

PUBLIC UTILITIES COMMISSION

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March 13, 2018

Senator Henry Stern
27th District
Capitol Office
State Capitol, Room 3070
Sacramento, CA 95814

SUBJECT: Aliso Canyon, March 3, 2018, California Public Utilities Commission (CPUC), Energy Division Letter to Southern California Gas Company (SoCalGas)

Dear Senator Stern:

Thank you for your inquiry dated March 5, 2018, regarding the letter from the CPUC's Energy Division Director Randolph finding that SoCalGas' proposed Aliso Canyon gas withdrawals were an appropriate response to recent events. First, I would like to address your concern about the transparency of our decision-making process. We made a decision to allow gas to be pulled from Aliso Canyon based on the best data available, followed the guidance of public directives issued by the CPUC and the Department of Conservation, and acted to prevent disruptions to both gas and electric service due to a prolonged period of cold weather. We hope our answers to your questions satisfactorily explain our thinking on the matter, and we welcome further discussions with your office.

The Energy Division Director's response to the March 2, 2018, SoCalGas letter relied on the Aliso Canyon Withdrawal Protocol posted on November 2, 2017.¹ It clarified that, given the conditions that existed at that time, SoCalGas' plan to withdraw gas from Aliso Canyon to maintain inventories in other fields was consistent with the existing withdrawal protocol. The CPUC has strived to proceed transparently and continues to make our actions publicly accessible on the Commission's Aliso Canyon web page: <http://www.cpuc.ca.gov/aliso/>.

Our actions are consistent with Public Utilities Code (PU Code) Section 701, which states, "The commission may supervise and regulate every public utility in the State and may do all things... necessary and convenient in the exercise of such power and jurisdiction"; and with PU Code Section 309(a), which states, "The executive director may employ such officers, administrative law judges, experts, engineers, statisticians, accountants, inspectors, clerks, and employees as the executive director deems necessary to carry out the provisions of this part or to perform the duties and exercise the powers conferred upon the commission by law..."

¹Nov. 2, 2017 Aliso Canyon Withdrawal Protocol

The Department of Conservation's Division of Oil, Gas, and Geothermal Resources (DOGGR) announced that the Aliso Canyon Storage Field was safe to use on July 19, 2017.² On December 11, 2017, the CPUC updated the range of working gas necessary at the Aliso Canyon storage facility to ensure reliability and just and reasonable rates in California — as required by PU Code Section 715.³ The maximum amount of gas authorized for storage at Aliso Canyon is currently 24.6 billion cubic feet. Beyond the requirements in PU Code 715, the CPUC worked with the California Energy Commission (CEC) the California Independent System Operator (CAISO), and the Los Angeles Department of Water and Power (LADWP) to develop an Aliso Withdrawal Protocol that specifies that the field is to be used as an “asset of last resort” to ensure reliable gas service.⁴

The Energy Division Director's letter approving SoCalGas' proposed response to recent events is consistent with the withdrawal protocol's requirement that Aliso Canyon be used as an asset of last resort. The protocol provides guidance that Aliso Canyon will only be used after SoCalGas fully utilizes other storage facilities and coordinates with electric generators to reduce natural gas demand. Over the preceding two weeks, SoCalGas withdrew gas at maximum levels from the other storage facilities and was not able to re-inject into those fields. This heavy reliance on the other facilities reduced gas inventory so that those facilities could no longer meet the withdrawal capacity assumed in the Aliso Canyon Winter Risk Assessment Technical Report 2017-18 Supplement (2017-18 Winter Technical Assessment).⁵ Additional withdrawals would have further reduced the ability of those fields to meet demand on a peak day. The cold weather conditions that resulted in a depletion of storage are consistent with the forecasted conditions in the 2017-18 Winter Technical Assessment — prepared by an Independent Review Team composed of staff from the CPUC, CEC, CAISO, and LADWP. Energy Division staff receive confidential daily updates on gas inventory at each storage field and review the withdrawal curves that forecast withdrawal rates for each field at different levels of inventory. Recent data indicate that overall SoCalGas storage inventories are critically low. The resultant withdrawal capacities are significantly below the levels assumed for reliability in the 2017-18 Winter Technical Assessment. Once inventories at those facilities have stabilized and the threat of cold weather has subsided, SoCalGas should not be withdrawing from Aliso unless the other facilities are fully utilized.

The Commission continues to review the situation in SoCalGas' service territory and to monitor the utility's efforts to inject gas into the other storage facilities to restore inventories. SoCalGas is required to notify the Commission on March 13, 2018 if the conditions described above continue to exist.

The CPUC's Safety and Enforcement Division staff has been monitoring the progress on the multiple pipelines under maintenance and repair that could transport gas into the region. Line 2000 and Line 3000 have been undergoing scheduled maintenance and repair in compliance with California Public Utilities Code Section 958 and the federal Pipeline and Hazardous Material Safety Administration's (PHMSA) Pipeline Integrity Management (IMP) requirements. Postponing these repair and maintenance projects could create safety risks along those pipelines. Both lines are estimated to return to service in May 2018. Staff continue to monitor the following projects:

² [July 19, 2017 DOGGR/CPUC Letter to SoCalGas and Public](#)

³ [Aliso Canyon Working Gas Inventory, Production Capacity, Injection Capacity, and Well Availability for Reliability Report \(715 Report\) - Final Supplemental Report for Winter 2017-18](#)

⁴ [Nov. 2, 2017 Aliso Canyon Withdrawal Protocol](#)

⁵ [November 28, 2017 Aliso Canyon Winter Risk Assessment Technical Report 2017-18 Supplement](#)

- The maintenance projects on Line 3000 began in 2016 as a result of serious defects identified through an in-line-inspection (ILI) conducted pursuant to the PHMSA' IMP rules. Some of the defects that were identified required immediate action; some of the repair projects take many months to complete.
- Line 4000 is currently in operation at a reduced pressure until May 2018 when the results of a recent inspection will determine whether it will need additional repairs.
- Line 235-2 ruptured on October 1, 2018, and is out of service. Repair work is expected to start later this spring.

