

**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)

**PREPARED DIRECT TESTIMONY OF
JOHN FORTMAN
BENTLEY LEDENE
DAVID A. WEBER**

ON BEHALF OF

**CENTRAL VALLEY GAS STORAGE, LLC
GILL RANCH STORAGE, LLC
WILD GOOSE STORAGE, LLC**

August 11, 2014

1 **I. INTRODUCTION**

2 **Q.** Please state your respective names, positions and business addresses.

3 **A.** John Fortman, Director Commercial Services, Storage and Fuels, AGL Resources, 3333
4 Warrenville Road, Lisle, Illinois, 60532.

5 David A. Weber, President & CEO of Gill Ranch Storage, LLC; 220 NW 2nd Ave.,
6 Portland, Oregon 97209.

7 Bentley Ledene, Director, Marketing, Niska Gas Storage; 400, 607 8th Ave SW, Calgary,
8 Alberta T2P 4Z5.

9 **Q.** Please describe your experience and qualifications.

10 **A.** Our experience and qualifications are set forth in respective *curricula vitae* which are
11 appended in Attachment I to this testimony.

12 **Q.** On whose behalf are you testifying in this proceeding?

13 **A.** We are testifying on behalf of Central Valley Gas Storage, LLC, Gill Ranch Storage,
14 LLC and Wild Goose Storage, LLC, three of California's independent storage providers.

15 **II. PURPOSE OF TESTIMONY**

16 **Q.** What is the purpose of this testimony?

17 **A.** This testimony provides support for the proposal being advanced in this proceeding by
18 the Core Transport Agents (CTAs) that they should be allowed to choose their desired
19 mix of storage services from all storage providers in the northern California market,
20 rather than be financially tethered to Pacific Gas and Electric Company (PG&E). This
21 testimony illustrates that since the decision regarding the allocation and payment for
22 PG&E's core storage by CTAs was issued by the Commission over ten years ago, the
23 Commission's policy to advance competitive gas storage has taken a firm hold in the

1 California market, resulting in significant changes to that market. As discussed in this
2 testimony, the market has seen a steady increase in the amount of independent gas
3 storage which is offered at market-based rates.

4 Moreover, this testimony shows that the increased presence of independent
5 storage is simultaneously occurring with what is an apparent reduction by PG&E of its
6 competitive storage assets. This shift in dynamics speaks to the success of the
7 Commission's policies to promote competitive storage services and demonstrates that this
8 is the ideal time for the customers served by CTAs to reap the benefits of such policies by
9 allowing CTAs to purchase storage services from independent storage providers (ISPs)
10 without financial penalties. This testimony demonstrates that ISPs provide safe and
11 reliable storage services sufficient to meet the needs of core customers at competitive,
12 market-based rates. If the purchase of storage from ISPs by CTAs reveals additional
13 excess PG&E storage capacity or assets, then PG&E should explore further reduction of
14 its storage assets.

15 **III. COMMISSION POLICY HAS CHANGED THE DYNAMICS OF THE STORAGE**
16 **MARKET IN NORTHERN CALIFORNIA OVER THE PAST TWO DECADES**

17 **A. The Commission has Encouraged "Market Based" Storage and Core Supply**
18 **Services to be Available.**

19 **Q.** You mentioned above the Commission's policy to advance competitive storage services.
20 Can you please articulate that policy?

21 **A.** Yes. Over 20 years ago, the California Legislature established the goal of creating an
22 active and competitive natural gas storage market in California.¹ The Commission's

¹ California Statutes, Chapter 137, Section 1(b).

1 1993 *Storage Decision*,² wherein it adopted its Gas Storage Service Rules, served to
2 facilitate the creation of such a competitive market. A critical element of that decision -
3 one which paved the way for the introduction of ISPs to the market - was the application
4 of the Commission's "let the market decide policy" to the expansion of utility storage
5 facilities to service the non-core market. In essence, the Commission stated that it should
6 not test the need for new gas storage projects on a resource planning basis, so long as all
7 of the risk of the unused new capacity resides with the builders and users of the new
8 facility. The *Storage Decision* also adopted market-based rates for noncore storage,
9 including incremental rates for service derived from new or expanded facilities.

