

Thank you, Mr. Chairman. My name is Elizaveta Malashenko and I am the Director of Safety and Enforcement at the California Public Utilities Commission, or “CPUC” for short.

First of all, let me express my sincerest condolences to the community members that are here tonight. Because of this leak, lives have been extremely disrupted, and every bit of frustration that has been expressed to date has been justified. It is my job to do everything in my capacity as lead staff for the CPUC to help bring swift resolution to the current situation and restore a sense of normalcy and security for the local community.

I’d like to start by explaining the role of the CPUC in this situation. The CPUC has broad authority over private for-profit gas utilities such as SoCalGas. We review their costs, approve their rates, and oversee their safety programs. For safety of natural gas storage facilities such as that at Aliso Canyon, our legal authority overlaps with that of the Department of Gas and Geothermal Resources, or “DOGGR,” and our agencies work closely together.

I want to briefly highlight 4 major areas of CPUC action in response to the current gas leak: (1) stopping the leak, (2) ensuring energy reliability, (3) protecting customers from any new unreasonable costs, and (4) completing a thorough investigation to ensure that nothing like this ever happens again.

First, the highest priority for the CPUC is to help stop the current leak and end the suffering of the local community as soon as possible.

The CPUC has led an effort to identify and pursue all viable options to maximize gas withdrawal from Aliso Canyon. Withdrawing gas from Aliso Canyon reduces the overall pressure in the storage reservoir, which in turn reduces the leak rate. At this point, the Air Resources Board estimates that the leak has been reduced by 60% from the peak leak rate.

Aliso Canyon has capacity for approximately 160 Bcf of natural gas. For context, the daily demand for the entire SoCalGas system is roughly 4 Bcf. The 160 Bcf in Aliso Canyon are split roughly equally between what’s called “working gas” and “cushion gas.” “Working gas” is gas that can be injected or withdrawn for

operational purposes. “Cushion gas” allows the facility to have the minimum pressure necessary to support operations.

As of yesterday, there was 22 Bcf of working gas in Aliso Canyon facility, minus the amount gas lost to the leak. The Air Resources Board currently estimates the total leak amount to be around 5 bcf.

The CPUC is engaged with California Energy Commission, California Independent System Operator and other state agencies to determine how far we can reduce the amount of gas stored in Aliso Canyon while still being able to ensure that we can keep homes heated and keep gas-fired power plants running.

This brings me to the second focus area, which is energy reliability.

Aliso Canyon plays a critical role in providing natural gas to the LA Basin. During the winter, if there is a cold-snap, Aliso Canyon’s gas is required to meet the demand in the LA Basin for activities like home heating and cooking. In the summer, Aliso Canyon plays a critical role in supporting electric generation from gas-fired power plants on very hot, peak demand days. This role has become especially critical with the high penetration of solar. As the day ends and solar energy comes off line, the gas-fired power plants in the LA Basin start serving the demand. This happens very fast and gas has to be available in the pipelines as the switch from solar to gas generation happens. In short, in the winter Aliso Canyon is needed to heat the homes and cook food and in the summer Aliso Canyon is needed to make sure that the lights stay on.

We hear the message loud and clear that many members of the local community want Aliso Canyon permanently taken out of service. Will we certainly consider that option. However, it necessary that an analysis is done of how the facility could be taken offline without causing blackouts in the summer and loss of gas for heating and cooking in the winter. The CPUC is undertaking this analysis in two stages. First, we are working on analysis of how reliability issues can be addressed now and if Aliso Canyon is not operational during the upcoming summer. Second, we are working on the analysis of how reliability issues can be addressed if Aliso Canyon is not operational next winter and beyond.

Now I'm going to switch gears a little bit and talk about the 3rd area of the CPUC involvement, which is cost.

The Governor directed the CPUC in his emergency proclamation to ensure that ratepayers do not pay inappropriately for costs associated with the leak. The CPUC understands this and has directed SoCalGas to track all costs associated with the leak and to report those costs to the CPUC and the public on a monthly basis. Rest assured that we are tracking SoCalGas expenses very closely, and no unreasonable costs will find their way onto customer bills.

I also want to clarify the relationship of historic CPUC authorizations to recover costs and safety.

By law, SoCalGas is required to operate their system safely. The utility is allowed to incur costs that are necessary to maintain a safe system and is required to do whatever is necessary to ensure safety, whether that means doing maintenance and repair work or even taking part of the system out of service.

The CPUC approved 100% of the maintenance and safety budget that the gas company requested for Aliso Canyon during the last expenditure approval process that covered the period from 2012 through 2015. While the gas company detailed conditions that justified their forecasted expenditures for updating Aliso Canyon infrastructure, no emergency conditions were reported.

The CPUC has begun the process to fully evaluate everything that SoCalGas has been authorized to spend by the CPUC and what they have spent, starting with the most recent rate cases. It is important to note that this analysis is in addition to the checks and balances that are already built into the CPUC process to monitor spending by the utilities.

The fourth and final major area of focus for us is the investigation of the current leak.

We have already begun an investigation into what happened and will be taking all appropriate enforcement actions.

Our investigation is a broad and in-depth assessment of the SoCalGas actions before and after the well failure; including public notification and issues relating to the SoCalGas operation and maintenance of the gas storage facility in general.

We, along with DOGGR, are focusing our investigation on the historical operation and mechanical condition of the well to determine the cause of the well failure and the subsequent natural gas leak.

Both of our agencies will be utilizing an independent third party to perform a technical root cause analysis of the well failure. Those findings will also be available to the public. The third party is being jointly selected by the agencies. I expect to notify SoCalGas of the selection by the end of the day tomorrow.

Finally, CPUC will be engaged in the efforts to make sure that this never happens again. This includes identifying and implementing lessons learned for our agency.

Thank you for your time, this concludes my remarks.