Decision 18-09-032 September 27, 2018

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 Consecutive Months Pursuant to Public Utilities Code Section 455.5(a) and Whether any Expenses Associated with Out of Service Plant Should be Disallowed from Southern California Gas Company's Rates.	Investigation 17-03-002

DECISION REGARDING WHETHER ALISO CANYON NATURAL GAS STORAGE FIELD WAS OUT OF SERVICE FOR NINE CONSECUTIVE MONTHS

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DECISION REGARDING WHETHER ALISO CANYON NATURAL GAS STORAGE FIELD WAS OUT OF SERVICE FOR NINE CONSECUTIVE MONTHS

Summary

This decision finds that Aliso Canyon Natural Gas Storage Field was not out of service for nine consecutive months or longer in the aftermath of events following the natural gas leak that occurred there beginning on October 23, 2015. Aliso Canyon Natural Gas Storage Field is the largest of the gas storage fields owned by Southern California Gas Company. We make our findings herein pursuant to Public Utilities Code Section 455.5(a) which specifies that the Commission may eliminate consideration of the value of any portion of a facility that remains out of service for nine or more consecutive months and may disallow expense related to the out of service facility, to be recovered through rates collected from customers by the utility that operates such facility.

We base our findings upon due consideration of the evidence and arguments of all parties in this proceeding. Our findings herein are consistent with criteria set forth in Decision 07-09-021 regarding the capacity availability threshold test applicable to a natural gas storage facility. As discussed below, although there was a temporary moratorium on gas injections, the Aliso Canyon Natural Gas Storage Field remained available for service, supporting system balancing and reliability requirements. Since we find that Aliso Canyon Natural Gas Storage Field was not out of service during the nine-month period at issue, it is not necessary to resolve parties' disputes regarding whether or how the facility may alternatively qualify as plant held for future use for ratemaking purposes.

This proceeding is closed. However, the Aliso Canyon Revenue and Cost Memorandum Account (ACRCMA) will remain open. The ACRCMA will be

addressed in the investigation of the root cause analysis of the leak, which is expected in 2019.

1. Factual Background

This decision addresses issues in this proceeding regarding whether the Aliso Canyon Natural Gas Storage Field (Aliso Canyon) was out of service for nine consecutive months or more under provisions of Public Utilities Code Section 455.5[1] following the natural gas leak that occurred on October 23, 2015. In this regard, the relevant portion of Section 455.5(a) provides that:[2]

> …the Commission may eliminate consideration of the value of any portion of any electric, gas, heat or water generation or production facility which, after having been placed in service, remains out of service for nine or more consecutive months, and may disallow any expenses related to that facility.

Aliso Canyon started leaking natural gas from its underground storage facility at well Standard Sesnon (SS) 25 located near Porter Ranch, California on October 23, 2015. Upon discovery and reporting of the leak, multiple regulatory agencies began work to remedy the situation and investigate its cause.

On December 10, 2015, the Department of Oil, Gas and Geothermal Resources (DOGGR) ordered Southern California Gas Company (SoCalGas) to "reduce reservoir pressures in the vicinity of SS 25 by continuing to produce

[1] Unless otherwise indicated, all subsequent section references are to the California Public Utilities Commission Code.

[2] Pursuant to Section 455.5(c), the Commission is to open an investigation after receiving notice under Section 455.5(d) that a portion of a facility within Commission jurisdiction is out of service.

from wells in proximity to SS 25" and to "[continue to not inject gas into the storage facility until injection is authorized by the Division."[3]

On January 6, 2016, Governor Brown declared a state of emergency and set forth several orders to mitigate damage. On January 21, 2016 the California Public Utilities Commission (CPUC) ordered SoCalGas to reduce the level of working gas at Aliso Canyon to 15 billion cubic feet (Bcf). SoCalGas withdrew gas from Aliso Canyon until it reduced inventory to the required 15 Bcf level on January 23, 2016.

SoCalGas was prohibited from injecting more gas into the storage facility until a comprehensive review of the safety of the wells and air quality of the surrounding community was completed. On March 4, 2016, DOGGR released Order No. 1109 maintaining the prohibition against injections, stating: "If and/or when injection in the gas storage injection project in the Field resumes, all injection and production shall be through tubing only."[4]

On July 19, 2017, DOGGR issued Order No. 1118, lifting the prohibition on injections at Aliso Canyon, subject to certain requirements. On the same day, the CPUC Executive Director released a letter to the State Oil and Gas Supervisor in concurrence with Order No. 1118. The CPUC Executive Director issued a letter requiring SoCalGas to manage the Aliso Canyon facility to target a working gas level of 23.6 Bcf and maintain a level above 14.8 Bcf at all times.

[3] Ex. 3, DOGGR Emergency Order No. 1106, at 8-9, Tasks (E)(K) (December 10, 2015).

[4] DOGGR Order No. 1109, at 6 (March 4, 2016).

SoCalGas was prevented from commencing injections, however, until a judicial stay on injections imposed by the Court of Appeal was lifted on July 29, 2017. SoCalGas resumed making gas injections at Aliso Canyon on July 31, 2017.

2. Procedural Background

This Investigation (I.) 17-03-002 was instituted on March 2, 2017 pursuant to the notification letter dated January 13, 2017, sent by SoCalGas to the Commission. In the letter, SoCalGas notified the Commission pursuant to Section 455.5(b) that Aliso Canyon may have been out of service for nine months. SoCalGas stated therein that it "does not believe the provisions of Section 455" apply to Aliso Canyon, but it was providing notice under Section 455.5 in an "abundance of caution" and in "light of the fact that the process for obtaining authorization to resume injection operations at the facility is taking longer to complete than initially contemplated." SoCalGas also stated that "[s]hould the Commission believe that the provisions of Section 455.5 do apply to portions of the Aliso Canyon facility, SoCal Gas reserves the right to request the Commission designate those portions of the Aliso Canyon facility as 'plant held for future use.'"[5]

On April 3, 2017, SoCalGas, The Utility Reform Network (TURN), and Southern California Generation Coalition (SCGC) each filed a response to this investigation. On April 10, 2017, the Office of Rate Advocates (ORA) also filed a response. On May 30, 2017, Imperial Irrigation District (Imperial Irrigation) filed

[5] Exhibit 39, Letter from SoCalGas (Sharon Tomkins, VP and General Counsel) to Arocles Aguilar (CPUC General Counsel), Re: "Notice Pursuant to Section 455.5."

a motion for party status, which the Administrative Law Judge (ALJ) granted by e-mail ruling on May 31, 2017.

On June 5, 2017, the assigned Commissioner and ALJ convened a prehearing conference. On July 21, 2017, the assigned Commissioner and ALJ issued a Scoping Memo separating this investigation into two phases.