10 **Q.** Has the Commission's policy of promoting independent competitive storage been
11 successful?

12 **A.** Yes. To date, California has seen four ISPs enter the natural gas storage market. Two of
13 these entrants have even undertaken expansions of their facilities.

14 **Q.** Can you please provide a brief overview of each of the four independent storage
15 providers offering storage services in California?

16 **A.** Yes. Wild Goose Storage, LLC (Wild Goose) became the first independent storage
17 operator in California when it began commercial operations in April 1999. Wild Goose
18 constructed and currently operates the Wild Goose Natural Gas Storage Facility in Butte
19 County, California (the Wild Goose Facility). The Wild Goose Facility encompasses
20 project components authorized by the Commission in its issuance of a certificate of
21 public convenience and necessity (CPCN) to Wild Goose in Decision 97-06-091, and the
22 additional project components authorized by the Commission in Decision 02-07-036,

² *In Re Natural Gas Storage*, 48 CPUC 2d 107 (D. 93-02-013) (the "*Storage Decision*").

1 Decision 10-12-025 and Decision 13-06-017. The Wild Goose Facility is currently
2 certificated by the Commission to provide 1200 MMcf/d of withdrawal capability, 650
3 MMcf/d of injection capability and 75 Bcf of working gas storage capacity and is
4 currently interconnected with two PG&E transmission lines: (1) Backbone System Lines
5 400 and 401 by way of a 25.5 mile pipeline; and (2) Line 167 of PG&E's Sacramento
6 Valley Local Transmission System by way of a pipeline which is 500 feet in length.

7 Lodi Gas Storage, LLC (LGS) was the second ISP to enter the California storage
8 market, pursuant to a CPCN issued by the Commission in 2000 (D. 00-05-048). LGS
9 currently owns and operates two distinct storage facilities. The initially certificated
10 facility, located approximately 5.4 miles, northeast of the city of Lodi in San Joaquin
11 County, has 12 Bcf of working gas, with a maximum firm deliverability of 500 MMcf/d
12 and a maximum firm injection capability of 400 MMcf/d. The second facility, known as
13 the Kirby Hills Natural Gas Storage Facility (Kirby Hills), certificated by the
14 Commission in 2006 (D. 06-03-012) and expanded in 2008 (D. 08-02-035), has a
15 capacity of 17.5 Bcf, and injection and withdrawal capacity of 350 Mcf/d each. The
16 Kirby Hills facility is interconnected to PG&E's Line 400 by way of a 5.9- mile pipeline

17 Gill Ranch Storage, LLC (GRS) is the seventy-five percent owner of a 20 Bcf
18 natural gas storage facility located primarily in Madera County (the Gill Ranch Facility).
19 GRS received its CPCN in October 2009 in a decision in a consolidated proceeding that
20 also granted PG&E, owner of the other twenty-five percent of the Gill Ranch Facility, a
21 CPCN (D. 09-10-035). The Gill Ranch Facility is certificated by the Commission to
22 provide 320 MMcf/d of injection capability and 650 MMcf/d of withdrawal capability
23 and is interconnected to PG&E's Line 401 by way of an approximately 27-mile natural

1 gas pipeline. GRS and PG&E each separately markets its respective share of capacity
2 from the Gill Ranch Facility.

3 Finally, Central Valley Gas Storage, LLC (CVGS) is the most recent facility built
4 to serve the California natural gas storage market, having received its CPCN in October
5 2010 (Decision 10-10-001) and entering into commercial service in 2012. The CVGS
6 storage facility is located near the unincorporated town of Princeton in Colusa County
7 and is connected to PG&E's transmission system via a 14.7-mile pipeline. This facility is
8 certificated by the Commission to provide for storage of 11 Bcf of working gas, with a
9 maximum firm deliverability of 300 MMcf/d and a maximum firm injection capability of
10 300 MMcf/d.

11 **Q.** In your earlier description of Commission policy first advanced in the *Storage Decision*,
12 the Commission's focus appeared to be the provision of competitive storage service to
13 non-core customers. Has the Commission since expanded that focus to include the
14 provision of competitive storage service to core customers?

