

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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11-02-09  
04:59 PM

Application of SOUTHERN CALIFORNIA  
GAS COMPANY (U 904 G) to amend its  
Certificate of Public Convenience and  
Necessity for the Aliso Canyon Gas Storage  
Facility.

Application No. 09-09-020  
(Filed September 30, 2009)

**JOINT RESPONSE OF  
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G), DIVISION OF RATEPAYER  
ADVOCATES, SOUTHERN CALIFORNIA EDISON COMPANY (U 338 E),  
INDICATED PRODUCERS, SOUTHERN CALIFORNIA GENERATION  
COALITION, CITY OF LONG BEACH, SOUTHWEST GAS CORPORATION  
(U 905 G), WATSON COGENERATION COMPANY, CALIFORNIA  
COGENERATION COUNCIL, AND CALIFORNIA MANUFACTURERS AND  
TECHNOLOGY ASSOCIATION REQUESTING EXPEDITIOUS APPROVAL**

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November 2, 2009

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) to amend its Certificate of Public Convenience and Necessity for the Aliso Canyon Gas Storage Facility.

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ADVOCATES, SOUTHERN CALIFORNIA EDISON COMPANY (U 338 E), INDICATED  
PRODUCERS, SOUTHERN CALIFORNIA GENERATION COALITION, CITY OF LONG  
BEACH, SOUTHWEST GAS CORPORATION (U 905 G), WATSON COGENERATION  
COMPANY, CALIFORNIA COGENERATION COUNCIL, AND CALIFORNIA  
MANUFACTURERS AND TECHNOLOGY ASSOCIATION REQUESTING  
EXPEDITIOUS APPROVAL**

In accordance with Rule 2.6 of the Commission's Rules of Practice and Procedure ("Rules"), San Diego Gas & Electric Company ("SDG&E"), the Division of Ratepayer Advocates, Southern California Edison Company, the Indicated Producers, Southern California Generation Coalition, the City of Long Beach, Southwest Gas Corporation, Watson Cogeneration Company, California Cogeneration Council, and the California Manufacturers and Technology Association (jointly "BCAP Phase I Settlement Parties")<sup>1/</sup> hereby provide a response to the Application filed by Southern California Gas Company ("SoCalGas") seeking to amend the SoCalGas Aliso Canyon Certificate of Public Convenience and Necessity ("CPCN"). The purpose of the CPCN amendment is to authorize replacement of three obsolete gas turbine-driven centrifugal compressors ("TDCs") and associated equipment with a new electric compressor station and construction of other

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<sup>1/</sup> As permitted by Rule 1.8(d) of the Commission's Rules, Counsel for SDG&E has been authorized to sign this Response on behalf of each of the BCAP Phase I Settlement Parties. Southern California Gas Company is the Applicant in this proceeding, as well as a BCAP Phase I Settlement Party, but is not joining this Response since an applicant cannot respond to its own application according to the Commission Docket Office.

improvements at the Aliso Canyon Storage Field (“Storage Field”) (hereinafter referred to as the “Project”). This replacement Project is in accordance with the terms of the BCAP Phase I Settlement Agreement (“SA”) approved by the Commission in D.08-12-020.<sup>2/</sup>

In the SA, the BCAP Phase I Settlement Parties agreed to support expeditious approval of any CPCN application filed by SoCalGas to construct the storage expansion facilities described in the SA.<sup>3/</sup> The purpose of this Joint Response by the BCAP Phase I Settlement Parties is to request that the Commission approve the subject CPCN Application on an expeditious basis. Such approval will allow SoCalGas to begin the construction work necessary to replace the obsolete Aliso Canyon compressor station at the earliest possible date. Completion of the Project will provide an additional 145 million cubic feet per day (“MMcf/d”) of storage injection capacity to the Storage Field.

## **I. BACKGROUND**

In the SDG&E/SoCalGas 2009 BCAP (A.08-02-001), the Commission identified certain natural gas storage issues in Phase I of the BCAP:

1. Reservation of storage assets for the core (including wholesale core parity).
2. Obligation of SoCalGas to maximize the availability of storage for the unbundled storage program and the hub services program.
3. Allocation of unbundled storage revenues between shareholders and ratepayers.
4. Treatment of cost and revenues associated with storage expansion.

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<sup>2/</sup> See, D.08-12-020, Appendix A, Paragraph 8 (“SoCalGas shall make commercially reasonable efforts to replace the existing three obsolete LM-1500 turbines used to compress up to 300 MMcf per day of natural gas for injection into storage at its Aliso Canyon storage facility. Production by the manufacturer of these obsolete turbines was halted in the late 1970s and replacement parts are extremely limited. SoCalGas shall, during the replacement of the existing turbines, expand overall injection capacity at Aliso Canyon to the extent feasible by approximately 145 MMcfd. The replacement of turbines and expansion of injection capacity at Aliso Canyon shall be undertaken as soon as possible.”).

<sup>3/</sup> See, *Id.* (“The parties hereto agree to support expeditious approval of any CPCN application filed by SoCalGas with the Commission seeking authority to construct the storage injection facilities addressed in this paragraph.”)