In order to avoid Aliso Canyon withdrawals to the greatest extent possible, the CPUC and other stakeholders have made consistent efforts to reduce gas demand. These efforts have taken the form of "mitigation measures" that have been recommended in the Summer and Winter Technical Assessments. The measures were modified based on public comments. A detailed report on the impact of the mitigation measures is attached to this letter. An updated impact analysis will be provided later this year.

Among some specific mitigation measures, the CPUC authorized \$11 million in spending over two years for marketing, education, and outreach efforts to reduce natural gas and electricity usage through the Flex Alert⁶ and Conserve Energy SoCal programs.⁷ These marketing programs appear to have had limited impact. A challenge to voluntary conservation efforts has been that many of the efforts to ask the public to conserve natural gas have been countered by groups claiming that the messages are merely scare tactics intended to justify the need for Aliso Canyon.

In December 2017, the CPUC re-authorized a first-of-its-kind winter demand response program for natural gas that has since expanded to 8,300 customers.⁸ Between February 20 and March 2, 2018, SoCalGas called 13 demand response events, reducing enrolled customers' heating load for up to four hours at a time during peak gas consumption periods. The CPUC expects to see the effectiveness of this program increase over time.

The winter demand response program started in December 2017 with marketing efforts by SoCalGas, Nest, and Ecobee for smart thermostats that remotely lower the thermostat's temperature setting when a demand response event is called. They include up to a \$150 rebate for the smart thermostats (depending on whether the customer can also participate in summertime electric demand response programs). Initial results from the program show fairly minimal reductions in demand, but since this is a new program instituted in direct response to Aliso Canyon, the utility, Nest, and Ecobee are still working to increase customer participation. A challenge to voluntary conservation efforts has been that many of the efforts to ask the public to conserve natural gas have been countered by groups claiming that the messages are merely scare tactics intended to justify the need for Aliso Canyon.

Another form of demand response that has been heavily utilized recently is the curtailment of natural gas to gas-fired electric generation. The CAISO and LADWP have both re-dispatched electric generation outside of the Los Angeles region to the maximum extent possible in order to reduce local gas demand.

⁶ <http://www.flexalert.org/>

⁷ <http://conserveenergysocal.com/>

⁸ SoCalGas Advice Letter 5223 "[Approval of Southern California Gas Company's Demand Response Programs](#)," approved on December 21, 2017.

In addition, LADWP deferred planned maintenance on its electric transmission lines from December 1, 2017, to February 1, 2018, in response to the rupture of Line 235-2. This deferment gave LADWP greater flexibility to import electricity during the heart of winter, thereby making the utility less dependent on gas-fired electric generators in the SoCalGas service territory.

Earlier this winter, the CPUC proposed an emergency moratorium on any new commercial and industrial customer connections in areas of Los Angeles County that rely on Aliso Canyon for service. The proposed moratorium was identified as a potential measure to avoid increased gas demand due to predictions of a gas supply shortage as noted in the CPUC's 2017-18 Winter Technical Assessment. The CPUC decided to withdraw the proposed moratorium on March 1, 2018, due to conditions at the time, which indicated a warmer than expected winter and plentiful gas reserves. Then the extended Southern California cold weather placed SoCalGas' system reliability at risk, jeopardizing the reliability of natural gas service to customers.

The curtailment of electric generators and other efforts to avoid using gas from the SoCalGas service territory have led to increased costs for electricity. Constraints on the SoCalGas system have also led to spikes in gas commodity prices on high demand days. Energy Division staff have been monitoring both natural gas and electric prices this winter and plan to model how reductions in Aliso Canyon storage capacity could impact energy prices for the Aliso Canyon Order Instituting Investigation (I.17-02-002). We understand your concerns in utilizing Aliso Canyon and appreciate your efforts in supporting increased reliability in Southern California. Your bill, SB 801 (2017), will further support efforts to minimize reliability disruptions in Southern California by both requiring LADWP to procure a minimum of 100 MWs of energy storage, and by mandating an additional solicitation of at least 20 MWs by SCE. The additional solicitation by SCE will augment the 99.5 MWs of storage that were procured by SCE and SDG&E in 2016 by order of the Commission.

Increased conservation efforts in the region are needed to maintain system reliability, like the recently adopted a conservation program for commercial buildings in the City of Los Angeles. Now, it is critical that Los Angeles County similarly engage in these conservation efforts; your assistance in working with the County and other stakeholders is critical for the success of our programs. We ask you to engage with these parties to identify greater gas conservation opportunities. Likewise, the CPUC will remain committed to having more of these productive conversations.

Sincerely,



Alice Stebbins
Executive Director

CC: Edward Randolph, Director, Energy Division, CPUC
Saul Gomez, Office of Governor Brown
Dr. Robert Weisenmiller, Chair, California Energy Commission
The Honorable Kevin de Leon, Senate Pro Tempore
The Honorable Anthony Rendon, Speaker
President Michael Picker, CPUC

Commissioner Carla J. Peterman, CPUC
Commissioner Liane M. Randolph, CPUC
Commissioner Martha Guzman Aceves, CPUC
Commissioner Clifford Rechtschaffen, CPUC
Maryam Ebke, Deputy Executive Director, CPUC