15 **A.** Yes. As early as 2004, as part of its Rulemaking to establish policies and rules to ensure
16 reliable, long-term supplies of natural gas to California, the Commission recognized the
17 benefits, such as long term cost savings, of allowing ISPs to bid to serve PG&E's
18 incremental core storage needs. In order to effect such a result, the Commission ordered
19 PG&E to file an application to address how much, and by what process, incremental gas
20 storage needs for the core should be put out to bid, as well as implementation issues that
21 needed to be addressed before the provision of core storage was opened to independent
22 storage providers.

23 **Q.** What was the result of the Commission ordered application?

1 A. PG&E filed the required application which ultimately resulted in a Commission decision
2 (D. 06-07-010) approving a partial settlement which described a Request for Offer (RFO)
3 process (including products to be solicited and requirements that must be met by the ISPs
4 to participate) which PG&E would utilize to seek offers to meet core customers'
5 incremental storage needs. Later, the Commission granted Wild Goose's petition to
6 modify Decision 06-07-010 to clarify the credit requirements of the ISPs who offer to
7 provide this incremental gas storage service (D. 08-07-009).

8 Q. Were the procedures and criteria put in place through these Commission decisions ever
9 successfully utilized by PG&E to procure storage capacity from an ISP for use by
10 PG&E's core customers?

11 A. Yes. PG&E conducted several RFOs with respect to securing storage capacity to meet its
12 incremental core customer needs. At present, PG&E's Core Gas Supply has one third-
13 party storage contract which expires February 28, 2015.

14 Q. In your opinion, what is the next step in the evolution of the competitive storage market
15 in California?

16 A. As discussed above, the result of Commission policy has been the introduction into the
17 competitive storage market of 130.5 Bcf of certificated storage capacity. This amount of
18 capacity is sufficient to meet a significant amount of PG&E's core and noncore storage
19 needs.

20 Currently, in the geographic area where PG&E provides natural gas services,
21 CTAs may only procure storage services from PG&E. In order to advance the State's
22 policy to promote a competitive natural gas storage market, the Commission should

1 further open the core market to competition by allowing ISPs to compete on a level
2 playing field with PG&E to serve all or a part of the storage needs of CTAs.

3 **B. PG&E's Filing Indicates Movement Towards Removing Itself From the**
4 **Competitive Storage Market**

5 **Q.** Does PG&E's filing reflect a movement away from the competitive storage market in
6 California?

7 **A.** Yes. Several of PG&E's proposals appear to be specifically designed to reduce PG&E's
8 presence in the competitive storage market.

9 First, PG&E proposes to shift storage injection and withdrawal capacity from
10 market storage to load balancing.³ Specifically, PG&E proposes to allocate 130 MMcf/d
11 of injection capacity and 200 MMcf/d of withdrawal capacity to daily balancing to
12 accommodate peak hourly needs.⁴ By doing so, PG&E explains that it can continue to
13 operate the system without altering the requirements, services, and charges described in
14 Gas Schedule G-Bal.⁵

15 Second, PG&E proposes to remove four compressor units at McDonald Island
16 from service,⁶ which would further reduce PG&E's presence in the competitive storage
17 market. Currently, PG&E leases seven gas compressor units at McDonald Island – four
18 of which support firm injection rights for core, load balancing, and market storage, and
19 three of which were added in 2009 to support market storage activities only.⁷ PG&E
20 explains that the market for storage is less active than it has been for a variety of reasons,

³ PG&E Prepared Testimony, 2015 Gas Transmission and Storage Rate Case, A.13-12-012, *Chapter 10* at 48-49 (Dec. 19, 2013).

⁴ *Id.* at 49.

⁵ *Id.* at 48.

⁶ *Id.* at 45-46.

⁷ *Id.* at 45.

1 including: (a) lower gas prices; (b) much lower inter-seasonal forward price spreads
2 driven by the significant increase in gas reserves resulting from the shale gas boom; and
3 (c) an increase in third-party storage capacity connected to PG&E's system.⁸ As a result,
4 PG&E has concluded that the current market for storage does not support the continued
5 costs of leasing the four older compressor units.⁹ The removal of these units would
6 further reduce PG&E's presence in the competitive storage market.

