



June 15, 2016

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SENT VIA U.S. MAIL AND EMAIL

As you know, the California Public Utilities Commission directed Southern California Gas Company (SoCalGas)—if emergency conditions arise—to withdraw natural gas from the Aliso Canyon gas storage facility to prevent electricity curtailments in Southern California this summer. Under SB 380, such withdrawals require authorization from the State Oil and Gas Supervisor. The purpose of this letter is to provide authorization for emergency withdrawals, with the protections and limits detailed below. This letter does not authorize the injection of any natural gas into Aliso Canyon.

There are 114 wells within the Aliso Canyon facility that are undergoing multiple safety tests as required by law. To date, nearly 90 wells have passed Phase 1 safety tests for mechanical integrity (using noise and temperature logs), indicating that the wells have integrity and that no leaks exist. A limited number of wells (currently seven) have successfully completed both Phase 1 and Phase 2 tests.

The withdrawal capabilities of the wells that have passed both inspection phases are demonstrably insufficient to meet the expected energy needs of the region this summer. This determination is based on the forecasted withdrawal capacity provided in your June 10 letter and on the detailed technical assessment in the Aliso Canyon Action Plan to Preserve Gas and Electric Reliability for the Los Angeles Basin. That assessment determined that a daily withdrawal capacity of 420 million cubic feet (Mmcf) of gas within the facility is likely needed to minimize energy vulnerabilities this summer. Accordingly, Division of Oil, Gas, and Geothermal Resources (Division) will authorize SoCalGas under Public Resources Code section 3217 to withdraw gas from any well that has passed Phase 1 mechanical integrity testing only if:

1. All requirements of the 2016 Summer Withdrawal Protocol (Protocol) are met including, your determination that withdrawals are necessary to maintain reliability, avoid curtailment and respond to electric system reliability risks;
2. All wells that completed the full battery of Phase 2 testing are prioritized and being fully utilized; and
3. Any Phase 1-tested well used for withdrawal must be safe and have passed Phase 1 mechanical integrity testing.

In addition, SoCalGas shall follow all other applicable regulations and directives from the California Public Utilities Commission.

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To reiterate, this letter does not authorize any withdrawal unless all elements of the criteria listed above are met and withdrawals can be made safely.

If conditions arise this summer that require you to withdraw gas under this authority, you must notify me in writing immediately and submit a written report to the Division within 48 hours.

Thank you for your continued efforts to complete the comprehensive safety testing of all wells at Aliso Canyon.

Sincerely,

Kenneth A. Harris Jr.
State Oil and Gas Supervisor

cc: sent via email

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