

# CENTRAL VALLEY GAS STORAGE PROJECT DETAILS



## OVERVIEW

Central Valley Gas Storage, L.L.C. ("Central Valley") a wholly owned subsidiary of Nicor Inc. (NYSE: GAS) is developing a new strategically located underground natural gas storage facility north of Sacramento, California in Colusa county. The storage project lies in a rural setting on land used primarily for agricultural purposes. The storage formation consists of two fully depleted underground gas reservoirs that produced approximately 9.8 Bcf of native gas between 1954 and 1992. Utilizing its extensive expertise in the development and operations of storage fields, Nicor is converting the formation from a gas production reservoir into a high-deliverability storage field.

Central Valley plans to provide up to 8 Bcf of working gas capacity on a phased in basis. The initial offering will be 5.5 Bcf of flexible, high-deliverability multi-cycle services at market-based rates. Central Valley will provide services to meet the growing requirements of California's wholesale gas market including utilities, power generators, producers, and marketers.

The field will be connected to the backbone transmission system of Pacific Gas & Electric Company (PG&E) on Line 400/401 near the Delevan compressor station. Its storage will be considered a PG&E city-gate point similar to other independent storage facilities connected to the PG&E system. The market center location allows Central Valley customers to take advantage of city-gate pricing, liquidity, arbitrage opportunities and the ability to manage OFO/EFO's on the PG&E system.

Central Valley successfully conducted an Open Season in 2008 seeking non-binding expressions of interest from customers and currently is negotiating binding market commitments.

For more information regarding the project, or if you have interest in obtaining Central Valley capacity, contact John Fortman.

## **CONTACT INFORMATION**

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## FACILITY DESCRIPTION

The Central Valley storage project involves the conversion of a high-deliverability depleted gas reservoir facility. The reservoir is to be developed by directionally drilling nine injection / withdrawal wells and constructing an 11,500 HP compression station. The facility is being designed to provide up to 200,000 MMBtu per day of withdrawal and injection capacity providing customers the ability to cycle their inventory three times per year.

Central Valley will be connected to PG&E's backbone transmission system by a 14.0 mile 24-inch-diameter pipeline. The receipt and delivery point for Central Valley storage services will be at an interconnect between Central Valley's pipeline and PG&E's Line 400/401 allowing Central Valley to offer a bundled service composed of storage and transport to and from PG&E's system.

The connection with PG&E will provide Central Valley customers with access to Alberta, Rockies, San Juan, and Permian supplies through the many pipelines that tie into PG&E. Connecting pipelines into PG&E include Gas Transmission Northwest, Kern River, El Paso, Transwestern, and Questar Southern Trails (See map at our website). Customers holding Central Valley capacity will also have access to potential supplies from new LNG facilities under development on the West Coast.

## SERVICES AND RATES

Central Valley plans to have both firm and interruptible services within its approved tariff. For firm services, Central Valley anticipates structuring its charges with Reservation components on Capacity and Deliverability and a Commodity component on usage. The final structure of rate components will be determined by the tariff approved by the CPUC during the project development process. Central Valley also anticipates a fuel charge on injection of 1.2%. The 1.2% charge is still an estimate at this point and actual fuel requirements will be finalized as the project moves through the development process.

## DEVELOPMENT TIMELINE

Central Valley plans to apply for a Certificate of Public Convenience and Necessity (CPCN) from the California Public Utilities Commission (CPUC) in 2009, requesting market-based rate authority. A more complete timeline is as follows:

### **EXPECTED TIMELINE**

Non Binding Open Season	2008
CPCN Filing with the CPUC	1Q 09
Precedent Agreements executed	1Q 09
Issuance of CPCN	1Q 10
Construction Begins	1Q 10
Field in service - injections begin	2Q 10
Firm Service begins	2Q 11

Firm service under the Proposals submitted pursuant to the Open Season is scheduled to begin in the spring of 2011, but it is anticipated that the field will be available for injections in the spring of 2010 as operating characteristics of the field are being refined. Central Valley intends to approach and offer the first year partial service to those parties chosen as successful bidders in the Proposal Evaluation process. This is being discussed during the negotiation of the Precedent Agreements with successful bidders for the 2011 firm service.

In addition, Central Valley expects to be able to provide an additional 2.5 Bcf of working capacity in a phased-in development after the initial 5.5 Bcf is placed in service. It is not anticipated that the additional 2.5 Bcf in working capacity will be available prior to April 1, 2012.