
PUBLIC UTILITIES COMMISSION

January 4, 2016

Timothy O'Connor
Director, California Climate Initiative
Environmental Defense Fund

SUBJECT: CPUC response to natural gas leak at Aliso Canyon storage facility

Dear Mr. O'Connor:

Thank you for your letter regarding the natural gas leak at Aliso Canyon natural gas storage facility. The California Public Utilities Commission (CPUC or Commission) has received a number of inquiries about the leaking natural gas well at Southern California Gas Company (SoCalGas) Aliso Canyon natural gas storage facility. It is clear that the leak has caused disruption to residents living near the leak, including reports of physical impacts and safety concerns. In addition, the leak is itself a major source of greenhouse gas emissions, with a corresponding impact on climate change. Other potential harms include the loss of gas supply (and supply flexibility), which presents concerns about gas availability over the winter, as well as the economic and financial impacts of the leak. The CPUC is actively responding to this serious and ongoing situation.

The CPUC is assisting in efforts to stop the leak; CPUC staff is investigating SoCalGas' actions before and after the incident; and the CPUC has required SoCalGas to provide transparent information on the costs of managing and ultimately stopping the leak.

Ongoing Efforts to Stop the Leak

Ongoing efforts to stop the leak involve several state agencies that are working together under oversight from the Governor's Office. The lead agencies are:

- The California Department of Conservation, Division of Oil, Gas, and Geothermal Resources (DOGGR) is the lead state agency on efforts to stop the leak and is providing technical oversight over the well-kill efforts.
- Office of Emergency Services (CalOES) is coordinating local, state, and federal actions to bolster efforts to stop the leak, ensure public safety, and promote information sharing among agencies to ensure government actions are efficient and transparent.
- California Air Resources Board (ARB) is monitoring emissions of methane over the duration of the leak and is analyzing information regarding the volume of gas stored in the Aliso Canyon Underground Gas Storage Facility.
- California Division of Occupational Safety and Health (CalOSHA) is monitoring the well breach site to ensure worker safety and compliance with workplace safety laws and regulations.
- The California Energy Commission (CEC) is working to ensure that SoCalGas withdraws as much gas as possible from the Aliso Canyon storage facility, while also monitoring that there are adequate energy supplies for homes and businesses throughout the state.

- The CPUC is providing overall industry expertise and is particularly focused on working with the CEC to identify and pursue all viable options to maximize gas withdrawal rates at the Aliso Canyon facility.

There are numerous activities going on every day to provide oversight over SoCalGas efforts to stop the leak. These include daily technical briefings, data requests, site inspections and directives issued by agencies to SoCalGas.

CPUC Staff Investigation and Possible Enforcement Actions

CPUC staff is investigating SoCalGas's management of the impacts on local communities affected by the leak, as well as actions taken before and after the well leak was discovered on October 23, 2015, including whether proper public notification was provided. CPUC staff is also investigating issues related to the maintenance of the gas storage field in general.

There are other state agencies that have initiated investigations into the leak at Aliso Canyon. Notably, DOGGR has primary jurisdiction over the well and is focusing its investigation on the mechanical and operational condition of the well to determine the cause of the well failure and the subsequent natural gas leak. CPUC and DOGGR are conducting the investigations in parallel, sharing information along the way. As part of the collaborative effort, CPUC and DOGGR jointly directed SoCalGas to retain an independent, third party to perform a technical root cause analysis of the well to protect against future well failures. DOGGR and the CPUC will monitor the root cause analysis process to ensure that it is truly independent, and that SoCalGas does not interfere with the analysis. The final report resulting from the root cause analysis will be used by the agencies as an information point in the investigations and also made public.

At the conclusion of the CPUC staff investigation, the Commission will have several enforcement options, depending on what violations, if any, are identified. The options can include issuance of a staff citation or opening a formal Commission proceeding to determine fines and penalties. However, at this point the investigation is still in the very early stages. The final assessment of the cause of the leak and the damage it generated will necessarily need to wait until the leak is stopped. The CPUC will release the results of our staff investigation immediately upon its completion.

Cost Concerns

There is tremendous public interest in the costs caused by the leak and in the question of who should bear these costs. In a December 23, 2015, letter from the CPUC Executive Director, the CPUC directed SoCalGas to track all costs associated with its actions related to the leaking well, including: efforts to stop the leak, relocations of community members and schools, litigation expenses, replacement fuel loss and emergency response. The CPUC directed SoCalGas to provide this cost information, as it is known, in a format that can be made publically available. The eventual question of who pays for the costs caused by the leak will be resolved through formal CPUC action.

Up-To-Date Information

The CPUC recognizes the public interest in all actions related to this situation; please check the links provided below for updated information.

<http://www.caloes.ca.gov/ICESite/Pages/Aliso-Canyon.aspx>
http://www.cpuc.ca.gov/PUC/energy/Aliso_Canyon_Well_Failure.htm
http://www.arb.ca.gov/research/aliso_canyon_natural_gas_leak.htm
http://oehha.ca.gov/public_info/emergency/alisocanyon.html
<https://www.alisoupdates.com/main>

Please contact me if you have any questions or concerns regarding the CPUC's response to the leak.

Sincerely,

A handwritten signature in blue ink, appearing to read "E. Malashenko". The signature is written in a cursive style with a long, sweeping underline.

Elizaveta Malashenko
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California Public Utilities Commission
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