The assigned Commissioner and ALJ determined that depending on the Commission's ruling on the Phase I issues, a Phase II would be conducted to consider whether any expenses associated with out-of-service plant should be disallowed from SoCalGas's rates. The instant decision is limited to resolving whether Aliso Canyon was out of service for nine consecutive months pursuant to Section 455.5(a).

On September 1, 2017, SoCalGas submitted the "Direct Testimony of Rodger R. Schwecke." SoCalGas contended that Aliso Canyon had not been out of service for nine consecutive months, and that even if Aliso Canyon was found to be out of service, the plant should still qualify for inclusion in rate base as plant held for future use.

On November 17, 2017, TURN/SCGC/ORA (the Joint Parties) submitted jointly the "Direct Testimony of Catherine E. Yap" contending that Aliso Canyon was indeed out of service for at least nine consecutive months pursuant to Section 455.5(a). The Joint Parties further contended that Aliso Canyon was not qualified to be classified as plant held for future use. The Direct Testimony of Catherine E. Yap was later updated and served on January 8, 2018.

SoCalGas submitted rebuttal testimony of witness Schwecke on December 12, 2017. By ruling dated October 25, 2017, hearings were set for January 9, 2018. Because all parties agreed that no cross-examination of witnesses was necessary, the scheduled hearings were cancelled. On

January 5, 2018, all parties sponsoring exhibits requested pursuant to Rule 13.8 of the Commission's Rules of Practice and Procedure that the public and confidential versions of all pending exhibits be admitted into the record of the proceeding. By electronic mail dated March 13, 2018, the ALJ notified the parties of his ruling granting their request and admitting the public and confidential versions of all pending exhibits into evidence.

Opening briefs were filed February 7. 2018, and reply briefs were filed February 28, 2018. This phase of the proceeding was submitted on February 28, 2018, upon the filing of reply briefs.

3. Jurisdiction

Regulation of natural gas storage facilities falls under the jurisdiction of multiple agencies. Because of the nature of the Aliso Canyon leak and its impact on public health, air quality and reliability, agencies such as the California Air Resources Board, the Division of Occupational Health and Safety, the Office of Environmental Health Hazard Assessment, the Office of Emergency Services and the California Energy Commission all play a role.

The Commission shares regulatory responsibility with DOGGR over different aspects of natural gas storage facilities. On December 15, 2016, the Commission approved a Memorandum of Understanding with DOGGR (Resolution L-515) to coordinate and clarify jurisdictional responsibilities and to allow for efficient and effective regulation of natural gas storage fields. The Memorandum of Understanding does not alter the statutory authority of either agency; rather it provides a framework for each agency to inform the work of the other.

DOGGR has primary jurisdiction over the Aliso Canyon well and focused an investigation on the mechanical and operational condition of the well to determine the cause of well failure and the subsequent natural gas leak. The Commission has jurisdiction of the above-ground infrastructure beginning where the storage facility connects to the pipeline, or at the wellhead. In addition, the Commission has jurisdiction over cost recovery issues related to the storage facility as well as ensuring that SoCalGas provides safe, reliable service at just and reasonable rates.

4. Issues Before the Commission

The issues resolved in this decision are limited to the question of whether Aliso Canyon was out of service for nine consecutive months pursuant to the requirements of Section 455.5 and Decision (D.) 07-09-021. Since we find that the facility was not out of service, as discussed below, we do not address the parties' disputes relating to whether or how Aliso Canyon might qualify as plant held for future use. Parties' positions on the issues resolved herein are outlined in the following subsection.

4.1. SoCal Position

SoCalGas contends that Aliso Canyon remained available for service at all times following the October 2015 leak,[6] and denies that the facility was out of service for nine consecutive months under Section 455.5. SoCalGas identified the prior instances in which the CPUC has issued an investigation under

[6] SoCalGas defines "available" as meaning "that the equipment is in a state of readiness and can be used in the ordinary course of operation when called upon." Ex. SCG-1, Direct Testimony of Rodger R. Schwecke (Sept. 1, 2017) at 28.

Section 455.5,[7] all of which involved electric generating facilities that ceased operations altogether on a given date and either never resumed operation or did so on an agreed upon date. Since there have been no prior CPUC investigations offering guidance in applying Section 455.5 to a gas storage facility, SoCalGas argues that the legislative history of the statute offers useful guidance. In this regard, SoCalGas argues that Section 455.5 was predicated on the used and useful concept, and that because Aliso Canyon was used and useful in utility service during the nine-month period at issue, it could not have been out of service.

SoCalGas further argues that in the context of Section 455.5 and elsewhere, the CPUC has recognized that whether an asset should be removed from rate base depends on whether the asset is used and useful in providing direct and ongoing benefits to customers. SoCalGas notes that used and useful facilities may include back up or reserve facilities which are rarely or infrequently used.

SoCalGas further argues that Aliso Canyon has continued to remain available for service consistent with the capacity threshold test for gas storage fields as set forth in D.07-09-021. As specified therein:

> [O]ut of service' for gas storage fields mean[s] that '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. [8]

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[7] SoCalGas identified the following facilities and related CPUC decisions which applied Section 455.5 as follows: El Dorado Hydro Project (D.02-10-064), Geysers Unit 15 (D.92-12-057), Palo Verde (93-05-013), and SONGS (D.14-11-040).

[8] D.07-09-021, at 11-12.

SoCalGas argues that although D.07-09-021 prescribes this capacity test to define an out-of-service condition, the decision contains no discussion or analysis as to how the capacity test was developed, nor how to apply that test in reference to a gas storage field. Consequently, SoCalGas believes that the capacity threshold test should be interpreted and applied in the context of actual gas storage operations and equipment as they relate to gas injections and withdrawals. SoCalGas presented testimony regarding whether the mechanical equipment used to inject or withdraw gas was available to inject or withdraw gas at a rate of at least 25% of capacity, as specified in D.07-09-021. The only field equipment that can directly inject or withdraw gas is wells. Almost all Aliso Canyon wells are used both for injection and withdrawal. SoCalGas argues that operationally, this means that if a well is available for one function (*i.e.*, injections), it is also available for the other function (*i.e.,* withdrawals). SoCalGas thus asserts that Aliso Canyon is available under the provisions of D.07-09-021, if the wells are available for *either* injection or withdrawal.

As summarized in Table 2 of SCG-1, SoCalGas identified the percentage of available wells against the number of wells necessary to achieve the maximum operational withdrawal *or* injection at the field's storage capacity based on historical data. SoCalGas made its calculations based on a total of 80 wells required to achieve a maximum capacity of a of 1.5 Bcf/d. On this basis, as summarized in Table 2 of Exhibit SCG-1, SoCalGas states that since June 20, 2016 and continuing through July 31, 2017,[9] Aliso Canyon's mechanical equipment

[9] The leak at Aliso Canyon was discovered October 23, 2015. Nine consecutive months from the time of the leak is approximately July 23, 2016. SoCalGas references that date as the earliest possible date that Section 455.5 could be invoked, assuming Aliso Canyon had been under 25% capacity for each of those months. SoCalGas examined data from June 20, 2016 onward

Footnote continued on next page

used both to inject and withdraw gas was at all times available for use at more than 25% of capacity.