7 Third, PG&E proposes to reduce well deliverability at McDonald Island,¹⁰ which
8 will reduce cyclability and, in turn, the storage capacity remaining for market storage.
9 PG&E has concluded that the current market for storage does not support the continued
10 costs of maintaining high well capacity and, therefore, PG&E will reduce its investment
11 in routine well rework activities necessary to maintain the maximum withdrawal
12 capacities set forth in the Gas Accord V.¹¹ Even with these cost reducing measures,
13 PG&E is seeking to increase the Core Firm Storage annual demand rate from the current
14 \$1.51/Dth to \$2.16/Dth by 2017.¹²

15 **Q. Is PG&E proposing to change its cost recovery mechanism for its storage assets?**

16 **A.** Yes. Currently, PG&E's market storage is subject to a GT&S Revenue Sharing
17 Mechanism that was negotiated as part of the Gas Accord V Settlement, which places
18 PG&E partially at-risk for revenue recovery through 2014.¹³ Under the Revenue Sharing
19 Mechanism, on an annual basis from 2011-2014, differences between revenue
20

⁸ *Id.* at 45-46.

⁹ *Id.* at 46.

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*, Chapter 17, Attachment A, Table 17-L (showing monthly rates).

¹³ *Id.*, Chapter 18 at 2 (citing Gas Accord V Settlement Agreement, D.11-04-031).

1 requirements and billed revenues from noncore customers are shared to varying degrees
2 between customers and PG&E shareholders.¹⁴

3 In this filing, PG&E proposes to eliminate (with one exception, discussed below)
4 cost recovery that involves market incentives and less-than-complete revenue balancing
5 account treatment by discontinuing the GT&S Revenue Sharing Mechanism.¹⁵ Instead,
6 PG&E proposes to adopt a traditional 100-percent two-way balancing account structure
7 that ensures that PG&E collects no more and no less than its adopted GT&S revenue
8 requirement.¹⁶ Over-collections would be returned to ratepayers and under-collections
9 would be paid by ratepayers.¹⁷

10 **Q. Would the two-way balancing account apply to all market storage?**

11
12 **A.** No. It would not apply to Gill Ranch storage revenues.¹⁸ PG&E excluded Gill Ranch
13 noting that, per prior Commission decisions, PG&E is not allowed to seek recovery of
14 Gill Ranch costs during the 2011-2014 GT&S funding period, and that PG&E must
15 demonstrate the prudence and reasonableness of any such cost recovery in subsequent
16 funding periods.¹⁹

17 **Q.** Does the two-way balancing proposal remove PG&E's incentive to actively market
18 storage capacity?

19 **A.** Yes. Moving 100 percent of PG&E's current market storage capacity (excluding Gill
20 Ranch) into the rate base via a two-way balancing account eliminates PG&E's incentive

¹⁴ *Id.*

¹⁵ *Id.* at 2-3.

¹⁶ *Id.* at 3.

¹⁷ *Id.* at 8.

¹⁸ *Id.*, Chapter 10 at 19.

¹⁹ *Id.*, Chapter 18 at 2, fn 4.

1 to actively market storage by guaranteeing cost recovery through rate-based treatment of
2 storage capacity. Indeed, PG&E acknowledges that its proposal to transition to
3 traditional balancing account treatment for revenues keeps it “neutral” to the volume of
4 storage sales, which PG&E notes is consistent with California state policy to encourage
5 energy conservation.²⁰

6 **Q.** Do ISPs support PG&E’s proposals that reduce PG&E’s presence in the competitive
7 storage market?

8 **A.** Yes, with one condition – that the Commission not allow PG&E to move these storage
9 assets back into the competitive storage market in the future, if and when market
10 conditions improve. PG&E supports its two-way balancing account treatment by
11 explaining that it aligns with PG&E’s primary goal of safety and also is consistent with
12 California regulatory policy of eliminating any conflict of interest between increasing
13 volumetric sales and increasing energy efficiency and conservation.²¹ PG&E also points
14 out, however, that the current market for storage is less active than it has been in the past
15 given lower gas prices and weaker spreads resulting from significant increases in North
16 American reserves and that the competitive storage market does not support continued
17 cost recovery for some of these assets.²² By shifting utilization of the assets to load
18 balancing, PG&E is able to ensure cost recovery through rate-based treatment of the
19 assets.

