BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company Proposing Cost of Service and Rates for Gas Transmission and Storage Services for the Period 2015-2017	Application 13-12-012 (Filed December 19, 2013)

PROTEST OF WILD GOOSE STORAGE, LLC TO PACIFIC GAS AND ELECTRIC COMPANY'S APPLICATION PROPOSING COST OF SERVICE AND RATES FOR GAS TRANSMISSION AND STORAGE SERVICES FOR THE PERIOD 2015-2017

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Date: January 31, 2014

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Pursuant to Rule 2.6 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), Wild Goose Storage, LLC ("Wild Goose") protests the Application of Pacific Gas and Electric Company ("PG&E") proposing cost of service and rates for gas transmission and storage services for the period 2015-2017 ("Application").

I. IDENTITY OF WILD GOOSE

Wild Goose is an independent gas storage provider, located in Butte County, California, which offers its services at market based rates in competition with the incumbent utilities and other independent gas storage providers in the state. Wild Goose achieved the status of being the first independent storage provider in California in June 1997, upon receiving its certificate of public convenience and necessity from the Commission.[1] At that time, Wild Goose became authorized to provide firm and interruptible storage services from storage facilities to be constructed in Butte County, California and interconnected to PG&E's Line 167 Sacramento Valley Local Transmission System. Wild Goose commenced service from that facility in April 1999. In July 2002, Wild Goose received Commission authorization to expand the size of its

[1] *See* Commission Decision 97-06-091.

storage facility and to construct an approximately 25 mile pipeline to interconnect its facility to the PG&E Line 400 backbone transmission system.[2] Since that time, Wild Goose has expanded its facility two additional times, resulting in a total inventory of 75 Bcf and total injection and withdrawal capacity of 650 MMcf/d and 1,200 MMcf/d respectively.[3]

II. THE INTEREST OF WILD GOOSE IN THIS PROCEEDING

PG&E's application contains cost recovery, as well as system design and operation proposals which could impact the financial and/or operational integrity of Wild Goose's storage business. Wild Goose intends to participate in this proceeding in order to further explore these proposals, determine their impact on Wild Goose, and ultimately reach a satisfactory resolution of any problems the proposals present.

III. SERVICE

For the purpose of receipt of all correspondence, pleadings, orders and notices in this proceeding, the following Wild Goose representative should be placed on the service list as a "party":

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In addition, the following Wild Goose representative and consultant should be placed on the service list under the "information only" designation:

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2 *See* Commission Decision 02-07-036.

3 *See* Commission Decisions 10-12-025 and 13-06-017

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IV. PROTEST

As noted above, Wild Goose's interest in this proceeding is limited to elements of PG&E's Application that may impact the financial or operational integrity of the Wild Goose's storage operations. In this regard, Wild Goose has identified a number of proposals which, given the insufficiency of the information provided by the Application and supporting testimony, could negatively impact Wild Goose's storage operations. These proposals are identified below:

A. Two Way Balancing Account for Gas Transmission and Storage Revenues

In its testimony, PG&E states the following:

> PG&E proposes to maintain the basic Gas Accord structure for transmission and storage services. *It will continue to offer market-based services* and operate the system on a common-carrier basis to support bilateral commercial activity between third parties. However, *PG&E proposes that cost recovery no longer involve market incentives* and less-than-complete revenue balancing account treatment. Rather, PG&E proposes that revenue collection be based on a 100 percent two-way balancing account. Any overcollections would be returned to ratepayers and any undercollections would be paid by ratepayers.[4]

PG&E provides, as the primary reason for its proposed change in revenue treatment, that "100 percent balancing account treatment for revenues will reinforce that PG&E's highest goal is the safe operation of its facilities."[5] While Wild Goose lauds PG&E's goal of placing safety first, it remains concerned regarding the practical implications of PG&E's two-way balancing account proposal for the storage market. PG&E's market storage service (*i.e.,* storage capacity it has remaining after serving core customers and its load balancing function), competes directly with

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[4] Application 13-12-012 Pacific Gas and Electric Company 2015 Gas Transmission and Storage Rate Case Prepared Testimony (PG&E Testimony) Volume 2 of 2, Chapter 10, page 18.

[5] *Id.*

the independent storage providers on its system. Given that, under its proposal, ratepayers will be responsible for all undercollections resulting from PG&E's market storage operations, PG&E could readily undercut the competition, without any financial repercussions for its shareholders.

The independent storage market has thrived in California given the ever increasing competition as more players enter. In order to ensure that PG&E's two-way balancing account does not degrade market integrity, thereby unjustly injuring competition, the Commission must ensure that measures are in place to guard against any potential market manipulation or artificial price-dampening.

