STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

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Ratesetting

TO PARTIES OF RECORD IN INVESTIGATION 17-02-002:

This is the proposed decision of Administrative Law Judge Zhen Zhang. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's August 31, 2023 Business Meeting. To confirm when the item will be heard, please *see* the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE
Michelle Cooke
Acting Chief Administrative Law Judge

MLC:smt

Attachment

Decision **PROPOSED DECISION OF ALJ ZHANG** **(Mailed 7/28/2023)**

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

DECISION GRANTING IN PART AND DENYING IN PART THE JOINT PETITION FOR MODIFICATION OF DECISION 21-11-008

TABLE OF CONTENTS

Title **Page**

DECISION GRANTING IN PART AND DENYING IN PART THE JOINT PETITION FOR MODIFICATION OF DECISION 21-11-008

Summary

This decision grants in part and denies in part the Joint Petition for Modification of Decision (D.) 21-11-008 filed by Southern California Gas Company and San Diego Gas & Electric Company. While we do not adopt verbatim the requested changes to the text, we modify Findings of Fact, Conclusion of Law, and Ordering Paragraphs in D.21-11-008 to reflect the increase of the interim storage limit of working gas at Aliso Canyon Natural Gas Storage Facility to 68.6 billion cubic feet.

This proceeding remains open.

1. Factual and Procedural Background

After the massive natural gas leak at Aliso Canyon Natural Gas Storage Facility (Aliso Canyon), Senate Bill (SB) 380 (Statutes of 2016, Chapter 14) tasked the California Public Utilities Commission (Commission) with determining "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."[1] The Commission opened Investigation (I.) 17-02-002 on February 9, 2017.

Since 2017, the Commission completed Phase 1 and is in the process of completing Phase 2 and Phase 3. In Phase 1, the Commission developed the Scenarios Framework, which describes the models, scenarios, inputs, and assumptions to assess the impacts of Aliso Canyon on rates and natural gas and

[1] SB 380, Public Utilities (Pub. Util.) Code § 714(a).

electric reliability.[2] Phase 2 and Phase 3 involve modeling the impact of Aliso Canyon on rates and reliability, and analyzing possible portfolios of resources (e.g. electricity transmission, gas transmission, demand reduction, renewables, and electric storage) that could be implemented to replace the services presently provided by Aliso Canyon if the field were to be eliminated within the two planning horizons in the next 20 years.[3]

On September 23, 2022, the assigned Commissioner issued a ruling which discussed a path forward with Energy Division's staff proposal for possible portfolios to replace Aliso Canyon and ordered the parties to serve testimony.[4] Parties served Opening Testimony, Rebuttal Testimony, and Sur-Rebuttal Testimony on December 12, 2022, January 18, 2023, and February 8, 2023 respectively.[5] On July 26, 2023 the assigned Administrative Law Judge (ALJ) held a status conference to discuss the schedule for the proceeding.

The Commission set the interim storage capacity at Aliso Canyon at 34 billion cubic feet (Bcf) in 2020 based on five technical reports which evaluated the range of working gas necessary for reliability at Aliso Canyon.[6] Subsequently, the Commission increased the limit to 41.16 Bcf due to the need to

[2] Assigned Commissioner and Administrative Law Judge's Ruling Adopting Scenarios Framework and Closing Phase 1 of Investigation 17-02-002, January 4, 2019.

[3] Assigned Commissioner's Amended Phase 2 and Phase 3 Scoping Memo and Ruling, July 9, 2021, at 4 – 5.

[4] Assigned Commissioner's Ruling Entering into the Record Energy Division Proposal and Ordering Testimony, September 23, 2022.

[5] Email Ruling Extending Testimony Due Dates, October 18, 2022.

[6] Decision (D.) 20-11-044.

protect ratepayers from reliability issues and rate impacts during the 2021 winter season.[7] The Commission noted that it would revisit the storage limit if needed.[8]

In the winter starting in November 2022, California and the West experienced wholesale natural gas price spikes that significantly impacted ratepayer energy bills. On March 20, 2023, the Commission opened a formal proceeding to investigate the causes of the natural gas price spikes and the impacts on energy markets and ratepayers.[9]

On April 19, 2023, Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) filed the Joint Petition for Modification of D.21-11-008 (Petition), in which SoCalGas and SDG&E request the Commission to increase the interim limit of working gas at Aliso Canyon from 41.16 Bcf to 68.6 Bcf. Along with the Petition, SoCalGas and SDG&E also filed a motion to shorten the 30-day response period to 10 days to provide sufficient time for injections before November 1, 2023.[10]

On May 1, 2023, Indicated Shippers filed responses in support of the Petition and the motion to shorten time. On May 3, 2023, Issam Najm (Mr. Najm) opposed the motion to shorten time and on May 4, 2023, the Protect Our Communities Foundation (PCF) opposed the motion to shorten time as well.

On May 5, 2023, the assigned ALJ issued a ruling requesting additional information in support of the Petition and granted in part the motion to shorten

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[7] D.21-11-008.

[8] *Id.* at 2.