20 In contrast, the ISPs have no captive ratepayers and no ability to ensure cost
21 recovery. The ISPs are 100 percent exposed to market conditions. It would be entirely

²⁰ *Id.*, Chapter 10 at 53.

²¹ *Id.*

²² *Id.* at 45-46.

1 inconsistent with the Commission's policy of promoting competitive storage
2 development in California to allow PG&E to move market storage assets into rate base
3 when the storage market is weak and then move the assets out of rate base and back into
4 the competitive market when the storage market is more robust. In short, the ISPs simply
5 want to ensure a level playing field for competitive storage services. Thus, the ISPs can
6 support PG&E's proposals that reduce its presence in the competitive storage market as
7 long as the Commission requires that PG&E maintain the assets as part of its cost-of-
8 service based storage assets and does not allow PG&E shareholders to benefit from
9 market center revenues in future rate cases.

10 **IV. ISPS PROVIDE SAFE AND RELIABLE STORAGE SERVICES SUFFICIENT**
11 **TO MEET THE NEEDS OF CORE CUSTOMERS.**

12 **A. ISPs Are Public Utilities Under the PU Code and Are Subject to the**
13 **Commission's Jurisdiction, Control and Regulation.**

14 **Q.** Are ISPs California public utilities?

15 **A.** Yes. ISPs own, control, operate or manage underground natural gas storage facilities for
16 compensation in California. They perform natural gas storage services for the public, or
17 a portion thereof. Accordingly, they are gas corporation public utilities, subject to the
18 jurisdiction of the Commission. (*See* PU Code §§ 221, 222, 216.)

19 As noted previously, each of the ISPs sponsoring this testimony has been issued a
20 CPCN by the Commission, pursuant to PU Code § 1001, authorizing it to develop,
21 construct, and operate underground natural gas storage facilities and provide storage
22 services.

23 The CPCN decisions confirm that ISPs are public utilities. In D.97-06-091, the
24 Commission determined that upon granting Wild Goose a CPCN, Wild Goose would
25 become a public utility. (D.97-06-091, Finding of Fact 11.) In D.09-10-035, the

1 Commission stated that as a result of approval of GRS' application for a CPCN, GRS
2 would be certificated as a public utility with respect to GRS' interest in the Gill Ranch
3 Storage Project. (D.10-09-035, p.3.) In the more recent decision granting CVGS'
4 application for a CPCN, the Commission found as follows:

5 [W]e find that CVGS is a public utility gas corporation as defined
6 by [PU Code] § 216(a) and § 222. As such, CVGS is subject to the
7 Commission's jurisdiction, control and regulation, and has all of
8 the rights and obligations of a public utility.

9
10 (D.1-10-001, p. 18, *see also*, Conclusion of Law 1, and Ordering Paragraph 1).

11
12 **Q.** Are ISPs subject to the same obligations regarding safe and reliable operations as other
13 public utilities?

14 **A.** Yes. As described herein, ISPs are subject to the same obligations regarding safe and
15 reliable operations as other public utilities.

16 **Q.** Are you familiar with the state and federal laws and regulations that require safe and
17 reliable public utility operations?

18 **A.** We are generally familiar with the state and federal laws and regulations that require safe
19 and reliable public utility operations.

20 **Q.** Please identify the primary state and federal laws and regulations that require safe and
21 reliable operations by public utilities, including ISPs.

22 **A.** The ISPs identify the following key state and federal laws and regulations requiring safe
23 and reliable operations by public utilities. The list may not be exhaustive, and the ISPs
24 reserve the right to augment the list and/or interpret the referenced statutes or regulations
25 as appropriate in legal briefs.

1 First, various *state* laws require safe and reliable operations by public utilities
2 (including ISPs), including the following:

3 (1) PU Code § 451, which requires that *every public utility* “furnish and maintain
4 such adequate, efficient, just, and reasonable service, instrumentalities,
5 equipment, and facilities, ... as are necessary to promote the safety, health,
6 comfort, and convenience of its patrons, employees, and the public.”;

7 (2) PU Code § 961, which requires each gas corporation to develop a plan for the
8 “safe and reliable operation of its commission-regulated gas pipeline facility”; and

9 (3) PU Code § 963(b)(3) which sets forth the policy of the state that the
10 Commission and each gas corporation place safety of the public and its employees
11 as the top priority.