B. Changes in Operational Protocol

PG&E has proposed two changes in its nomination protocol which may directly impact independent storage providers interconnected to the PG&E system. First, PG&E has proposed to provide a fifth nomination cycle, with a nomination deadline of 9:00 p.m. on the gas day. "Late Cycle" nominations would be "limited to transactions with on-system storage providers and at PG&E's Citygate."[6] PG&E's Application does not state whether the independent storage providers on its system will be required to facilitate this new operational protocol. If this is in fact PG&E's intent, Wild Goose would note that it has not been contacted by PG&E to discuss the exact manner in which this protocol will be implemented, thus hindering Wild Goose's ability to assess the financial and operational impacts to its own system.[7] For example, requiring Wild Goose to offer late day nomination changes may result in less efficient utilization of its

6 *Id.*, Chapter 10, p. 41.

7 In Resolution G-3466 in which the Commission approved PG&E's request to modify Gas Rule 21 to provide eligible customers with an opportunity to adjust previously scheduled gas quantities after the last nomination cycle of the gas day during period of simultaneous High and Low OFOs, the Commission recognized that there would be operational impacts on the ISPs but determined it was not necessary to assess the severity of those impacts, given the fact that the program was voluntary.

storage asset. By providing for a late day nomination, when in excess of fifty percent of the gas day has elapsed, Wild Goose may have to set aside injection or withdrawal rate to accommodate the possibility of the late day nomination changes. This will result in the inefficient use of its storage facility if no late nominations changes are made. If Wild Goose fails to set aside such injection or withdrawal rate, then it may result in cutting nominations of other customers in order to accommodate the late day nomination change. Any such impacts to the operations of independent storage provider should be taken into account by the Commission when assessing the judiciousness of PG&E's proposed fifth nomination cycle.

PG&E's second proposed changed in its nomination protocol will allow customers to "submit nominations to redirect previously scheduled gas quantities from their on-system end-use location to another on-system delivery point -- either gas storage or another end-use location."[8] PG&E's Application fails to state whether independent storage providers will be required to accept such "redirected" nominations and, if such is the intent, PG&E has again failed to contact Wild Goose to discuss the exact manner in which this protocol will be implemented hindering Wild Goose's ability to assess the financial and operational impacts to its own system.

C. Line 407

PG&E is proposing to proceed with a major expansion of its Sacramento Valley Local Transmission System (SVLTS) -- Line 407. This line, which has a projected in-service date of August 2017, is described as approximately 25.5 miles of 30" pipe from Line 172 to Line 123, approximately 2.5 miles of 10″ DFM lateral, and four new control stations.[9]

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8 PG&E Testimony, Volume 2, Chapter 11, p. 25.

9 *Id.*, Chapter 10, p. 29.

As stated above, one of Wild Goose's two interconnects to the PG&E system is with Line 167 -- which is also part of the SVLTS. It is unclear whether placing Line 407 into service will hinder Wild Goose's ability to place gas onto Line 167 or have any other operational effects on the facility. Wild Goose intends to explore this matter further with PG&E in order to ascertain whether Line 407 will, in any manner, impact Wild Goose's storage operations.

D. Core Storage Take or Pay

The Commission should evaluate the reasonableness and necessity of continuing to allocate PG&E storage capacity and costs to Core Transport Agents (CTAs) in circumstances where California third party storage capacity is available and ready to compete. CTAs should have the ability to choose a storage provider per the existing storage alternate resources provision in Schedule G-CT without having to also pay for PG&E's core storage allocation. The California gas storage market should compete equally to provide core storage services for CTAs.

In brief, PG&E now requires CTAs to take core storage at cost of service rates that are well above market. Given the "take or pay" provisions in the PG&E tariff, which require CTAs to take full financial responsibility for allocated PG&E core storage, Wild Goose, as an independent and market based storage provider, is unable to compete for providing the CTA's storage needs. This dynamic is in contravention to the Commission's intent when opening the storage market to independent providers. [10]

[10] *See* Decision 93-02 013,*1993 Cal. PUC LEXIS 66*48*_ (If independent providers become public utilities, we intend that storage rates for multi-service utilities and independent providers will be market-based, and that competition among them will be fair).

V. COMPLIANCE WITH RULE 2.6

In compliance with Rule 2.6 of the Commission's Rules of Practice and Procedure, Wild Goose states the following:

1. Wild Goose does not object to the proposed categorization of this proceeding as "ratesetting" in Resolution ALJ 176-3329.

2. Wild Goose agrees with PG&E that hearings will likely be necessary.

3. Wild Goose has reviewed the proposed schedule provided by PG&E in its Application and believes it may be insufficient to allow intervenors sufficient time to conduct discovery on PG&E's application and prepare responsive testimony. Given Wild Goose's narrow focus in this proceeding, however, it will not propose an alternative schedule.

VI. CONCLUSION

The Commission has fostered the independent storage market in this state for over twenty years. California has reaped the benefits of the Commission's ingenuity as four independent storage providers are currently operating in the state. Through its Application, PG&E has proposed several changes to its system operations and cost recovery mechanisms that may negatively impact those storage providers. The Commission must take these impacts into account in its assessment of the justness and reasonableness of PG&E's proposals. Moreover, it is time for the Commission to reevaluate the reasonableness and necessity of continuing to allocate PG&E storage capacity and costs to CTAs given the vibrancy of the independent storage market.

Respectfully submitted this January 31, 2014 at San Francisco, California.

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