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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

ASSIGNED COMMISSIONER'S PHASE 3 SCOPING MEMO AND RULING

This scoping memo and ruling sets forth the issues to be addressed and preliminary schedule for a new Phase 3 of Investigation 17-02-002 pursuant to Public Utilities (Pub. Util.) Code § 1701.1 and Article 7 of the Commission's Rules of Practice and Procedure. Unless stated otherwise in this scoping memo, all determinations in the March 29, 2019 and June 20, 2017 Assigned Commissioner's Scoping Memos and Rulings remain unchanged.

1. Procedural Background

On February 9, 2017, the California Public Utilities Commission opened Investigation (I.) 17-02-002 pursuant to Senate Bill (SB) 380.[1] The purpose of the investigation is to determine the feasibility of reducing or eliminating the use of Southern California Gas Company's Aliso Canyon Natural Gas Storage Facility

[1] Stats. of 2016, ch. 14.

(Aliso Canyon) while maintaining energy and electric reliability for the Los Angeles region and just and reasonable rates in California.

Since initiation of I.17-02-002, the Commission has engaged in an extensive stakeholder process to retain expertise and develop models (including assumptions, scenarios and inputs) to evaluate the effects of minimizing or eliminating the use of Aliso Canyon, culminating in an Assigned Commissioner and Administrative Law Judge's (ALJ's) Ruling Adopting Scenarios Framework[2] and Closing Phase 1 of I.17-02-002, issued on January 4, 2019. The adopted Scenarios Framework set forth the roadmap for the modeling process the Commission is currently undertaking in Phase 2.

On March 29, 2019, Commissioner Randolph issued the Phase 2 Assigned Commissioner's Scoping Memo and Ruling setting forth the following issues in Phase 2: 1) What are the impacts to system reliability and on electric and gas rates of reducing or eliminating the use of Aliso Canyon, and 2) Given the results of Question #1, should the Commission authorize the reduction or elimination of the use of Aliso Canyon, and if so, under what timeframe and parameters. Since issuance of the Scoping Memo, the Commission's Energy Division has been engaged in a comprehensive modeling and stakeholder feedback process to address these questions. The modeling process is not yet complete; however, throughout the proceeding, parties have requested that the Commission include

[2] The adopted Scenarios Framework sets forth the methodologies to undertake three main studies: (1) a hydraulic model; (2) a production cost model; and (3) an economic model. In addition, the California Independent System Operator and the Los Angeles Department of Water and Power are contributing power flow studies of their respective systems to define local electric reliability requirements that maybe impacted by the elimination or minimization of Aliso Canyon. Together, the three models, along with the power flow studies, is enabling the Commission to estimate the impact on gas and electric reliability, as well as electric generation

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in the scope an examination of what infrastructure modifications or additions or gas demand changes can be deployed to eliminate the need for Aliso Canyon.[3]

2. Phase 3 Issues

The purpose of Phase 3 is to engage parties and an expert consultant in developing scenarios to examine resources and infrastructure, including renewable and low-carbon generation, energy efficiency, electric storage, demand response, and new gas transmission pipelines, that could be implemented to entirely replace the Aliso Canyon field within two different planning horizons: 2027 and 2045. The year 2027 marks 10 years following delivery of the letter from then-Energy Commission Chair Robert Weisenmiller to then-Commission President Michael Picker, requesting planning for closing the facility within 10 years.[4] The year 2045 is aligned with the SB 100 (De Leon, 2018) policy goal for 100 percent of retail sales in California to be supplied by eligible renewables and zero-carbon resources.

The issues to be determined in Phase 3 are:

1. How can the services presently provided by the Aliso Canyon field be met if the field were to be eliminated within the two planning horizons of 2027 and 2045?
    a. Scenarios analysis may include any mix of the following, in addition to other solutions: demand reduction and demand management programs that reduce demand incrementally beyond programs presently in place and/or assumed in the demand

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costs and natural gas commodity costs, of a reduction or closure of Aliso Canyon.

[3] See, e.g., Transcript at 79 (February 25, 2019).

[4] See https://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/News_Room/News_and_Updates/2017-07-19-energy-commission-chair-releases-letter-ailso-canyon_nr.pdf.

forecast; replacement of gas transmission pipelines or the construction of new gas transmission pipelines; and replacement electric generation resources that are carbon neutral or act to integrate renewable energy. Additional detail about the assumptions that may form part of this analysis is included in Appendix A.