12 In addition, various *federal* laws and regulations require safe and reliable operations by
13 public utilities (including ISPs), including the following:

14 (1) Title 49 of the United *States* Code, section 60101 *et seq.*, which sets forth
15 pipeline safety laws;

16 (2) Title 49 of the Code of Federal Regulations (“CFR”), Part 190, which
17 specifies pipeline safety enforcement and regulatory procedures;

18 (3) Title 49 of the CFR, Part 191, which addresses transportation of natural and
19 other gas by pipeline, annual reports, incident reports and safety-related condition
20 reports.

21 (4) Title 49 of the CFR, Part 192, which addresses minimum federal safety
22 standards for transportation of natural and other gas by pipeline; and

23 (5) Title 49 of the CFR, Part 199, which addresses drug and alcohol testing.

1 Q. Are you familiar with General Order (“GO”) 112-E?

2
3 A. We are generally familiar with GO 112-E.

4
5 Q. Do the ISPs comply with GO 112-E?

6
7 A. It is our understanding that GO 112-E, the State of California Rules Governing Design,
8 Construction, Testing, Operation, and Maintenance of Gas Gathering, Transmission, and
9 Distribution Piping Systems, supplements federal pipeline safety regulations, specifically,
10 Title 49 of the CFR, Parts 190, 191, 192, 193 (liquefied natural gas facilities), and 199,
11 which also govern the design, construction, testing, operation, and maintenance of gas
12 piping systems. The ISPs are subject to the federal regulations and they comply with GO
13 112-E. (We understand that the Commission presently is considering revisions to GO
14 112-E.)

15 Q. **Are the ISPs required to develop and implement a plan for the safe and reliable**
16 **operation of gas pipeline facilities?**

17 A. As described above, PU Code § 961 requires each gas corporation to develop a plan for
18 the “safe and reliable operation of its commission-regulated gas pipeline facility.” In
19 D.12-04-010, the Commission added the California ISPs as respondents in the proceeding
20 addressing implementation of PU Code § 961 (and § 963). (*See Conclusion of Law 2 and*
21 *Ordering Paragraph 2.*)

22 Each of the ISPs sponsoring this testimony timely submitted a Natural Gas
23 System Operator Safety Plan (“Safety Plan”) to the Commission, pursuant to PU Code §
24 961 and D.12-04-010. The Commission’s Safety and Enforcement Division (formerly
25 the Consumer Protection and Safety Division) reviewed and, after requested revisions,

1 approved the ISPs' Safety Plans. The Safety Plans of the ISPs sponsoring this testimony
2 remain in full force and effect.

3 **Q.** Have any of the ISPs sponsoring this testimony been issued a Citation by the
4 Commission for a safety violation?

5 **A.** No. None of the ISPs sponsoring this testimony has ever been issued a Citation by the
6 Commission for a safety violation.

7 **B. ISPs' Operations Ensure Reliable Storage**

8 **Q.** Do ISPs maintain storage equipment that is sufficiently reliable to ensure that volumes of
9 gas contracted by CTAs can be delivered to, and received from, PG&E system under a
10 wide range of potentially adverse circumstances?

11 **A.** Yes. ISP storage facilities are designed, maintained and operated in a sufficiently reliable
12 manner to ensure that volumes of gas contracted by firm service customers such as CTAs
13 can be delivered to, and received from, PG&E's system under a wide range of potentially
14 adverse circumstances.

15 **Q.** How are ISP storage facilities designed to ensure that volumes of gas contracted by firm
16 service customers and CTAs can be delivered to and received from PG&E's system
17 under a wide range of potentially adverse circumstances?

18 **A.** The following design aspects of ISP storage facilities help ensure reliable and redundant
19 service:

- 20 • The storage facilities operated by the ISPs have been designed with on-site compression
21 and dehydration equipment capacity sufficient to meet the injection and withdrawal rates
22 stated in each of the facilities certificate application(s).