SoCalGas also claims that Aliso Canyon did not fall below 25% of maximum capacity based on the five-year historic average daily withdrawal at the field prior to October 2015. During that time, Aliso Canyon averaged a maximum withdrawal capacity of 1.5 Bcf/d based on various factors, including equipment maintenance and inventory capacities. SoCalGas witness Schwecke, testified that the 1.5 Bcf/d withdrawal capacity peak for Aliso Canyon reflects estimated operational peak maximum for Aliso Canyon during the relevant period, and likely overstates actual capacity. Aliso Canyon has not regularly reached that maximum operational level nor remained at that maximum operational level throughout the entire periods of withdrawals.

Based on its calculations in Table 2 of Exhibit SCG-1 showing that available withdrawal capacity did not fall below 25% of the total available well capacity for nine consecutive months following detection of the leak, SoCalGas asserts that the mechanical equipment at Aliso Canyon has not been out of service for purposes of Section 455.5 or D.07-09-021.[10] SoCalGas asserts that at least 25% of the maximum withdrawal deliverability capacity was available each month since the date of the leak through September 26, 2016, when Phase 1 wells were still authorized to use casing flow. Subsequently, after DOGGR Order 1109 issued, requiring tubular flow only, maximum withdrawal deliverability

(approximately eight months from discovery of the leak and not more than nine months from October 23, 2015) to ensure the data was within the consecutive nine-month period.

[10] SCG-1 at 29-30; Section 4.3 of this decision discusses these calculations in further detail.

dropped. SoCalGas asserts, however, that gas deliverability stayed above 25% of capacity for nine consecutive months. [11]

Based on these calculations of capacity availability summarized in Table 2 of Exhibit SCG-1, SoCalGas argues that Aliso Canyon was not out of service under the minimum capacity threshold requirements for injections and withdrawals as set forth in D.07-09-021.

4.2. Joint Parties Position

The Joint Parties argue that the under the provisions of D.07-09-021 and Section 455.5, Aliso Canyon was out of service for at least nine consecutive months. The Joint Parties note that SoCalGas was prevented from injecting gas into the Aliso Canyon storage field beginning October 25, 2015, and continuing until injections resumed on July 31, 2017, a period over one year and nine months. SoCalGas was prevented from injecting gas during this period due to DOGGR orders, statute, and court orders in order to control the leak. Injecting gas into the field during this period would have built reservoir pressure and thereby increase the leakage rate, making it more difficult to control the leak and causing a waste of gas. SoCalGas had not yet completed the requirements imposed by DOGGR Order No. 1118 for resuming injections. The Joint Parties thus argue that the equipment required to inject gas into Aliso Canyon was not available from October 25, 2015 to July 31, 2017. On this basis, the Joint Parties argue that Aliso Canyon was therefore out of service under the capacity threshold requirements for gas injections as set forth in D. 07-09-021.

[11] Exh. SCG-1 at 35.

Joint Parties also claim that Aliso Canyon withdrawal capacity was less than 25% from June 20, 2016 through June 20, 2017.[12] At Joint Parties' request, SoCalGas developed estimates of withdrawal capacity based upon the number of available wells, inventory levels, and associated reservoir pressure recorded at the Aliso Canyon field. SoCalGas provided that information based on injection and withdrawal provided through both the casing and tubing.

An Energy Division report stated that, given the combination of gas stored in the 21 wells available for withdrawal on June 20, 2016, SoCalGas's withdrawal capacity at Aliso Canyon was approximately 300 MMcf/d.[13] This withdrawal capacity figure reflected Senate Bill (SB) 380 requirement which prohibited withdrawals through the annulus between the tubing and the well casing (*i.e.,* by tubing only flow).[14]

Thus, in calculating withdrawal capacity at Aliso Canyon after May 10, 2016, the Joint Parties believe withdrawal capacity should be calculated based on tubing only. The Joint Parties note, however, that SoCalGas based its analysis on the assumption of tubing and casing. According to Joint Parties, data provided in response to SCGC-02, Q.2.3 for a portion of the wells demonstrates that the average of the verified tubing-only withdrawal rate is about 68% of the average of the traditional casing and tubing withdrawal rate.[15]

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12 *See* Joint Parties' Opening Brief, Figure 3.

13 *See* Exh. 22 (Energy Division Report dated June 28, 2016, on Aliso Canyon Working Gas Inventory, Production Capacity, Injection Capacity, and Well Availability for Summer 2016.

14 SB 380, codified as Public Resources Code Section 3271(g) states: "All gas storage wells returning to service pursuant to subdivision (f) shall only inject or produce gas through the interior metal tubing and not through the annulus between the tubing and the well casing."

15 Ex. TURN/SCGC/ORA-1, Attachment L, pages 360-362 from I1703002_SCG_SCGC_0000189.

Joint Parties' witness Yap calculated Aliso Canyon withdrawal as a percentage of the 1.86/d maximum withdrawal capacity at Aliso Canyon from October 23, 2015 through June 23, 2017. Yap reduced the withdrawal rate projected by SoCalGas on a casing and tubing flow basis to the high end of the Energy Division range (*i.e.*, 80% of the tubing and casing withdrawals) to represent tubing-only flow. The Joint Parties thus calculate that a 300 MMcf/d withdrawal rate would result in only 16.1% of capacity (assuming 1.86 Bcfd). The Joint Parties also calculate that the withdrawal rate would still only be 20% of capacity (assuming the 1.5 Bcf/d advocated by SoCalGas).[16] The Joint Parties argue that under either of these assumptions, withdrawal capacity was below the 25% minimum set in D.07-09-021, thereby defining Aliso Canyon as being out of service.

Under D.07-09-021, the Joint Parties emphasize, a gas storage field is out of service if the mechanical equipment used *either* to inject *or* to withdraw gas at the rate of at least 25% of the capacity of the equipment is not available. Under D.07-09-021, the cause of the out of service condition is irrelevant. The Joint Parties argue that SoCalGas has conflated the injection and withdrawal functions as a basis to argue that Aliso Canyon satisfied the capacity threshold test referenced in D.07-09-021.

5. Discussion and Analysis

We have duly considered the conflicting claims and supporting evidence presented by SoCalGas and Joint Parties regarding whether the Aliso Canyon Storage Facility was out of service for nine consecutive months or longer. Based on the record, we conclude that for purposes of Section 455.5 and D 07-09-021,

[16] Joint Parties' Opening Brief, at 15; *See* also Ex. TURN/SCGC/ORA-1, at 12.

Aliso Canyon was not out of service for nine consecutive months following the gas leak that occurred on October 23, 2015. We reach this conclusion in light of our review of the record, as discussed below.