[9] Investigation (I.) 23-03-008, Order Instituting Investigation on the Commission's Own Motion into Natural Gas Prices During Winter 2022-2023 and Resulting Impacts to Energy Markets, March 20, 2023.

[10] Joint Motion of SoCalGas (U904G) and SDG&E (U902G) to Shorten Time to Respond to Joint Petition for Modification of D.21-11-008, April 19, 2023.

time. The May 5, 2023 ruling ordered SoCalGas and SDG&E to answer the following four questions. All other parties were encouraged, but not required, to respond.

1. Page 10 of the Joint Petition for Modification states "but for the 41.16 Bcf limitation, there may have been additional inventory at Aliso Canyon on November 1, 2022 and throughout the winter season, including inventory allocated to the Unbundled Storage Program." Provide data, assumptions, and modeling to support this statement.
2. What impact did the winter 2022-2023 price volatility have on your utility or your customers? Please quantify the rate and bill impacts to the greatest extent possible.
3. If the storage inventory at Aliso Canyon had been higher, would it have helped reduce the magnitude, duration or volatility of the price spikes during the 2022-2023 winter? Provide assumptions and modeling results to support your response.
4. How would increasing the maximum allowable inventory at Aliso Canyon protect against future price spikes? Provide assumptions and modeling results to support your response.

The May 5, 2023 ruling set the due dates for concurrent responses and replies on May 15, 2023 and May 29, 2023 respectively.

On May 15, 2023, the Commission's Public Advocates Office (Cal Advocates) and Southern California Edison Company (SCE) responded to the Petition, while PCF opposed the Petition. On May 16, 2023, SoCalGas and SDG&E filed a joint response to the questions attached to the May 5, 2023 ruling. Because May 29, 2023 was a holiday, the following parties filed replies to the responses on May 30, 2023: PCF, Mr. Najm, The Utility Reform Network (TURN), Indicated Shippers, and SoCalGas and SDG&E.

2. Procedural Requirements Under Rule 16.4

Rule 16.4 of the Commission's Rules of Practice and Procedure (Rules) governs the process for the filing and consideration of petitions for modification. Rule 16.4(b) requires that a petition for modification states the justification for the proposed relief and to propose specific wording for all requested modifications. Rule 16.4(d) states that if more than one year has elapsed since the effective date of the decision then the petition must explain why it could not have been presented within one year of the effective date of the decision.

SoCalGas and SDG&E state that they submit this Petition more than one year from the effective date of D.21-11-008 because of events that have transpired after November 2022. SoCalGas and SDG&E explain that due to the high natural gas prices during the 2022-2023 winter, on February 7, 2023, the Commission held an *en banc* hearing where stakeholders discussed the role of natural gas storage, including Aliso Canyon, on mitigating price volatility.[11] SoCalGas and SDG&E further elaborate that on March 20, 2023, the Commission initiated a proceeding to examine possible actions to avoid future price spikes. SoCalGas and SDG&E highlight the SoCalGas Summer 2023 Technical Assessment which states that 68.6 Bcf could be injected into Aliso Canyon but for the interim limit of 41.16 Bcf.[12]

Based on the events that occurred after November 2022, set forth by SoCalGas and SDG&E in their Petition, we conclude that the Petition complies with the procedural requirements of Rule 16.4 and provides adequate

[11] SoCalGas (U904G) and SDG&E's (U902G) Joint Petition for Modification of D.21-11-008, April 19, 2023 (Petition), at 2.

[12] *Id.*

justification as to why the Petition could not have been presented within one year of the effective date of D.21-11-008.

3. Requested Modifications

SoCalGas and SDG&E propose modifications to D.21-11-008 to increase the interim maximum storage capacity to 68.6 Bcf based on five reasons. First, the Petition asserts that the high natural gas prices during the 2022-2023 winter reflect an increased need for higher inventory at Aliso Canyon to reduce customer bills for the upcoming 2023-2024 winter.[13] The Petition explains a higher inventory would dampen price volatility.[14] The Petition states that if the 41.16 Bcf limit had not been in place in 2022, SoCalGas could have increased the inventory at Aliso Canyon beyond 41.16 Bcf, thereby increasing supply for the 2022-2023 winter.[15]

Second, the Petition asserts that SoCalGas expects to have sufficient supply to fill Aliso Canyon to 68.6 Bcf for the upcoming 2023-2024 winter. SoCalGas's Summer 2023 Technical Assessment predicts excess pipeline supply of approximately 53 Bcf over the summer season, some of which can be used to fill Aliso Canyon.[16]

Third, the Petition states the Commission's Energy Division's October 26, 2020 report titled "Aliso Canyon Investigation (I.) 17-02-002 Phase 2: Results of Econometric Modeling" (Economic Analysis Report) supports the importance of Aliso Canyon's role in mitigating natural gas price volatility,

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[13] Petition at 8 – 9.

[14] *Id.* at 10.

[15] *Id.* at 9 – 10.