1 • The ISP's facilities are among the newest storage facilities in the state and have modern
2 equipment with more limited wear.

3 **Q.** How are ISP storage facilities maintained to ensure that volumes of gas contracted by
4 firm service customers and CTAs can be delivered to, and received from, PG&E's system
5 under a wide range of potentially adverse circumstances?

6 **A.** The following maintenance practices of ISP storage facilities help ensure reliable and
7 redundant service:

8 • As noted above, all of the ISPs maintain their facilities in accordance with documentation
9 that has been filed with the Commission as part of each ISP's Safety Plan and that has
10 been reviewed by the Safety and Enforcement Division to ensure that the practices are
11 sufficient for safe and reliable operations.

12 • ISP compressor stations, wells, pipelines, valves, and other ancillary facilities are
13 maintained in accordance with all applicable federal pipeline safety standards
14 documented in Part 192 of the Code of Federal Regulations and in accordance with
15 CPUC General Order 112-E. The ISPs are committed to meet or exceed required
16 standards for safe design, operation and maintenance of modern storage facilities.

17 • The ISPs also take care to maintain their equipment per OEM recommendations.
18 Equipment maintenance schedules are recorded in a data base system which generates
19 work orders when maintenance is required. In addition, the ISPs also use a predictive
20 maintenance program to monitor equipment health.

21 **Q:** How are ISP storage facilities operated to ensure that volumes of gas contracted by firm
22 service customers and CTAs can be delivered to and received from PG&E's system
23 under a wide range of potentially adverse circumstances?

1 A. The following operational practices of ISP storage facilities help ensure reliable service:

2 • ISPs follow policies and procedures that specify that they will have an adequately sized,
3 qualified and properly trained workforce to execute the Safety Plans they have filed with
4 the Commission. The policies also ensure that ISPs are keeping their practices current,
5 staying informed regarding industry best practices, and evaluating how their operations
6 conform with or differ from trends for similar operations.

7 • ISP facilities are monitored continuously with constant flow control by control room
8 operators. ISP compressor stations are either continuously staffed or have notification
9 procedures in place to ensure that staff can be in place quickly to make any necessary on-
10 site adjustments.

11 • ISP operations personnel coordinate with PG&E on a daily basis and follow documented
12 procedures to ensure that both capacity and injection and withdrawal capability are
13 adequate to meet daily customer commitments in light of operating conditions within the
14 ISP facility and at the PG&E interconnection(s). With appropriate communication and
15 interaction, ISPs are capable of providing any necessary real time swing storage services
16 to address no notice load fluctuations by core customers.

17 • To date, ISPs have never curtailed a customer as a result of operational or maintenance
18 issues related to their own facilities. Service interruptions overall have been very limited
19 and have been due to issues on PG&E's system.

20 • ISPs propose to provide CTAs their highest priority service -- equivalent to any firm
21 storage customer.

1 • ISPs will not oversubscribe firm commitments (including CTAs and firm service
2 customers) for capacity, injections or withdrawals beyond the capabilities stated in each
3 facility's certificate application(s).

4 **Q.** Given that ISPs operate at- risk, absent the ability to recover losses in the rates of captive
5 ratepayers, isn't it a possibility that an ISP which is incurring losses in its storage
6 business may abandon its storage operations, leaving core customers without necessary
7 storage services?

8 **A.** No. As mentioned above, ISPs are regulated utilities, subject to the provisions of the
9 California Public Utilities Code. ISPs cannot sell or otherwise dispose of their facilities
10 absent approval from the Commission under PU Code Section 851.

11 **Q.** Does this conclude your testimony?

12 **A.** Yes.

ATTACHMENT 1

John E. Fortman
Director Commercial Services
AGL Resources Inc.

John Fortman is the Director of Commercial Services for AGL Resources Inc. (“AGL Resources”) and is responsible for the day-to-day commercial activities of AGL Resources’ natural gas storage companies. Mr. Fortman oversees the commercial activities for Jefferson Island Storage & Hub, L.L.C., Golden Triangle Storage, Inc. and Central Valley Gas Storage, LLC. He also has responsibility for the scheduling and nomination activities associated with these storage assets.

