and its rate zone will not change with the WGCI.

### **C. Compliance**

Wild Goose does not anticipate any changes in the terms and conditions of the services that it will render from its expanded facilities, subsequent to receipt of its certificate amendment. If, however, changes become necessary, then it is Wild Goose’s intent to file with the Commission all necessary tariff modifications and related pro forma contracts.

## **VI. RULE 2.1 (C) REQUIREMENTS**

Pursuant to Rule 2.1 (c), Wild Goose requests the following:

### **A. Categorization**

Consistent with the Commission’s categorization of Wild Goose’s Base, Expansion, and WGX3 Expansion Project Applications, Wild Goose recommends that this proceeding be categorized as a rate setting.

### **B. Need for Hearings**

Wild Goose does not believe that hearings are necessary in this proceeding. In this regard, Wild Goose submits that the information submitted in this Application, including that found in Appendix A and other Appendices is sufficient to permit the Commission to determine that the operation of the WGCI is in the public interest. Further, the Application provides ample

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<sup>20</sup> Decision 98-06-083, 1998 Cal. PUG LEXIS, \*12, Conclusions of Law 6, 8 and 9.

support for the Commission to determine that the WGCI is exempt from CEQA review.

**C. Issues to be Considered**

The following issues need to be addressed by the Commission:

1. Whether Wild Goose should be granted an amended Certificate of Public Convenience and Necessity to operate the WGCI;
2. Whether Wild Goose should be authorized to operate the WGCI under market based rates; and
3. Whether the WGCI is entitled to an exemption from CEQA review pursuant to CEQA Guideline §15301 and/ or § 15061(b)(3).

**D. Proposed Schedule**

Application Filed	October 22, 2012
Public Notice	October 24, 2012
Application Deemed Complete	November 22, 2012
Responses/Protests to Application	November 26, 2012
Reply to Responses/Protests	December 6, 2012
Proposed Decision	February 19, 2013
Final Decision	March 21, 2013

**VII. CONCLUSION AND REQUEST FOR RELIEF**

Wherefore for all the above stated reasons, Wild Goose Storage, LLC respectfully requests that the Commission issue an order which:

1. Grants this Application, pursuant to Section 1001 of the Public Utilities Code,

to amend Wild Goose's Certificate of Public Convenience and Necessity, providing Wild Goose the authority to operate the modified storage project as described herein;

2. Authorize Wild Goose to charge market base rates for storage service supplied by the altered storage facility; and
3. Find that the WGCI qualifies for exemptions from CEQA per the CEQA guidelines and applicable precedent.

Respectfully submitted this 22nd day of October 2012 in San Francisco, California.

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By

/s/ Michael B. Day  
Michael B. Day

Attorneys for Wild Goose Storage, LLC

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

Application of Wild Goose Storage, LLC to Amend its  
Certificate of Public Convenience and Necessity to  
Increase the Working Gas Capacity for Gas Storage  
Operations

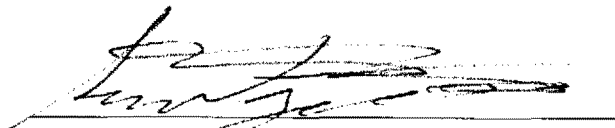
A. 12-10-\_\_  
(Filed October 22, 2012)

**VERIFICATION**

I am an officer of the Applicant in the above-captioned matter and am authorized to make this verification on its behalf. The statements in the foregoing document are true on my own knowledge, except as to matters which are stated therein on information or belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on October 22, 2012, at Calgary, Alberta, Canada.



Simon Dupere  
President and C.E.O.