5. Interrelationship of cost-revenue treatment for existing unbundled storage and expanded storage.<sup>4/</sup>

Five days of evidentiary hearings were held with the BCAP Phase I Settlement Parties taking varying positions on these storage-related issues. Following the hearings, the parties met to discuss possible settlement. On August 22, 2008, the BCAP Phase I Settlement Parties filed a motion seeking adoption of the SA that resolved the issues identified for Phase I of the BCAP. As noted above, the SA included a provision requiring SoCalGas to use commercially reasonable efforts to replace the existing Aliso Canyon compressor station and expand storage injection capacity by 145 MMcf/d as soon as possible.

In D.08-12-020, the Commission approved the SA in its entirety, including the requirement that SoCalGas use commercially reasonable efforts to replace the existing Aliso Canyon compressor station and expand storage injection capacity by 145 MMcf/d as soon as possible. The Commission found that: “[T]he provisions in the Settlement Agreement pertaining to the total amount of storage assets and how much of that should be allocated to the unbundled storage program are reasonable and in the public interest.”<sup>5/</sup>

**II.**  
**THE SUBJECT APPLICATION SHOULD BE APPROVED EXPEDITIOUSLY**

As the Application states, replacing the existing Aliso Canyon compressor station and expanding SoCalGas’ storage injection capacity by additional 145 MMcf/d promotes the Commission’s natural gas storage policy.<sup>6/</sup> Specifically, the Commission and Legislature have sought to promote competition in gas storage services by encouraging the development of natural gas storage facilities that provide service to market storage customers. The Commission and the California Energy Commission (“CEC”) have continued to recognize the benefits of natural gas

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<sup>4/</sup> “Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge” issued April 17, 2008, in A.08-02-001, *mimeo*, p. 5.

<sup>5/</sup> D.08-12-020, *mimeo*, p. 19.

<sup>6/</sup> Application, pp. 8-9.

storage, and reiterated their support for increased in-state natural gas storage. In the 2005 Energy Action Plan II, the Commission and CEC identified under Natural Gas Supply, Demand, and Infrastructure, the following key actions:

- Provide that the natural gas delivery and storage system is sufficient to meet California's peak demand needs.
- Encourage the development of additional in-state natural gas storage to enhance reliability and mitigate price volatility.<sup>7/</sup>

In its 2007 Integrated Energy Policy Report ("2007 IEPR"), the CEC affirmed that:

The natural gas infrastructure system is critical to California's ability to provide a stable and reliable supply of gas since only 15 percent of its natural gas supplies are produced in state. Just as California looks for adequate supplies of natural gas, it must also ensure that its infrastructure can move and store supplies.<sup>8/</sup>

The 2007 IEPR also recognized that "California's natural gas storage has been instrumental to help guard against interruptions or severe weather changes, ensuring adequate supplies and making some contributions to more stable prices."<sup>9/</sup>

Replacing the aging and obsolete Aliso Canyon compressor station and adding storage injection capacity to meet increased demand during peak periods is wholly consistent with a gas utility's obligation to serve its customers; serves to increase reliability of the SoCalGas transportation system; and provides increased opportunity for mitigating natural gas commodity cost volatility.

Moreover, the Commission should give considerable weight to the fact that the BCAP Phase 1 Settlement Parties, which include a diversity of interests, all support the Aliso Canyon Project, as well as the expedited approval of this Application. The BCAP Phase 1 Settlement was a joint-party settlement that was approved in its entirety by this Commission. The BCAP Phase I Settlement

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<sup>7/</sup> Energy Action Plan II, Natural Gas Supply, Demand, and Infrastructure, (September 21, 2005), Key Actions 3 and 4, p. 10.

<sup>8/</sup> 2007 IEPR, (November 2007), CEC-100-2007-008-CTF, p. 176-177. World Wide Web address to the report: <http://www.energy.ca.gov/2007publications/CEC-100-2007-008/CEC-100-2007-008-CMF.PDF>

<sup>9/</sup> *Id.* at 178.



## CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing **JOINT RESPONSE OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G), DIVISION OF RATEPAYER ADVOCATES, SOUTHERN CALIFORNIA EDISON COMPANY (U 338 E), INDICATED PRODUCERS, SOUTHERN CALIFORNIA GENERATION COALITION, CITY OF LONG BEACH, SOUTHWEST GAS CORPORATION (U 905 G), WATSON COGENERATION COMPANY, CALIFORNIA COGENERATION COUNCIL, AND CALIFORNIA MANUFACTURERS AND TECHNOLOGY ASSOCIATION REQUESTING EXPEDITIOUS APPROVAL** on all parties of record in A.09-09-020 and A.08-02-001 by electronic mail and by U.S. mail to those parties who have not provided an electronic address to the Commission. I have also sent a hard copy by overnight mail to the Assigned Administrative Law Judges and Assigned Commissioners in this proceeding.

Dated at Los Angeles, California, this 5th day of November, 2009.

/s/ Rose Mary Ruiz  
Rose Mary Ruiz

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