Mr. Fortman has over 25 years experience in the natural gas industry. Prior to his current position at AGL Resources, he was responsible for lead generation and project management activities associated with new opportunities in Nicor’s New Energy Ventures group. He also has held various positions in accounting, marketing and business development at Natural Gas Pipeline Company of America and Crossroads Pipeline Company.

Mr. Fortman earned a Bachelor of Science degree in Accounting from Northern Illinois University in 1986 and an MBA in Finance from DePaul University in 2001.

BENTLEY J. LEDENE, RET

EMPLOYMENT HISTORY

NISKA GAS STORAGE

DIRECTOR, MARKETING
2006 – present

Responsibilities include:

- Leading the cross-functional coordination and resolution of regulatory, technical, engineering, business development, commercial, risk (back office) issues for Wild Goose Storage (California), AECO Hub (Alberta), and Salt Plains Storage (Oklahoma).
- Marketing and contracting storage capacity to third parties and originate firm storage and transportation capacity from third parties as needed.
- Assisting the Business Development team in evaluation of potential new marketing opportunities.

ENCANA GAS STORAGE

ADVISOR, MARKET DEVELOPMENT & SERVICES
2000 – 2006

Responsibilities included:

- Working in Encana's Natural Gas Storage department, in addition to continued responsibilities with both AECO and Wild Goose, spent a considerable amount of time involved in the acquisition of the Salt Plains Gas Storage facility in Oklahoma. Responsible for the development of the Salt Plains tariff and managed all of the third party natural gas storage leasing contracts.

AEC STORAGE AND HUB SERVICES

MANAGER, HUB SERVICES
1993 – 2000

Responsibilities included:

- Managing all of the third party natural gas storage leasing programs at AECO and the new Wild Goose storage facility in Northern California, as well as storage optimization trading activities.
- Developing the AECO and Wild Goose tariff and storage services agreements.
- Assisting with the development of the physical risk model and the introduction of storage valuation models.

AEC OIL AND GAS COMPANY

GAS SUPPLY COORDINATOR, MARKETING
1989 – 1993

Responsibilities included:

- Managing all AEC gas supply transportation including monthly supply allocations to markets.
- Managing all storage utilization from the AECO natural gas storage field in Alberta and natural gas trading activities.

SENIOR RESERVOIR TECHNOLOGIST
1986 – 1989

Responsibilities included:

- Providing technical support in AEC's Reservoir Engineering department in the Calgary, Alberta office, including included well test analysis, coordination of AEC's annual reserves report, long range plan administration, and budget coordination.

PRODUCTION TECHNOLOGIST
1980 – 1986

Responsibilities included:

- Performing all technical duties with regard to both natural gas and oil production activities at AEC's Suffield oil and gas production operations in Southern Alberta, including facility design, production testing, oil and gas well completions and down-hole work-overs.

EDUCATION

BACHELOR OF SCIENCE, PETROLEUM TECHNOLOGY
Southern Alberta Institute of Technology, 1980

BUSINESS MANAGEMENT CERTIFICATE PROGRAM
University of Calgary, 2001

MEMBERSHIPS

- Alberta Society of Engineering Technologists (Registered Engineering Technologist)
- Society of Petroleum Engineers.

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STATEMENT OF QUALIFICATIONS

DAVID A. WEBER

My name is David A. Weber. My business address is 220 NW 2nd Ave., Portland, Oregon 97209. I joined Gill Ranch Storage, LLC (“GRS”) as President & CEO in 2011. I received a Bachelor of Science degree in Biological Sciences, Chemistry and Mathematics from the University of Denver in 1980. I am responsible for all business and operational functions of GRS.

GRS is a subsidiary of Northwest Natural (“NW Natural”). I joined NW Natural in 2000 and served as managing Director of Information Services and Chief Information Officer for the company until 2011. Prior to NW Natural, I had a 15-year career at IBM, as a project executive and consultant. I also served five years active duty in the U.S. Marine Corps.

I am a past chair of the American Gas Association’s Technical Advisory Committee and currently serve as a Board Member and Secretary of Junior Achievement and as a Board Member and Treasurer of American Leadership Forum of Oregon.

I have not previously testified before the California Public Utilities Commission. I have sponsored testimony before the Oregon Public Utility Commission.

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