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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation pursuant to Senate Bill 380 to determine the feasibility of minimizing or eliminating the use of the Aliso Canyon natural gas storage facility located in the County of Los Angeles while still maintaining energy and electric reliability for the region.

Investigation 17-02-002

ADMINISTRATIVE LAW JUDGE'S RULING ANNOUNCING CONTRACT WITH LOS ALAMOS NATIONAL LABORATORY, ORDERING SOUTHERN CALIFORNIA GAS COMPANY TO UNDERTAKE HYDRAULIC MODELING, SETTING FORTH NEXT STEPS AND SEEKING COMMENT FROM PARTIES

Summary

This ruling orders Southern California Gas Company to undertake the hydraulic modeling that will be set forth in final version of the Energy Division Initial Proposed Phase 1 Scenarios Framework (Initial Scenarios Framework) and announces that the California Public Utilities Commission (Commission) has executed a contract with Los Alamos National Laboratory to oversee and independently evaluate hydraulic modeling results. In addition, this ruling informs parties that the Commission's Energy Division will undertake the production cost modeling and economic modeling efforts also set forth in the Initial Scenarios Framework.

The assigned Administrative Law Judge (ALJ) seeks feedback and comment from parties on the hydraulic modeling oversight process to ensure that the Commission is able to maximize transparency and accuracy in its modeling efforts. Comments are due ten days from issuance of this ruling. Reply comments will not be accepted.

Background

Pursuant to the February 9, 2017, *Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge* (Scoping Memo), the Commission's Energy Division released its Initial Proposed Phase 1 Scenarios Framework (Initial Scenarios Framework)¹ setting forth three proposed modeling efforts to inform the Commission's decision on the impacts on electric and gas rates and reliability of reducing or eliminating the use of the Aliso Canyon Natural Gas Storage Facility (Aliso Canyon). As discussed in the Initial Scenarios Framework, Energy Division anticipated using a hydraulic model, a production cost model, and an economic model² to determine electric and gas rates and reliability impacts at various levels of usage of Aliso Canyon and over various timeframes.

Along with a description of each proposed model, the Initial Scenarios Framework contained proposed modeling scenarios and inputs, to the extent Energy Division had that information prior to engaging the services of an expert consultant. Pursuant to the June 26, 2017, Ruling incorporating the Initial Scenarios Framework into the record, parties submitted informal comments on the Initial Scenarios Framework. On August 1, 2017, Energy Division facilitated a workshop in Los Angeles to discuss the Initial Scenarios Framework and informal comments in order to support development of a more robust subsequent staff proposal on scenarios and inputs, as directed in the Scoping Memo.

¹ The Initial Scenarios Framework is included in the record of Investigation 17-02-002 via ruling dated June 26, 2017.

² See the Initial Scenario Framework for a description of each of the models.

At the workshop, Energy Division informed parties of its intent to retain outside experts to participate in development of subsequent versions of the Initial Scenarios Framework and to develop and run the models. Specifically, Energy Division intended to contract with outside consultants to run the hydraulic model and to develop and run the economic model.³ The Commission's Energy Division internal modeling team intended to develop and run the production cost model.

Following the workshop, the Commission released a Request for Proposals (RFP) to solicit bids from experts to assist in the hydraulic and economic modeling efforts. The Commission did not receive any bids. The Commission released a subsequent RFP seeking bids from experts to develop and run only the economic model. The Commission received one bid as a result of the second RFP; however, the bidder was later disqualified. The Commission then attempted to contract with an entity to perform the economic modeling, but that effort was ultimately unsuccessful. The hydraulic modeling and economic modeling contracting process lasted from June 2017 to March 2018, and necessarily delayed this proceeding.

As a result of the RFP process, the Commission began to evaluate alternative options to retain the expertise necessary to undertake hydraulic and economic modeling in this proceeding. During this time, parties received monthly status updates via electronic mail.

³ For the hydraulic model, the Commission will rely on the DNV GL Synergi Gas software.

Hydraulic Model: Southern California Gas Company (SoCalGas) and Los Alamos National Laboratory

Although the Commission made significant effort to obtain independent expertise in running the hydraulic model, the Commission was unable to find a contractor willing and able to undertake the assignment. Therefore, as a next best approach, via this ruling, SoCalGas is ordered to run the hydraulic model in this proceeding under the direction of the Commission's Energy Division and subject to review by Los Alamos National Laboratory (Los Alamos) pursuant to the scenarios, assumptions and inputs ultimately adopted in Phase 1 of this proceeding.

The assigned Administrative Law Judge (ALJ) recognizes the inherent tension in ordering SoCalGas, the respondent to this investigation, to execute a model that will inform a determination of the reliability impacts on the gas system of reducing or eliminating the use of its Aliso Canyon facility. However, SoCalGas has the internal expertise to run a complicated model that has a steep (and long) learning curve. Recognizing this tension, and to provide independent oversight and maximize transparency of SoCalGas' modeling efforts, the Commission has retained the services of Los Alamos to oversee SoCalGas' hydraulic modeling in this proceeding.