5.1. Consistency with Legislative Intent in Applying Section 455.5

In applying Section 455.5 to the facts at issue here, we seek consistency with prior precedent. Although we established a capacity threshold in D.07-09-021 to assess whether a gas storage field is out of service under Section 455.5, no previous CPUC proceeding has actually applied Section 455.5 to an underground gas storage field. As noted by SoCalGas, all prior instances where Section 455.5 was applied involved electric generating facilities that ceased operations altogether and either never resumed operation or did so on an agreed-upon date. In the absence of prior proceedings which applied Section 455.5 to a specific underground gas storage field, it is useful to consider the legislative intent underlying the statute in relation to this proceeding, as discussed below.

Assembly Bill (AB) 2378 (which enacted Section 455.5) was introduced in January 1986. The stated purpose of the bill was to resolve "the ratemaking treatment accorded utility property which is taken out of service for extended periods of time" by removing from ratebase assets that were not used and useful.[17]

Section 455.5 was enacted following decommissioning of the Humboldt Bay Power Plant (HBPP) Unit owned by Pacific Gas & Electric Company (PG&E).

[17] January 15, 1986: Assembly Committee on Utilities & Commerce; Gwen Moore (Legislative Digest) at 1.

HBPP, Unit 3 was shut down for refueling in 1976, and continued out of service until 1983 when PG&E announced plans to decommission it. The Assembly Committee on Utilities & Commerce indicated that Section 455.5 was designed to address facilities that never operated again, like HBPP, Unit 3, where "[r]atepayers thus paid twice for their power, once for the actual cost of the power they consumed, and once for the costs of the power plant that was supposed to provide them with service, but in fact was not operating."[18] The legislative history shows the statute was intended to protect ratepayers from the paying for facilities that remain out of service for extended periods. Allowing the utility to earn a rate of return on such property would over compensate utilities at ratepayers' expense.

We find no basis to conclude, however, that Section 455.5 was meant to apply to utility assets that continue to serve ratepayers on an ongoing basis. Based on the record here, we find that Aliso Canyon continued to provide ongoing benefits to SoCalGas customers subsequent to the gas leak detected there.[19] Aliso Canyon continued to support system flexibility and reliability during summer and winter peak demand periods, helped maintain the integrity of transmission and storage facilities, and supported system balancing.[20] In particular, Aliso Canyon storage provided the flexibility to respond to sudden or short-term spikes in demand for natural gas.[21] SoCalGas continuously maintained gas in inventory and withdrew gas supplies from Aliso Canyon on

[18] *Id* at. 2

[19] Ex. SCG-1 at 10.

[20] Ex. SCG-1, at 6-9.

[21] Ex. SCG-1 at 7

January 24-25, 2017 to support system reliability. In view of the record in this proceeding regarding the continuing customer service benefits provided by Aliso Canyon, we conclude that it would be inconsistent with the legislative intent of Section 455.5 to find that Aliso Canyon was out of service.

5.2. Consistency with Directives to Remain Available for Service

On the basis of various regulatory directives requiring SoCalGas to maintain Aliso Canyon in an operational state, as outlined below, we conclude that it would be inconsistent to treat Aliso Canyon as being out of service under Section 455.5. After detection of the leak, various regulatory orders, directives, and reports were issued requiring SoCalGas to confirm that Aliso Canyon remained available to withdraw natural gas to protect system reliability and customers. In particular, from June 2016 through July 2017, the CPUC and DOGGR directed that Aliso Canyon remain available on standby if needed to provide energy reliability. The CPUC Executive Director ordered SoCalGas to keep "an adequate balance of gas volume in the facility," to "maintain a minimal withdraw capability" to "minimize the risk of energy vulnerabilities" and to "reduce the risk of electricity curtailments."[22]

On January 21, 2016, the CPUC Executive Director directed SoCalGas to reduce the working gas level at the Aliso Canyon Storage facility to 15 Bcf to reduce pressure to the greatest extent possible and minimize the rate of gas leak,

[22] Ex. 19, Letter from CPUC (Timothy Sullivan) to SoCalGas (Rodger Schwecke), "Re: Aliso Canyon Natural Gas Storage Facility" dated June 15, 2016.

"while ensuring energy reliability requirements so that customers are not left without heat and hot water and electricity outages do not occur."[23]

SoCalGas continued to conduct maintenance and inspection activities at Aliso Canyon so that the facility remained available to serve customers. From October 2015 through July 2017, SoCalGas completed almost 200 maintenance and inspection activities per month covering wells, compressors, dehydration units, and other equipment at Aliso Canyon.[24] Aliso Canyon remained pressurized and ready to withdraw gas for delivery to customers. All of these factors support a finding that Aliso Canyon remained available for service consistent with the regulatory orders that were issued after the leak was detected.

Our finding that Aliso Canyon was not out of service is also consistent with the capacity test for a gas storage field set forth in D.07-09-021. As specified in D.07-09-021, a "major generation or production facility" for purposes of the requirements of Section 455.5 is a facility representing at least 25% of the utility's storage capacity. Based on this standard, Aliso Canyon Storage Field qualifies as a "major facility." Pursuant to D.07-09-021, a gas storage field is considered out of service for purposes of Section 455.5 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."[25]

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[23] Ex. 4, Letter from CPUC (Timothy Sullivan) to SoCalGas (care of Jimmie Cho), titled "Aliso Canyon Draw-Down Levels" dated January 21, 2016.

[24] Ex. SCG-1 at 9-10.

[25] D.07-09-021, at 34 (Ordering Paragraph 2).

For purposes of evaluating whether the 25% of capacity threshold of D.07-09-021 was met, two factors must be compared and confirmed, namely: (1) a nominal maximum capacity threshold (*i.e.,* total maximum capacity to withdraw or inject gas), and (2) a rate of use based on actual availability of capacity. We distinguish between these two variables and analyze each. For the reasons discussed below, we find it reasonable to quantify both total nominal maximum capacity and actual rate-of-use availability in terms of the number of wells involved. Once we identify the number of wells required to achieve nominal maximum capacity compared to the actual wells available, we can then calculate the percentage of maximum capacity available for injections or withdrawals for the nine month period at issue. The resulting formula for this determination is therefore:

the number of available wells on a given date (numerator)
divided by:
the number of total wells required to meet maximum capacity (denominator)

Based on the evidence in this proceeding, and using the above formula, we conclude that Aliso Canyon satisfied the minimum 25% of capacity threshold requirements of D. 07-09-021 to qualify as being in service under Section 455.5, as discussed below.

