

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

In the Matter of:
Informational Proceeding and Preparation of the
California Energy Commission 2005
Integrated Energy Policy Report and

Order Instituting Rulemaking to Establish
Policies and Rules to Ensure Reliable,
Long Term Supplies of Natural Gas to California

Energy Commission
Docket No. 04-IEP-01

CPUC Docket No. R.04-01-025
Notice of Workshop on Natural
Gas Quality Issues

**REPLY COMMENTS OF WILD GOOSE STORAGE INC.
ON GAS QUALITY SPECIFICATIONS**

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Date: March 4, 2005

Attorneys for Wild Goose Storage Inc.

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Pursuant to the December 23, 2004 Ruling of Administrative Law Judges Wong and Fukutome establishing dates for a workshop on gas quality specifications and soliciting comments thereon, Wild Goose Storage Inc. ("Wild Goose") submits these limited reply comments. Specifically, Wild Goose responds to the issue raised by Lodi Gas Storage, LLC -- *i.e.*, the use of natural gas storage facilities to blend high Btu with low Btu gas, as well as gas with various compositions, to effect gas meeting California's gas quality specifications. Wild Goose would encourage the Commission to create a regulatory paradigm which would allow, when feasible, for such blending to occur.

As mentioned by Lodi during its workshop presentation, under the existing regulatory model, all California produced gas must enter the local distribution company's pipeline system before going into storage. In certain circumstances, this requirement creates a roadblock to California production reaching the market. The LDC may not be able to accept the low Btu gas because it does not meet its tariffed gas quality specifications. Currently, the producer, however,

does not have the option of negotiating with a storage provider for direct injection into its facility for necessary blending. Thus, the gas may remain stranded in the reservoir.

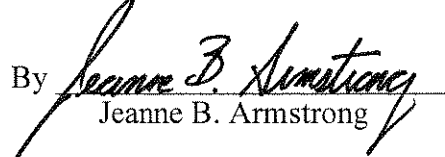
The ultimate goal of the Rulemaking 04-01-025 undertaken by the California Public Utilities Commission (“CPUC”) is to ensure reliable, long term natural gas supplies to California at reasonable rates. To this end, Wild Goose submits that the CPUC should remove all regulatory barriers which prevent gas from flowing into the California market. The storage facilities and the producers should be afforded the flexibility to negotiate arrangements which work for all parties involved. The Commission should not allow stand a regulatory policy which serves no purpose other than to keep incremental volumes of gas from California consumers.

Wild Goose is pleased to note that the Commission has determined to address this issue head on as part of Phase II of the Gas Supply Rulemaking 04-01-025. To this end, the recently issued Scoping Memo lists among the issues the Commission will address whether “independent gas storage facilities [should] be permitted to directly connect with other market participants such as California producers, electric generators, or other noncore customers.”¹ Wild Goose intends to actively participate in Phase II of the Rulemaking to assist the Commission in building a record upon which it can make the determination to alter the regulatory construct which heretofore has prevented such direct interconnections.

¹ “Scoping Memo and Ruling for the Assigned Commissioners for Phase II and Notice of Prehearing Conference,” R. 04-01-025 (February 28, 2005) at pp. 5.

Respectfully submitted,

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By 
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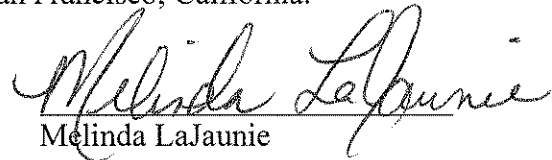
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CERTIFICATE OF SERVICE

I, Melinda LaJaunie, certify that I have on this 4th day of March 2005 caused a copy of the foregoing **REPLY COMMENTS OF WILD GOOSE STORAGE INC. ON GAS QUALITY SPECIFICATIONS** to be served on the parties on the attached service list via Hand Delivery, U.S. Mail and/or Electronic Mail.

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

Executed this 4th day of March 2005 at San Francisco, California.


Melinda LaJaunie