3. Expert Consultant

The Commission intends to retain the services of an expert consultant to undertake an examination of the issues in Phase 3. The scenarios to replace the service provided by the Aliso Canyon field will be evaluated on a set of metrics, to be determined by the Commission, with input from parties, and will include, at a minimum, rate and cost impacts, greenhouse gas (GHG) emissions impacts, electric and gas reliability, and time frames for related transitions.

The expert consultant will evaluate each scenario by conducting an implementation assessment. The assessment will evaluate the feasibility of any proposed plans(s) and specific technology(ies) or resources identified as necessary in the scenario for replacing Aliso Canyon. Elements of the assessment will include the cost of replacement technology(ies) within a utility system, any potential impact on commodity costs, commercial availability and data from commercial operations within a utility system, the timeframes to develop and implement the technology(ies), and regulatory constraints.

The expert consultant will have the benefit of leveraging the initial modeling results conducted in Phase 2 by the Commission's Energy Division about the impacts to residential customers and electric generation customers if Aliso Canyon were to be reduced or eliminated. The expert consultant will also be able to use the assumptions incorporated into the Phase 2 modeling effort about declining gas usage and the achievement of a lower-greenhouse gas (GHG)-emission portfolio as set out in the Integrated Resources Plan

proceeding,[5] which represents the electric resources and transmission needed to help the state reduce economy-wide GHG emissions to 40% below 1990 levels by 2030. Finally, the expert consultant will be able to draw on the assumptions of future energy savings and load modification from the Commission's energy efficiency, demand response, building decarbonization, building electrification through fuel switching, rooftop solar, electric vehicles, and other demand reduction and modification programs. The elements to be included in the baseline analysis are set forth in Appendix A to this ruling.

4. Party Participation

The Commission encourages participation by parties in all elements of Phase 3, which will launch immediately and be undertaken concurrently with the remaining modeling work by the Commission's Energy Division. To begin, while the Commission undergoes the process of engaging the expert consultant, parties are requested to provide opening and reply comments on the questions set forth below. Concurrent opening comments must be filed by January 31, 2020, and concurrent reply comments must be filed by February 14, 2020.

Questions

1. Should the baseline analysis include any other items beyond those set forth in Appendix A to this ruling?
2. Are there other planning timeframes the Commission should consider beyond 2027 and 2045, and if so, why?
3. Are there replacement strategies, programs, resources, and/or infrastructure, beyond those listed herein, that the

[5] Rulemaking 16-02-007.

Commission should consider when analyzing how to replace Aliso Canyon?

4. Should the independent expert develop cost estimates for the replacement scenarios and compare those to the business as usual costs of operating Aliso Canyon?
5. Is a sensitivities approach appropriate for this phase, given that the purpose of this phase is to study the closure of Aliso Canyon? If yes, how should the sensitivities be defined?
6. How should the remaining useful life of equipment at Aliso Canyon be considered in terms of depreciation and cost recovery?

5. Schedule

The following procedural schedule is adopted here and may be modified by the ALJ as required to promote the efficient and fair resolution of Phase 3 of I.17-02-002. Aside from initial party comments, the schedule below is to be determined. The assigned ALJ will issue a subsequent ruling presenting a complete Phase 3 procedural schedule after the Commission has retained a consultant.

Item	Date
Preliminary Phase 3 Opening Comments Filed and Served	January 31, 2020
Preliminary Phase 3 Reply Comments Filed and Served	February 14, 2020
Ruling Entering into Record Expert Consultant Preliminary Assumptions and Scenarios	TBD
Workshop # 1 Location: Southern California	TBD

Concurrent Opening Comments on Preliminary Assumptions and Scenarios	TBD
Concurrent Reply Comments on Preliminary Assumptions and Scenarios	TBD
Assigned Commissioners' Ruling Adopting Final Assumptions and Scenarios	TBD
Ruling Entering into Record Draft Consultant's Findings and Recommendations	TBD
Workshop # 2 Location: TBD	TBD
Concurrent Opening Comments on Draft Findings and Recommendations	TBD
Concurrent Reply Comments on Draft Findings and Recommendations	TBD
Proposed Decision	TBD
Commission Decision	No sooner than 30 days after issuance of Proposed Decision

6. Intervenor Compensation

In accordance with Pub. Util. Code § 1804 (a)(1), which states: "In cases … where new issues emerge subsequent to the time set for filing, the commission may determine an appropriate procedure for accepting new … notices of intent." This Ruling allows any parties wishing to do so to file a new Notice of Intent to Claim Intervenor Compensation no later than 30 days from issuance of this Scoping Memo. New Notices of Intent so filed must comply with Pub. Util. Code §§ 1801-1812 and Rule 17.1 of the Commission's Rules of Practice and Procedure.