5.3. Consistency with D.07-09-021 Requirements

Our finding that Aliso Canyon was not out of service is also consistent with the capacity test for a gas storage field set forth in D.07-09-021. As specified in D.07-09-021, a "major generation or production facility" for purposes of the requirements of Section 455.5 is a facility representing at least 25% of the utility's storage capacity. Based on this standard, Aliso Canyon Storage Field qualifies as a "major facility." Pursuant to D.07-09-021, a gas storage field is considered out

of service for purposes of Section 455.5 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."[26]

For purposes of evaluating whether the 25% of capacity threshold of D.07-09-021 was met, two factors must be compared and confirmed, namely: (1) a nominal maximum capacity threshold (*i.e.,* total maximum capacity to withdraw or inject gas), and (2) a rate of use based on actual availability of capacity. We distinguish between these two variables and analyze each. For the reasons discussed below, we find it reasonable to quantify both total nominal maximum capacity and actual rate-of-use availability in terms of the number of wells involved. Once we identify the number of wells required to achieve nominal maximum capacity compared to the actual wells available, we can then calculate the percentage of maximum capacity available for injections or withdrawals for the nine month period at issue. The resulting formula for this determination is therefore:

the number of available wells on a given date (numerator)
divided by:
the number of total wells required to meet maximum capacity (denominator)

Based on the evidence in this proceeding, and using the above formula, we conclude that Aliso Canyon satisfied the minimum 25% of capacity threshold requirements of D.07-09-021 to qualify as being in service under Section 455.5, as discussed below.

[26] D.07-09-021, at 34 (Ordering Paragraph 2).

5.3.1. Withdrawal Capacity

We are persuaded by the calculations presented in testimony by SoCalGas that Aliso Canyon withdrawal capacity exceeded the 25% threshold during the period at issue here. SoCalGas presented two methods to show whether Aliso Canyon fell below 25% withdrawal capacity for nine consecutive months. [27] One of these methods looked at the percentage of available withdrawal wells in relation to total wells required to meet maximum capacity under historic conditions. In Schwecke's testimony (Exh. SCG-1), Table 2, he calculates the month-by-month percentage of Aliso Canyon wells available for withdrawal from June 20, 2016 through July 31, 2017.[28]

As shown in Table 2 of SCG-1, SoCalGas identifies maximum capacity as requiring a total of 80 available wells, (shown in column 2). This maximum capacity is compared to the actual rate of use measured in terms of wells available for withdrawal (shown in column 3). The resulting calculation of available withdrawal wells as a percentage of total wells at maximum capacity is summarized in column 4.

Based on past experience, 80 wells were needed historically to achieve a maximum theoretical withdrawal capacity of 1.86 Bcf/day under casing and tubing flow conditions. For purposes of Table 2 calculations in Exhibit SCG-1, Schweke assumed that the same 80 wells were also needed to achieve a maximum operational withdrawal capacity of 1.50 Bcf/day. Assuming no other

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[27] Ex. SCG-1 at 30-35.

[28] *See* Exh. SCG-1, Table 2, page 32; SoCalGas looked at data from June 20, 2016 onwards (approximately eight months from discovery of the leak) to ensure that the data examined was within the nine-month period prescribed in Section 455.5. Nine months from October 23, 2015 is July 23, 2016.

variables change, one might assume that fewer than 80 wells would be required to meet only a 1.50 Bcf/d maximum withdrawal capacity compared to a 1.86 Bcf/d maximum capacity. In turn, if fewer wells were required to meet maximum capacity, the available withdrawal capacity as a percentage of maximum capacity would correspondingly increase. (*i.e.,* a lower denominator yields an increased percentage of capacity). Consequently, Schweke characterizes this assumption of requiring the same 80-well capacity as being conservative and likely overestimating the number of wells required to satisfy a 1.50 Bcf/d withdrawal capacity.

Well availability is measured against normal historical levels in Table 2 of Exhibit SCG-1 even though the capacity was constrained due to several new regulations impacting withdrawal rates, including the regulatory requirement of tubing flow only.[29] Therefore, without even reducing assumed field capacity based on a lower inventory or new regulations, as shown in column 4 of Table 2 of Exhibit SCG-1, at least 25% of the wells were available for withdrawals using five-year historical average capacity data.

SoCalGas calculates the withdrawal capacity percentage in Table 2 of Exhibit SCG-1 as the number of wells *available* for withdrawal (the numerator) divided by the wells *needed* for withdrawal *at maximum capacity* (the denominator). In the second column of Table 2, witness Schwecke shows the number of wells available for withdrawal from June 20, 2016 through July 31, 2017. As calculated therein, withdrawal capacity exceeded 25% for each

[29] On March 4, 2016, DOGGR issued Order 1109 mandating tubing-flow only injection and withdrawal at Aliso Canyon. That order resulted in changes to the Aliso Canyon storage field maximum theoretical withdrawal capacity. The conversion to tubing only under DOGGR Order 1109 is not expected to be reversed.

day from June 20, 2016 through July 31, 2017. Schwecke calculates that available withdrawal capacity did not fall below 25% percent during the period shown, and at least 25% of maximum withdrawal deliverability capacity was available from the date of the leak through September 26, 2016, when Phase 1 wells were still authorized to use casing flow.

We have considered the Joint Parties' contention that the standard in D.07-09-021 for whether a gas storage field is out of service is based on the **capacity** of equipment rather than **units** of equipment (*i.e.,* gas wells). The Joint Parties argue that D.07-09-021, Ordering Paragraph 2, covers "the entire chain of equipment" necessary for injections and withdrawals, and not just the wells.[30] The Joint Parties dispute SoCalGas' claim that availability of 21 wells for withdrawal on June 20, 2016 meets the capacity threshold test in D.07-09-021.

We conclude, however, that SoCalGas applied a reasonable approach in calculating capacity availability based on the number of wells. In this regard, D.07-09-021 does not use the phrase "entire chain of equipment," but references only the "mechanical equipment used to inject or withdraw gas." The mechanical equipment used directly to inject or withdraw gas from the reservoir is limited to wells. On this basis, we find it consistent with D.07-09-021 to use the number of wells to calculate the capacity of the "mechanical equipment used to inject or withdraw gas."

For purposes of computing the percentage of capacity available during the period at issue, we also conclude that 1.5 Bcf is a reasonable measure of maximum capacity. We are not persuaded that 1.86 Bcf is a more appropriate

[30] Ex. TURN/SCGC/ORA, at 4.

measure. A withdrawal capacity of 1.86 Bcf/d reflects an extreme historical peak only attainable when the field is at maximum or very high inventory levels and reflects no more than 0.1% of Aliso Canyon's actual operating time. For the remaining 99.9% of the time, Aliso Canyon operated at a lower withdrawal rate.[31] Even to attempt to maintain a peak 1.86 Bcf/day withdrawal capacity, the field and the rest of the SoCalGas system would have to support injecting replacement gas nearly every day during periods when gas needed to be withdrawn.[32] SoCalGas analyzed how the Aliso Canyon storage field was used historically, as opposed to theoretical maximum numbers or current conditions based on tubing flow only. We conclude that the 1.5 Bcf/d capacity value used by SoCalGas, based on a historical average over time, more realistically represents peak capacity over the period at issue.

