BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the
Commission’s Own Motion to Determine
Whether the Aliso Canyon Natural Gas
Storage Facility has Remained Out of Service
for Nine or More Consecutive Months
Pursuant to Public Utilities Code
Section 455.5(a) and Whether any Expenses
Associated with the Out of Service Plant
Should be Disallowed from Southern
California Gas Company’s Rates.

Investigation 17-03-002
(Filed March 2, 2017)

RESPONSE OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) TO ORDER
INSTITUTING INVESTIGATION TO DETERMINE WHETHER THE ALISO
CANYON NATURAL GAS STORAGE FACILITY HAS REMAINED OUT OF
SERVICE FOR NINE OR MORE CONSECUTIVE MONTHS PURSUANT TO PUBLIC
UTILITIES CODE SECTION 455.5(a) AND WHETHER ANY EXPENSES
ASSOCIATED WITH THE OUT OF SERVICE PLANT SHOULD BE DISALLOWED
FROM SOUTHERN CALIFORNIA GAS COMPANY’S RATES

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RESPONSE OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) TO ORDER INSTITUTING INVESTIGATION TO DETERMINE WHETHER THE ALISO CANYON NATURAL GAS STORAGE FACILITY HAS REMAINED OUT OF SERVICE FOR NINE OR MORE CONSECUTIVE MONTHS PURSUANT TO PUBLIC UTILITIES CODE SECTION 455.5(a) AND WHETHER ANY EXPENSES ASSOCIATED WITH THE OUT OF SERVICE PLANT SHOULD BE DISALLOWED FROM SOUTHERN CALIFORNIA GAS COMPANY’S RATES

I. INTRODUCTION

Pursuant to the California Public Utilities Commission’s (Commission) Order Instituting Investigation on the Commission’s own motion to determine whether the Aliso Canyon Natural Gas Storage Facility (Aliso Canyon) has remained out of service for nine or more consecutive months pursuant to Public Utilities Code (PUC) Section 455.5(a)1 and whether any expenses associated with the out of service plant should be disallowed from Southern California Gas Company’s (SoCalGas) rates (OII), SoCalGas hereby submits its response.

SoCalGas understands the impetus for this OII, however, based on the Commission’s own standards, Aliso Canyon has not been out of service for nine consecutive months. As set forth below, the Commission has required Aliso Canyon to remain in service in order to provide energy reliability for the Los Angeles basin.

Section 455.5(b) provides, among other things, that regulated utilities “shall immediately notify the commission when any portion of the facility has been out of service for nine

1 Unless otherwise noted, all references are to the California Public Utilities Code.
consecutive months.” The Commission has interpreted the phrase “out of service” for purposes of a gas storage field to mean “if the mechanical equipment used to inject or withdraw gas at the field is not available to inject or withdraw gas at a rate of at least 25% of the capacity of the equipment.”2 Section 455.5 is “designed to ensure that ratepayers do not pay a rate of return on assets in rate base that the utility is not using for utility service.”3 Aliso Canyon plays a key role in SoCalGas’ delivery of reliable energy at just and reasonable rates to over 20 million people, thousands of businesses, and electric generators, refineries, universities, and hospitals and it has continuously played that role.

On December 10, 2015, the Department of Conservation’s Division of Oil Gas and Geothermal Resources (DOGGR) issued Order Number 1106 temporarily precluding SoCalGas from injecting natural gas at Aliso Canyon.4 On February 18, 2016, state officials announced that the gas leak was sealed. However, Senate Bill (SB) 380 required DOGGR to continue the temporary prohibition against SoCalGas injecting natural gas at Aliso Canyon “until a comprehensive review of the gas storage wells at the facility is completed.”5 DOGGR has completed its comprehensive review of Aliso Canyon. SoCalGas is in the process of working with DOGGR and the Commission to obtain authorization to resume injection of natural gas at Aliso Canyon.

While SoCalGas has been temporarily precluded from injecting natural gas at Aliso Canyon,6 Aliso Canyon has remained in service to provide customers with a valuable and reliable source of energy and protect the region against the risk of gas and electric curtailments. SoCalGas has been required through Commission directives to maintain minimum levels of available working gas inventory and withdrawal capacity to ensure reliable gas supplies and to avoid electric curtailments.

2 Decision 07-09-021, Ordering Paragraph (OP) 2, p. 33-34.
3 Decision 07-09-021, p. 11 quoting Decision 06-05-041, p. 51.
6 The mechanical equipment used to inject natural gas at Aliso Canyon is operational, functional, and has been and continues to be available to inject. The temporary preclusion from injecting natural gas at Aliso Canyon is due to DOGGR Order Number 1106 and SB 380.
On January 21, 2016, the Commission directed SoCalGas to reduce the level of working gas at Aliso Canyon to 15 bcf to “reduce pressure within [Aliso Canyon] to the greatest extent possible and minimize the rate of the gas leak, while ensuring energy reliability requirements so that customers are not left without heat and hot water and electricity outages do not occur.”

On June 2, 2016, the Commission authorized SoCalGas to withdraw from Aliso Canyon, as needed, “to minimize the risk of electricity curtailments from occurring [during the] summer in Southern California.”

On June 15, 2016, “[t]o minimize the risk of energy vulnerabilities [during the] summer, the Commission directed SoCalGas “to maintain a minimal withdraw capability of 17.5 Mmcf per hour (420 Mmcf per day) in Aliso Canyon.” SoCalGas was also required to “maintain…an adequate balance of gas volume in the facility and a sufficient number of wells with adequate withdrawal capacity to reduce the risks of electricity curtailments.”

