



PUBLIC UTILITIES COMMISSION  
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CARLA J. PETERMAN  
COMMISSIONER

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February 11, 2016

Dear Senator Hill,

This letter is to provide you with information on the steps the Commission is taking regarding PG&E's storage facilities in light of the Aliso Canyon natural gas storage facility leak. The situation in Porter Ranch is very concerning to Californians, and our agency is involved in a multi-departmental evaluation and monitoring of the ongoing response to that gas leak.

On January 26, 2016, our Safety and Enforcement Division directed all owners and operators of underground natural gas storage facilities to immediately conduct leak surveys and provide reports on their findings and plan to repair leaks. PG&E was specifically instructed to evaluate its storage facilities, including McDonald Island.

Our agency has also shared the testimony highlighted in your letter with the Department of Conservation, Division of Oil, Gas, and Geothermal Resources (DOGGR) for use in that division's role as direct overseer of storage well safety.

Mr. Ken Harris, from the Department of Conservation, announced emergency regulations and inspection orders for California gas wells, in light of Aliso Canyon. PG&E, per the *San Jose Mercury News* article published February 8, has instituted five of the six new safety measures, which include daily well head inspection, ongoing integrity verification, ongoing pressure measurement,<sup>1</sup> regular safety valve testing, establishing pressure limits, and conducting comprehensive risk assessment.

As your letter notes, PG&E acknowledges in its GT&S testimony that its data is limited on its storage assets. PG&E's experts qualitatively rate the condition of storage facilities between fair and good, but their testimony was issued December 19, 2013, well before the Aliso Canyon natural gas storage facility leak. In light of the disaster at Aliso Canyon, the Commission is examining the status of underground gas storage throughout the State, and we will consider how best to mitigate the risks associated with underground gas storage for PG&E and other underground storage operators in California.

Prior to PG&E's testimony in the GT&S case, our Safety and Enforcement Division conducted an audit of PG&E's Tracy and McDonald Island Districts in June 2013. The audit report and PG&E's response to it are enclosed.

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<sup>1</sup> Ongoing pressure measurement is the safety measure PG&E has not yet complied with.

I welcome your thoughtful letter and I assure you that my colleagues and I are monitoring developments at Aliso Canyon, and that we are considering possible implications for underground gas storage safety, risk mitigation, and ratemaking statewide.

Turning to your specific recommendation to open the record in PG&E's pending GT&S rate case to ask several questions about the McDonald Island storage facility: I'd like to thank you for the recommendation. I agree with you that the four questions in your letter are important for understanding the state of PG&E's McDonald Island storage facility. In fact, these questions are appropriate for analysis of all three of PG&E's underground storage facilities. I am considering appropriate procedural vehicles for carrying out the Commission's safety oversight mandate and to ensure safe operation of PG&E's underground storage facilities.

It is important to note that PG&E is scheduled to submit its next GT&S General Rate Case at the end of this year. That will be the first post-Aliso Canyon rate case filed by PG&E, and an appropriate forum to address the ratemaking aspects of PG&E's gas storage safety measures after thorough vetting of costs and forecasts.

I am committed to ongoing vigilance over PG&E's storage facilities, as well as other natural gas storage facilities offered statewide. Our safety staff is coordinating with DOGGR and other responsible agencies to examine safety risks posed by underground gas storage facilities. We are committed, as an agency, to ensuring safe utility operations.

Sincerely,



Commissioner Carla Peterman

California Public Utilities Commission