Based on a 1.5 Bcf maximum capacity value supplied by a total of 80 wells, we find that at least 25% of the Aliso Canyon maximum withdrawal deliverability capacity was available each month since the leak through September 26, 2016, when Phase 1 wells were still authorized to use casing flow. Thereafter, DOGGR Order 1109 required tubular flow only, and the operational maximum withdrawal deliverability dropped. Even so, Aliso Canyon did not drop below 25% of the withdrawal deliverability capacity for the nine consecutive months at issue.[33]

We also find the Joint Parties' calculations of Aliso Canyon withdrawal capacity to be in error. The Joint Parties rely on an Energy Division report

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[31] Ex. SCG-2, at 6-7

[32] Ex. SCG-2 at 7.

[33] Ex. SCG-1, at 35.

reference to Aliso Canyon withdrawal capacity of 300 MMcf/d (Exhibit 22) as a basis to claim that withdrawal capacity at Aliso Canyon was below 25%. The Energy Division report reference to 300 MMcf/d, however, only references capacity conditions at the time of the report, *i.e.,* June 28, 2016. Yet, for purposes the 25% of capacity test in D.07-09-021, data is needed covering the nine-month period after June 20, 2016. Therefore, Energy Division report data referenced from Exhibit 22 is incomplete for determining capacity availability during the entire nine-month period at issue here.

In addition, as shown on page 11 of her testimony, the Joint Parties' witness Yap reduced the daily withdrawal rate by 20% due to the tubing flow-only regulations. We find insufficient evidentiary basis for reducing withdrawal capacity and the subsequent withdrawal rate of all wells by a 20% figure.[34] Moreover, assuming all wells are reduced individually by 20%, total withdrawal capacity should likewise be reduced by 20%. Yet, Yap keeps the denominator at 1.86 Bcf/d without correspondingly reducing it by the same 20% assumption. Applying a 20% reduction to the 1.86 Bcf/d figure would yield a 1.488 Bcf/d which corresponds closely to the 1.5 Bcf/d capacity figure used by SoCalGas. Thus, applying a consistent mathematical treatment of Yap's own methodology would still support use of a 1.5 Bcf capacity figure, rather than the 1.86 Bcf/d figure.

In her calculations, witness Yap reduced the numbers provided by SoCalGas based on actual tubing flow testing. Yet, these numbers did not reflect pre-tubing flow conditions as Yap contends, but were after many of the

[34] Ex. SCG-2 at 9.

in-service wells had already been configured to tubing-only flow.[35] Therefore, in view these errors, we do not rely on Joint Parties' calculations regarding Aliso Canyon daily withdrawal rates.

The Joint Parties assume that a storage field should remain full at all times and at maximum withdrawal, even when gas is being withdrawn or at the low inventory level which existed during the relevant period in this proceeding. Yet, a daily maximum withdrawal rate varies over time as a function of changes in the amount of natural gas in inventory. As inventory increases, so does the maximum withdrawal rate. Likewise, as inventory decreases, the maximum withdrawal rate declines accordingly.[36] Various regulatory restrictions and SB 380 have limited the withdrawal capacity of Aliso Canyon. These conditions reduce the ability to withdraw gas from the field because pressure is lower and the cross-sectional withdrawal area in the wells has been reduced (*i.e.*, tubing-only flow capacity is generally less than casing flow capacity).[37]

The capacity test laid out by D.07-09-021, applied only to the mechanical equipment, not capacity of the field. However, to provide data regarding the inherent purpose of the field, SoCalGas also included field capacity calculations based upon actual use, in addition to other data regarding well availability. SoCalGas calculated whether at least 25% of the maximum operational withdrawal deliverability capacity for the field was available. For calculating deliverability rates under historic conditions, SoCalGas used a figure of 1.5 Bcf/d maximum capacity, based on recent historical data and its estimate of the peak

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[35] Ex. SCG-2 at 9.

[36] Schwecke Rebuttal at 2.

[37] SCE-1 at 34.

withdrawal rate at Aliso given the new regulations. On this basis, Schwecke calculated that at least 25% of the maximum withdrawal deliverability capacity was available each month since the leak through September 26, 2016, when Phase 1 wells were still authorized to use casing flow.[38]

Based on the evidence presented as outlined above, we thus conclude that Aliso Canyon satisfied the 25% withdrawal capacity threshold through the 9-month period at issue for purposes of Section 455.5. For the reasons outlined above, we are not persuaded by the Joint Parties' claims that SoCalGas incorrectly calculated Aliso Canyon withdrawal capacity.

5.3.2. Injection Capacity

We have also considered the Joint Parties' argument claiming that Aliso Canyon was out of service due to the cessation of gas injections starting on October 25, 2015, through July 31, 2017, when injections resumed, a period of more than 21 months. We conclude, however, that the moratorium on gas injections did not mean the facility was out of service for purposes of Section 455.5.

Typically, Aliso Canyon is used to inject natural gas into storage between April and October in anticipation of elevated demand during winter periods. Injection operation at Aliso Canyon temporarily ceased beginning on October25, 2015, however, due to regulatory requirements and completion of the comprehensive safety review, as noted previously. During the moratorium on injections, however, Aliso Canyon activity continued to meet customer demand without interruption. [39] SoCalGas continued maintenance and inspection

[38] Ex. SCG-1 at 35.

[39] Ex SCG-1 at 36.

activities at Aliso Canyon as part of its routine operation and maintenance protocols, and took steps to implement upgrades, maintenance, inspections and other new procedures to allow Aliso Canyon to resume injections promptly once the moratorium was lifted.[40]

The 12-day interval between July 19, 2017, (when the prohibition on injections ended) and July 31, 2017, (when injections resumed) was needed to complete activities required by DOGGR Order No. 1118. Once the moratorium on gas injections ended, SoCalGas promptly resumed injections to begin increasing Aliso Canyon's inventory of natural gas.[41] If injection equipment had been out of service or unavailable, SoCalGas would not have been able to resume making injections as soon as it did.

We have considered the Joint Parties' arguments emphasizing that the test established in D.07-09-021 is stated in the disjunctive. In other words, D.07-09-021 states that a gas storage field is out of service if the mechanical equipment used *either* to inject *or* withdraw gas at a rate of at least 25% of the capacity of the equipment is not available.

In this context, the word "or" is defined by Black's Law Dictionary as follows: "A disjunctive particle used to express an alternative or to give a choice of one among two or more things."[42] Accordingly, to determine whether Aliso Canyon was out of service, the capacity threshold test of D.07-09-021 applies to whether the storage facilities were available for either injection *or*

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[40] Ex. SCG-1 at 27.

[41] Ex SCG at 28.