IT IS RULED that:

1. The scope of Phase 3 of Rulemaking 18-12-005 is described above.
2. The Phase 3 schedule of this proceeding is as set forth above.
3. Respondents must and parties may file and serve concurrent opening and reply comments addressing the questions set forth in Section 4 by January 31, 2020 and February 14, 2020, respectively.
4. New Notices of Intent to Claim Intervenor Compensation may be filed no later than 30 days from issuance of this Scoping Memo. New Notices of Intent so filed must comply with Public Utilities Code §§ 1801-1812 and Rule 17.1 of the Commission's Rules of Practice and Procedure.

Dated December 20, 2019, at San Francisco, California.

/s/ LIANE RANDOLPH
Liane Randolph
Assigned Commissioner

Appendix A: Baseline Analysis

The baseline analysis will consider the following:

1. The 2030 Integrated Resource Plan (IRP) Reference System Portfolio that identifies the electric resource portfolio in compliance with Senate Bill (SB) 350 (emissions, reliability, least cost) (issued via ruling on November 6, 2019, to be presented in a proposed decision estimated in February 2020);
2. All present demand reduction and demand management programs as represented in the last approved IEPR load forecast, including energy efficiency, demand response, transportation electrification, rooftop solar, and other customer programs;
3. CPUC-verified inputs and study results showing present energy needs in the system served by Aliso Canyon from the SB 380-mandated studies:
    a. Peak day and extreme peak day gas service needs for core and non-core customers,
    b. Rate and cost impact study results showing cost impact to core customers of minimizing or closing the storage field,
    c. Hydraulic modeling results showing impact on gas flows and pressure within the Southern California Gas System of minimizing or closing Aliso Canyon, and
    d. Production cost modeling results showing the impact of minimizing or closing the storage field on electric generation in Southern California, including power flows between Los Angeles Department of Water and Power and the California Independent System Operator.

4. Findings and conclusions from reports examining the natural gas transition:
    a. 2018 California Council for Science and Technology report, *Long-Term Viability of Underground Natural Gas Storage in California*, https://ccst.us/wp-content/uploads/Summary-Report-v2.pdf (summary report)
    b. CEC/E3 PATHWAYS studies and updates, e.g. June 2018 *Deep Decarbonization in a High Renewables Future: Updated Results from the California PATHWAYS Model*, https://www.ethree.com/wp-content/uploads/2018/06/Deep_Decarbonization_in_a_High_Renewables_Future_CEC-500-2018-012-1.pdf
    c. September 2019 Gridworks, *California's Gas System In Transition*, https://gridworks.org/wp-content/uploads/2019/09/CA_Gas_System_in_Transition.pdf
    d. October 2019 (Draft) California Energy Commission, *Natural Gas Distribution in California's Low-Carbon Future,* https://ww2.energy.ca.gov/2019publications/CEC-500-2019-055/index.html
    e. June 2018 Western Electricity Coordinating Council, Western Interconnection Gas – Electric Interface Study. https://www.wecc.org/Administrative/WECC%20Gas-Electric%20Study%20Public%20Report.pdf

Scenario planning

The scenario planning will use at least the following:

1. The planning horizons of 2027 and 2045.
2. Sensitivities developed for the IEPR load forecast that include aggressive projections for all customer/behind-the-meter programs.

3. Sensitivities that include new programs not yet incorporated in the IEPR load forecast, such as the CPUC's fuel substitution rule within energy efficiency.
4. Fourth Climate Assessment projections for temperature, sea level rise, and other climate-related variables relevant to Southern California.
5. A geospatial depiction of gas transmission pipelines that would be needed to transport natural gas using assumptions about reduced core and non-core customer demand and additional incremental electric generation resources.

(END OF APPENDIX A)