



## CPUC Sets Concrete Path to Consider Reducing and Eliminating Reliance on Aliso Canyon Natural Gas Storage Facility Dec. 19, 2024

The California Public Utilities Commission (CPUC) issued a Proposed Decision on Nov. 13, 2024 and a revision to the Proposed Decision on Dec. 18, 2024, to create a transparent pathway to reassess the need for Southern California Gas Company's (SoCalGas) Aliso Canyon Natural Gas Storage Facility as demand for natural gas declines. The proposal was approved at the CPUC's Dec. 19, 2024, Voting Meeting.

The decision establishes for the first time a specific natural gas peak day demand target, which is the level at which Southern California peak demand can be served without Aliso Canyon. When forecasted peak day demand for two years out decreases to the target level, and an assessment shows that Aliso Canyon could be closed without jeopardizing reliability or just and reasonable rates, the CPUC will open a proceeding to review the assessment's conclusions and address any relevant issues related to permanent closure and decommissioning.

Natural gas demand in Southern California is currently on a downward trajectory due to California's climate goals and state policies, including the procurement of historic amounts of renewable electricity that reduce dependency on natural gas-fired power plants. Natural gas demand for homes and small businesses, however, has increased overall in Southern California since the leak. There are currently over a dozen building decarbonization programs available to customers in Southern California that provide different type of incentives for customers to replace natural gas appliances with electric ones. Customer choice will play a key role in how fast Southern California reaches the target level, since residents and small businesses make up the majority of demand on peak winter days.

The decision also creates a process for incremental reductions of the maximum storage level at Aliso Canyon if reliability and reasonable rates can be maintained as Southern California moves closer to the natural gas peak demand target.

### To Chart a Path Forward, the Proposal:

#### *Establishes a Process for Incremental Reductions in Aliso Canyon Inventory*

- The CPUC will issue biennial assessments beginning June 2025 with a recommendation for the appropriate Aliso Canyon inventory based on natural gas demand reduction levels and reliability and economic analyses.
- When the peak demand forecast for two years out decreases to 4,121 million cubic feet per day and the biennial assessment shows that Aliso Canyon could be closed without jeopardizing reliability or just and reasonable rates, the biennial report will recommend opening a proceeding to review the conclusions of the assessment and address any relevant issues related to permanent closure and decommissioning.
- The biennial assessments will be done in consultation with the California Energy Commission (CEC), Los Angeles Department of Water and Power (LADWP), California Independent System Operator (CAISO), and the California Geologic Energy Management Division (CalGEM), with an opportunity for stakeholder and public input.
- If a change to Aliso Canyon inventory levels is recommended, SoCalGas will be required to file an application for the CPUC to review this recommendation in a formal proceeding.

#### *Adopts a Mix of Clean Resources To Replace Aliso Canyon*



- The decision adopts a portfolio resource mix of carbon neutral resources—including renewable electricity generation and storage, energy efficiency, and building electrification—for use in tracking and evaluating replacement of the services currently provided by Aliso Canyon.
- As these replacement resources increase, the biennial assessments will analyze their effectiveness in replacing Aliso Canyon services.

*Establishes a Specific Natural Gas Demand Target Level*

- While the decision finds that Aliso Canyon is currently needed for natural gas and electric reliability and cost containment, the decision establishes a natural gas demand target that represents the level at which Southern California peak demand can be served without Aliso Canyon.
- The decision sets the target at 4,121 million metric cubic feet per day (MMcfd).
  - The [2024 California Gas Report](#) forecasts peak day natural gas demand at 4,618 MMcfd in 2024 and at 4,197 MMcfd in 2030.
  - The forecast is based on a set of assumptions regarding electric generation and existing building decarbonization programs and trends. It is possible that Southern California natural gas demand will reach the 4,121 MMcfd target earlier than what is currently forecasted; for example, the rate at which customers install electric appliances could be faster than what the current forecast assumes.

**Background:**

- A well at Aliso Canyon leaked natural gas from October 23, 2015, through February 12, 2016.
- In January 2016, the CPUC and CalGEM initiated a root-cause analysis to identify the causes of the Aliso Canyon leak.
- Senate Bill 380 (Pavley, 2016) tasked the CPUC with determining the feasibility of minimizing or eliminating the use of Aliso Canyon while still maintaining reliability and just and reasonable rates. This Proposed Decision is the culmination of the proceeding addressing this legislation.
- By 2017, the CPUC and CalGEM implemented new safety protocols and conducted rigorous testing at the facility in coordination with experts from the Lawrence Livermore National Laboratory and Sandia National Labs, leading to the declaration that Aliso Canyon was safe for operation. The current inventory level at Aliso Canyon is set to the maximum safety limit set by CalGEM.
- The CPUC and other federal and state agencies have taken many other actions on Aliso Canyon since the leak.
  - In 2016, the federal Pipeline and Hazardous Materials Safety Administration (PHMSA) issued a rule to address safety concerns associated with underground natural gas storage facilities.
  - In 2017, CalGEM, the state agency that oversees compliance with the PHMSA rules on underground natural gas storage facilities, completed a comprehensive safety review of the 114 wells at Aliso Canyon.
  - In 2017, CalGEM adopted new regulations to improve the safety of underground natural gas storage facilities.
  - In 2018, the California Air Resources Board, the California Attorney General's Office, the City of Los Angeles, and the County of Los Angeles settled with SoCalGas for \$119 million, paid by shareholders.
  - In 2023, the CPUC issued a decision adopting a settlement between SoCalGas, the CPUC's Safety and Enforcement Division, and the Public Advocates Office in which SoCalGas shareholders are required to pay \$71 million to a fund overseen by the California State Legislature. Per the settlement, SoCalGas is not allowed to recover through customer rates



costs amounting to over \$2 billion related to the incident. \$40 million of these funds go toward electrification incentives in the L.A. Basin.

More Information:

- [Proposal Approved](#)
- [Docket Card \(I.17-02-002\)](#)
- [Aliso Canyon Information](#)