[42] *See* Black's Law Dictionary 1095 (6th Ed. 1990) (emphasis added), as quoted in the SoCalGas Opening Brief, footnote 73.

withdrawal.[43] Almost all wells at Aliso Canyon are bi-directional, used at different times for either injection or withdrawal.[44]

We conclude, therefore, that SoCalGas correctly interpreted and applied the capacity test in D.07-09-021. In this regard, we conclude that SoCalGas offers an appropriate definition as a basis to determine whether Aliso Canyon was available for injection or withdrawal, as referenced in D. 07-09-021. SoCalGas defines "availability" as meaning "that the equipment is in a state of readiness and can be used in the ordinary course of operation when called upon." This definition "takes into account that gas storage equipment is *not* constantly in use, even under normal conditions."[45] In this manner, SoCalGas is not required to inject or withdraw a set quantity of gas each day, as long as the gas field remains "available" to maintain service reliability. In this regard, regulatory orders required that Aliso Canyon remain available, mandating that: (a) 15 Bcf of gas in storage be retained for energy reliability; (b) specified gas withdrawal rates continue; and (c) a comprehensive safety review be performed. Regulators explicitly relied on Aliso Canyon's availability for summer and winter reliability planning to meet customer needs. From October 2015 onward, Aliso Canyon remained pressurized and ready to deliver gas.

Therefore, Aliso Canyon was not out of service due to the moratorium on injections. In reaching this conclusion, we are consistent with previous proceedings which considered whether an asset was out of service and should be removed from rate base. In past instances where the principal reason for a

[43] Ex. SCG-1 at 29.

[44] Ex. SCG-1 at 29.

prolonged shutdown was to conform to regulatory requirements, we have not removed such assets from rate base. For example, in D.84-05-013, the Commission rejected arguments that the San Onofre Nuclear Generating Station #1 (SONGS 1) facility, which had been out of service for several years, was not used and useful and should be removed from rate base. That extended outage was to ensure that the facility complied with applicable Nuclear Regulatory Commission safety standards. Unlike SONGS 1, however, Aliso Canyon continued to provide service throughout the moratorium on gas injections.

Given all of these considerations, we conclude the temporary moratorium on injections did not mean that the facility was out of service or unavailable under the capacity threshold test in D.07-09-021, and consistent with past CPUC precedent

5.4. Disposition of the Aliso Canyon Memorandum Account

Current rates in effect do not include costs incurred by SoCalGas in response to the Aliso Canyon gas leak because the Commission has not authorized SoCalGas to recover such costs. In order to protect the interests of retail customers, in D.16-03-031, SoCalGas was ordered to establish a memorandum account to track its authorized revenue requirement and all related revenues received to own and operate Aliso Canyon. The Commission uses memorandum accounts rather than balancing accounts when the review or authorization to recover costs being tracked has yet to occur or when the ultimate recovery of costs being tracked is uncertain and will require further review.

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[45] SCG-1, at 28-29.

On July 12, 2016, SoCalGas filed Advice No. 4940-A to establish the Aliso Canyon Revenue and Cost Memorandum Account (ACRCMA). Advice Letter 4940-A was approved by Energy Division on September 23, 2016, with the ACRCMA becoming effective on March 17, 2016, the date of D.16-03-31. The balance in the ACRCMA was $29.8 million as of August 31, 2017, and was $30.9 million as of October 31, 2017.

In this proceeding SoCalGas has argued that the tracking of revenues and costs associated with owning and operating the Aliso Canyon Storage Field in the ACRCMA is no longer necessary and appropriate. On this basis, SoCalGas requests a CPUC order directing that the balance in the ACRCMA be eliminated and the ACRCMA be closed.

We question why SoCalGas is requesting to close the ACRCMA. All past directions have been to keep it open. We previously placed SoCalGas on notice that: "The Commission will determine at a later time whether, and to what extent, the tracked authorized revenue requirement and revenues should be refunded to … customers with interest."[46] Nothing has changed and we have given SoCalGas no indication otherwise. Therefore, we conclude that it was inappropriate for SoCalGas to request closure of the ACRCMA.

We decline to grant the request of SoCalGas for closure of the ACRCMA as a result of the instant decision. The issue of costs pertaining the Aliso Canyon incident were referenced in D.16-06-054, the *Decision Addressing the General Rate Cases of San Diego Gas & Electric Company and Southern California Gas Company and the Proposed Settlement*, which was issued on July 1, 2016. D.16-06-054 states that

[46] OP 3 of D.16-03-031.

"SoCalGas is to separate out the costs related to the Aliso Canyon leak in its next GRC to ensure that none of those costs are reflected in the TY 2019 revenue requirement." Furthermore, Conclusion of Law 75 of D.16-06-054, noted that in its next GRC, SoCalGas was to provide a separate itemization of all of the costs related to the gas leak at the SS-25 well at Aliso Canyon and to provide testimony on whether the costs attributable to the Aliso Canyon leak have affected SoCalGas' funding request for its underground gas storage facilities.

Accordingly, even though we resolve herein the limited question of whether Aliso Canyon was out of service under Section 455.5, other outstanding issues remain relevant to the ultimate recovery of Aliso Canyon costs. In view of the additional pending directives and outstanding issues relating to the recoverability of Aliso Canyon costs, as noted in D.16-06-054, we conclude it is premature to issue an order regarding final disposition of the Aliso Canyon memo account balance at this time.

Typically, the issue concerning the disposition of the ACRMA, would be consolidated with SoCalGas' next general rate case (GRC). However, we are concerned that the in light of the complexity of the issues presented in what is typically a large general rate case and the fact that SoCalGas' GRC is currently midphase, the issues pertaining to the ACRMA may not be adequately addressed. Therefore, it is more appropriate to address the issues of the ACRMA in the investigation into the root cause analysis of the leak, which is expected to begin in 2019.

6. Conclusion

In conclusion, we find that that Aliso Canyon was not out of service for nine consecutive months following the natural gas leak that occurred there in October 25, 2015. Given this finding, it is not necessary to resolve parties'

disputes regarding whether the facility may alternatively qualify as Plant Held for Future Use for ratemaking purposes. In view of the additional pending directives and issues relating to the recoverability of Aliso Canyon costs, however, it is premature to issue an order as to final disposition of the ACRMA account balances at this time. For purposes of resolving the final disposition of the balances in the ACRMA, we shall address this issue in the investigation pertaining to the root cause analysis of the leak, which is expected to begin in 2019.

7. Comments on Proposed Decision

The proposed decision of the Administrative Law Judge (ALJ) in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. On September 17, 2018, SoCal Gas filed comments in support of the decision. No other comments were filed.

8. Assignment of Proceeding

Liane M. Randolph is the assigned Commissioner and Gerald F. Kelly is the assigned ALJ in this proceeding.

Findings of Fact

1. Section 455.5 requires that utilities report periodically to this Commission whenever any portion of an "electric, gas, heat, or water generation or production facility" is out of service, and immediately when a portion of such facility has been out of service for nine consecutive months.