On September 28, 2016, the Commission authorized SoCalGas to reduce the minimum withdrawal capacity to 8.6 Mmcf per hour. The letter reaffirmed that SoCalGas “must maintain…an adequate balance of gas volume in the facility and a sufficient number of wells with adequate withdrawal capacity to reduce the risks of electric curtailments.”

SoCalGas complied with these directives and remains in compliance today. In fact, on January 24 and January 25, 2017, SoCalGas withdrew natural gas from Aliso Canyon to support reliability of the region’s natural gas and electricity systems.

In addition, on March 22, 2016, the Commission issued Decision (D.) 16-03-031 which required SoCalGas to establish a memorandum account “to track its authorized revenue requirement and all revenues that SoCalGas receives for its normal, business-as-usual costs to own and operate the Aliso Canyon.”7 D.16-03-031 also stated that “[t]he Commission will determine at a later time whether, and to what extent, the tracked authorized revenue requirement and revenues should be refunded to [SoCalGas’] customers with interest.”8 Subsequently, in D.16-10-004, the Commission ordered that if the Commission opens an OII, or similar

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7 D.16-03-031, Conclusion of Law (COL) 1, p. 7.
8 D.16-03-031, OP 3, p. 9.
proceeding, regarding Aliso Canyon and the scope of the proceeding does not include the issue of whether, and to what extent, the amounts tracked by the Aliso Canyon memorandum account established in D.16-03-031 should be refunded, SoCalGas shall file an application to address the refund issue no later than three months after the final decision in the OII.9

While Aliso Canyon has remained in service to provide customers with a valuable and reliable source of energy and protect the region against the risk of gas and electric curtailments, out of an abundance of caution, SoCalGas provided notice by letter dated January 13, 2017 to the Commission under Section 455.5. Pursuant to SoCalGas’ notification and Section 455.5(c), the Commission opened this OII. This OII will also address whether and to what extent SoCalGas’ rates should be refunded to customers for business-as-usual costs of Aliso Canyon as required by D.16-03-031 and D.16-10-004.10

II. RESPONSE TO SCOPING ISSUES

SoCalGas generally agrees with the Commission’s preliminary list of issues it anticipates will be addressed in this OII. SoCalGas also appreciates the Commission’s recognition of the complexity of issues involving Aliso Canyon and that the Commission and other agencies have undertaken, or will undertake, various actions to address various Aliso Canyon related issues and exclusion of those issues from this OII.11 The Commission noted the following issues that are outside the scope of this proceeding (Excluded Issue):

(1) Air quality concerns or impacts, with the exception of the impact of the Aliso Canyon facility on meeting SB 32 mandates.
(2) Any issues related to the cause of the natural gas leak or issues of culpability.
(3) Any costs associated with discovery, damage and resolution of the natural gas leak, including who will bear responsibility for those costs.
(4) Acute public health concerns as a result of the Aliso Canyon gas leak.
(5) Any and all other issues outside of the jurisdiction of the Commission or that are or will be addressed through other Commission actions or proceedings.

9 D.16-10-004, OP 7, p. 70.
10 OII, p. 9.
11 OII, p. 10.
(6) The feasibility of minimizing or eliminating the use of Aliso Canyon Natural Gas Storage Facility.\textsuperscript{12}

SoCalGas generally agrees with this list of Excluded Issues with the following modifications.

For Excluded Issue (1), SoCalGas believes that all air quality concerns or impacts, including “the impact of the Aliso Canyon Facility on meeting SB 32 mandates,” are outside the scope of this proceeding. Section 455.5 only addresses the issue of whether a major facility has been out of service for nine or more consecutive months and whether the rates associated with the facility are subject to refund. SB 32 mandates are not relevant in this OII and are therefore out of scope. As such, SoCalGas recommends that Excluded Issue (1) be revised to read as follows:\textsuperscript{13}

(1) Air quality concerns or impacts, with the exception of the impact of the Aliso Canyon facility on meeting SB 32 mandates.

For Excluded Issue (4), SoCalGas believes that it should not be limited to only “acute public health concerns” but that “public health concerns as a result of the leak” generally are outside the scope of this proceeding. Similar to Excluded Issue (1), Section 455.5 only addresses the issue of whether a major facility has been out of service for nine or more consecutive months and whether the rates associated with the facility are subject to refund. Therefore, any discussion of public health concerns is not relevant in this OII and out of scope. As such, SoCalGas recommends that Excluded Issue (4) be revised to read as follows:

(4) Public health concerns as a result of the Aliso Canyon gas leak.

III. PROPOSED SCHEDULE, RATESETTING CATEGORY, AND NEED FOR HEARINGS

SoCalGas generally agrees with the Commission’s proposed schedule, ratesetting category determination, and preliminary determination that hearings will be needed. Pursuant to

\textsuperscript{12} Pursuant to SB 380, the Commission opened I.17-02-002 to determine the feasibility of minimizing or eliminating the use of Aliso Canyon while still maintaining energy and electric reliability for the region. If the Commission determines in I.17-02-002 that it is appropriate to eliminate Aliso Canyon, then the Commission should also determine to what extent SoCalGas can recover the stranded costs of Aliso Canyon as a retired asset as part of SoCalGas’ General Rate Case.

\textsuperscript{13} Proposed deletions are in strikethrough text and proposed additions are in underlined text.
Section 455.5(c), the hearings for this OII shall be consolidated with SoCalGas’ next General Rate Case.

IV. CONCLUSION

For the reasons stated above, SoCalGas respectfully requests that the Commission revise the scope of the OII as described herein.

Respectfully submitted,

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