Specifically, Los Alamos has agreed to assist the Commission with the following:

1. Assist the Commission to update the hydraulic modeling section of the current version of the Initial Scenarios Framework in response to written comments and feedback received at the August 1, 2017, workshop. In addition, Los Alamos will assist the Commission in adopting final revisions to the next version of the Scenarios Framework.
2. Oversee the hydraulic modeling performed by SoCalGas using the scenarios and assumptions adopted in Phase 1 of

this proceeding. Los Alamos will review the technical interpretation of the scenarios adopted in Phase 1 of this proceeding and will prepare a report with any recommended modifications to SoCalGas' modeling.

3. Participate in two workshops, one to finalize the Scenarios Framework and one to review a draft report on the outcomes of the hydraulic modeling.⁴
4. Participate in one Public Participation Hearing to present the results of the hydraulic modeling.
5. Issue a final report with a detailed review of the simulation results from the hydraulic model.

Economic and Power Production Models

As stated earlier, the Commission's Energy Division initially envisioned that its internal Modeling Team would undertake development and execution of the power production model, but the Commission would retain outside expertise to develop and run the economic model. After the unsuccessful RFP process, the Modeling Team determined that it had the expertise and bandwidth to undertake development and execution of both the production cost model and the economic model. Therefore, these tasks are assigned to the Modeling Team, and the Commission will no longer seek to retain an outside consultant.

The Modeling Team will assist Energy Division's Aliso Canyon-assigned staff in much the same manner as Los Alamos. The Modeling Team will assist in development of an updated and final Scenarios Framework, will attend workshops and public participation hearings and will issue a final report containing a description of the models and simulation outcomes.

⁴ The Commission intends that SoCalGas will issue a report, to be submitted into the record of this proceeding, containing the outcome of the hydraulic model. Los Alamos will provide its own analysis of both the model outcomes and the modeling effort undertaken by SoCalGas.

Next Steps

The upcoming steps in this proceeding are as follows:

1. Issuance an updated Scoping Memo with an updated schedule and procedural steps.
2. Energy Division staff will issue an updated Scenarios Framework based upon written comments submitted on the Initial Scenarios Framework and feedback received at the August 1, 2017, workshop. The updated Scenarios Framework will be included in the record via written ruling and, similar to the Initial Scenarios Framework, parties will have an opportunity to provide informal comments prior to a workshop.
3. Energy Division will facilitate a workshop (Los Alamos will be present) to discuss the updated Scenarios Framework and to solicit feedback.
4. Energy Division will issue a Final Scenarios Framework based upon written comments submitted on the updated Scenarios Framework and feedback received at the workshop. The Final Scenarios Framework will be included in the record via written ruling.
5. Parties will provide formal comments on the Final Staff Proposal.
6. Adoption of final scenarios, inputs and assumptions (close of Phase 1).

The dates for upcoming Phase 1 steps will be included in the updated Scoping Memo. The assigned Commissioner and ALJ will seek to move Phase 1 of the proceeding along as expeditiously as possible given the protracted contracting process.

Party Comments

Parties are invited to provide feedback on the arrangement whereby SoCalGas will execute the hydraulic model pursuant to the scenarios, assumptions and inputs adopted in Phase 1 of this proceeding under the

direction of the Commission's Energy Division and the oversight of Los Alamos. While the Commission does not intend to waver from this path, parties may provide insight on processes and procedures necessary to maximize transparency and to ensure sufficient oversight of the hydraulic modeling. Filed and served written comments are due ten days after issuance of this ruling. Reply comments will not be accepted.

IT IS RULED that:

1. Southern California Gas Company (SoCalGas) is ordered to execute the hydraulic modeling in this proceeding using the DNV GL Synergi Gas model. SoCalGas must execute the model using the scenarios, inputs and assumptions adopted in Phase 1 of this proceeding.
2. Southern California Gas Company must execute the hydraulic model under the direction of the Commission's Energy Division.
3. Southern California Gas Company (SoCalGas) is ordered to provide expeditious access to its staff, resources and any and all data and/or information necessary (subject to appropriate Commission confidentiality rules) as requested by Los Alamos National Laboratory (Los Alamos) and/or Energy Division so that Los Alamos can undertake its oversight efforts of the hydraulic modeling process. Such access must be afforded during the entirety of the contract between Los Alamos and the Commission. If SoCalGas objects to a request for access to information by Los Alamos or Energy Division, it must file a motion seeking to bar or limit such access within five days of the original request. SoCalGas is reminded; however, that Los Alamos is acting as an agent of the Commission. Therefore, Los Alamos is entitled to the same access to information as the Commission.

4. Parties are invited to provide comment on provisions of this ruling. Filed and served comments are due ten days after issuance of this ruling.

Dated April 4, 2018, at San Francisco, California.

/s/ MELISSA K. SEMCER

Melissa K. Semcer

Administrative Law Judge