2. As determined in D.07-09-021, a "major generation or production facility" for purposes of the requirements of Pub. Util. Code Section 455.5 is a facility representing at least 25% of the utility's storage capacity. A "major generation or

production facility" for this purpose includes a gas storage field such as Aliso Canyon.

3. Beginning on October 23, 2015, Aliso Canyon started leaking natural gas from its underground storage facility. On January 6, 2016, Governor Brown declared a state of emergency and set forth several orders to mitigate damage.

4. On March 4, 2016, DOGGR issued Order 1109 mandating tubing-flow only injection and withdrawal at Aliso Canyon. That order resulted in changes to the Aliso Canyon storage field maximum theoretical withdrawal capacity.

5. SoCalGas took steps following the October 23, 2015 leak to implement upgrades, maintenance, inspections and other new procedures to allow Aliso Canyon to resume injections promptly once the required regulatory approvals were issued.

6. Southern California Gas Company notified the Commission by letter dated January 13, 2017, indicating that although it did not believe that Aliso Canyon Natural Gas Storage Facility was out of service under Section 455.5, notice was being provided out of an abundance of caution.

7. The Commission instituted an investigation on its own motion to determine whether Aliso Canyon has remained out of service for nine consecutive months pursuant to Section 455.5(a); and if found to be out of service, whether to disallow all costs related to Aliso Canyon from the rates of Southern California Gas Company.

8. Throughout the nine-month period at issue in this proceeding, Aliso Canyon continued to provide value to customers through support system flexibility and reliability during the summer and winter peak demand periods, helping to maintain the integrity of transmission and storage facilities, and supporting system balancing.

9. Throughout the nine-month period at issue in this proceeding, various regulatory orders, directives, and reports required SoCalGas to ensure that Aliso Canyon remain available to withdraw natural gas to protect system reliability and customers.

10. For purposes of evaluating whether the 25% of capacity threshold of D.07-09-021 was met, two factors must be compared and confirmed, namely: (1) a nominal maximum capacity threshold (*i.e.,* total maximum capacity to withdraw or inject gas), and (2) a rate of use based on actual availability of capacity.

11. For purposes of the capacity threshold for determining whether a gas storage field is out of service, D.07-09-021 refers to the "mechanical equipment used to inject or withdraw gas." Since the only mechanical equipment used directly to inject or withdraw gas from the reservoir is wells, it is consistent with D.07-09-021 to calculate percentage of maximum capacity used to inject or withdraw gas based on the number of wells available during the nine-month period at issue.

12. The number of wells available for withdrawal each day from June 20, 2016 through July 31, 2017, yielded an available withdrawal capacity exceeding 25% of maximum capacity for every day after June 20, 2016, through July 31, 2017, thereby satisfying the minimum requirements set forth in D.07-09-021.

13. A withdrawal capacity peak of 1.5 Bcf/d for Aliso Canyon reflects the estimated operational peak maximum for Aliso Canyon based on historical conditions, and is reasonable to use for calculating the percentage of maximum capacity available during the nine-month period at issue in this proceeding.

14. Almost all wells at Aliso Canyon are bi-directional, and thus used at different times for either injection or withdrawal.

15. Injection operation at Aliso Canyon temporarily ceased beginning on October 25, 2015 due to certain regulatory requirements and to provide for completion of a comprehensive safety review. During this moratorium on injections, Aliso Canyon activity continued as necessary in order to maintain sufficient storage capacity to meet customer demand without interruption.

16. A judicial stay on injections imposed by the Court of Appeal was lifted on July 29, 2017. SoCalGas resumed injections at Aliso Canyon on July 31, 2017.

17. The temporary moratorium on injections at Aliso Canyon did not mean that the facility was out of service or unavailable under the capacity threshold test in D.07-09-021, and consistent with past precedent.

18. To protect the interests of retail customers, in D.16-03-031, SoCalGas was ordered to establish a memorandum account to track its authorized revenue requirement and all related revenues received to own and operate Aliso Canyon. On July 12, 2016, SoCalGas filed Advice No. 4940-A to establish the Aliso Canyon Revenue and Cost Memorandum Account.

19. In view of the additional pending directives and outstanding issues relating to the recoverability of Aliso Canyon costs, as noted in D.16-06-054, it is premature to issue an order regarding final disposition of the Aliso Canyon memo account balance at this time.

Conclusions of Law

1. The legislative intent of Public Utilities Code Section 455.5 is to ensure that utilities do not earn a rate of return on utility assets (or portions thereof) that are out of service. Allowing a rate of return on such property would over compensate the utilities at ratepayers' expense. In view of the continuing customer service benefits provided by Aliso Canyon, however, it would be

inconsistent with the legislative intent to find that Aliso Canyon was out of service.

2. Pub. Util. Code Section 455.5 requires a public utility to immediately notify the Commission when a portion of its gas storage fields has been out of service for nine consecutive months.

3. The Commission instituted this investigation pursuant to the notification letter dated January 13, 2017, sent by SoCalGas to the Commission.

4. For purposes of the test adopted in D.07-09-021, a gas storage field is "out of service" 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.

5. For purposes of the capacity availability test in D.07-09-021, equipment is considered available if is in a state of readiness and can be used in the ordinary course of operation when called upon. Capacity availability does not require that gas storage equipment be constantly in use, even under normal conditions.

6. For purposes of the criteria set forth in Section 455.5 and D.07-09-021, Aliso Canyon should not be considered as out of service during the nine-month period at issue in this proceeding.

7. Given the findings adopted in this decision, it is not necessary to resolve parties' disputes regarding whether Aliso Canyon meets the criteria to be classified as plant held for future use.

8. Final disposition of the balance in the Aliso Canyon Storage Field Revenue and Cost Memorandum Account shall occur in the forthcoming investigation into the root cause analysis of the leak, which is expected to begin in 2019.

O R D E R

IT IS ORDERED that:

1. The California Public Utilities Commission hereby directs that the Aliso Canyon Storage Field be deemed to have been continuously in service since the October 2015 leak of that facility pursuant to the applicable provisions of Public Utilities Code Section 455.5.

2. The request of Southern California Gas Company (SCG) is denied for an order terminating the Aliso Canyon Storage Field in the Aliso Canyon Revenue and Cost Memorandum Account (ACRCMA). SCG shall continue to maintain the ACRCMA pending further disposition of the account as may be directed in the investigation of the root cause analysis into the gas leak, which is expected in 2019.

3. Final disposition of the balance in the Aliso Canyon Storage Field Revenue and Cost Memorandum Account shall occur in the investigation to the root cause of the leak, which is expected to take place in 2019.

4. Investigation 17-03-002 is closed.

This order is effective today.

Dated September 27, 2018, at Sacramento, California.

MICHAEL PICKER
President
CARLA J. PETERMAN
LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
Commissioners