[16] *Id.* at 10 – 11.

natural gas price increases, and electricity costs.[17] The Petition repeats the discussion in D.21-11-008, Section 2 and Section 3.2.[18] The Petition argues that the Commission should take expedited action to increase the inventory at Aliso Canyon to mitigate against price volatility during the 2023-2024 winter.[19]

Fourth, the Petition argues that increasing the interim storage limit will allow 27 Bcf to be allocated to the Unbundled Storage Program, which may dampen price volatility.[20] Although the Petition notes that if the Withdrawal Protocol remains in place "the Unbundled Storage Program will not be as useful to the market,"[21] this does not change the Petition's overall request to increase the storage limit. The Petition explains that the Unbundled Storage Program provides unbundled firm or interruptible storage service to any creditworthy party.[22] In general, these parties consist of large noncore customers, gas marketers, and/or the Core Gas Acquisition branch of SoCalGas, which may purchase storage in addition to their Commission-allocated core storage rights. The Petition explains that with the interim storage limit of 41.16 Bcf, there is no natural gas storage capacity allocated for the Unbundled Storage Program because the 41.16 Bcf available storage capacity is allocated to core storage rights and load balancing.[23] In short, SoCalGas and SDG&E assert that the additional storage capacity provides Unbundled Storage Program customers the ability to

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[17] Petition at 12 – 13.

[18] *Id.*

[19] *Id.* at 13.

[20] *Id.* at 15. *See* D.20-02-045, which includes the mechanism for allocating storage if the maximum inventory levels change at Aliso Canyon.

[21] Petition at 15.

[22] *Id.* at 14.

[23] *Id.*

buy cheaper gas during the summer months for the winter months when natural gas is usually more expensive, which mitigates price volatility.[24] Additionally, the Petition proposes to modify the net revenue sharing arrangement for the Unbundled Storage Program so that 100% of the revenues SoCalGas receives from selling unbundled storage go to ratepayers, rather than current allocation of 75% to ratepayers and 25% to shareholders.[25]

Fifth, the Petition states that an updated interim storage limit does not impact the ongoing evaluation of reducing or eliminating reliance on Aliso Canyon. The Petition states that an updated interim decision would not detract from the Commission's current work on how to reduce reliance on Aliso Canyon.[26]

In response to the May 5, 2023 ruling with attached questions, SoCalGas and SDG&E provided more details to support their Petition. SoCalGas notes that if the storage capacity was higher in 2022, more natural gas could have been stored at Aliso Canyon, which could have reduced costs for natural gas and electricity customers.[27] SoCalGas states that even with a conservative calculation, which excludes deliveries from the Otay Mesa receipt point, SoCalGas had 66.3 Bcf in excess supply of gas which could have been delivered to the SoCalGas system in the winter 2022. This excess supply would have

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[24] Joint Response of SoCalGas (U904G) and SDG&E's (U902G) to Administrative Law Judge Ruling on Joint Petition for Modification of Decision (D) 21-11-008, May 15, 2023, at 11.

[25] Petition at 15.

[26] *Id.* at 16 – 17.

[27] Joint Response of SoCalGas (U904G) and SDG&E (U902G) to ALJ Ruling on Joint Petition for Modification of D.21-11-008, May 15, 2023, at 5 – 6.

enabled increasing the natural gas stored at Aliso Canyon to 68.6 Bcf by November 1, 2022 for the 2022-2023 winter.[28]

While SoCalGas and SDG&E caution that their estimates are speculative, they compared the price differential between the monthly costs during 2022 injection season[29] and the monthly costs of the 2022-2023 winter season to estimate the potential savings to customers if Aliso Canyon had a higher storage limit during the 2022-2023 winter.[30] The result of the estimate is that the price differential was approximately $11/dekatherm (Dth), which when multiplied by the 27 Bcf[31] of additional inventory at Aliso Canyon, equals potential savings of over $307 million for the winter season.[32] SoCalGas and SDG&E conclude that natural gas cost $307 million more to procure during the 2022-2023 winter compared to if natural gas could have been procured before the winter and stored at Aliso Canyon. To estimate the impact on customers if more storage was available for the 2023-2024 winter, SoCalGas and SDG&E compared SoCal Citygate spot prices and SoCal Citygate winter forward prices as of May 11, 2023. SoCalGas and SDG&E estimate that if winter prices are $1/Dth lower because of access to stored gas at Aliso Canyon, then there could be a potential savings of

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[28] *Id.* at 4.

[29] *Id.* at 11 (stating that gas purchased for storage can be injected between April to October); *see also* Reply of The Utility Reform Network to Responses to ALJ Ruling Seeking Supplemental Information Concerning the Petition for Modification, May 30, 2023, at 4 (stating that the injection season is April through October, while the withdrawal season is November through March).

[30] *Id.* at 13.

[31] 68.6 Bcf (requested storage limit) – 41.16 Bcf (current storage limit) = 27 Bcf

[32] Joint Response of SoCalGas (U904G) and SDG&E (U902G) to ALJ Ruling on Joint Petition for Modification of D.21-11-008, May 15, 2023 at 13.

$2-$3 million per day, or approximately $200-$450 million over 100 – 150 days in the winter period.[33]

SoCalGas and SDG&E state that during the 2022-2023 winter, their procurement cost for core customers were 300% higher than costs in January 2022.[34] SoCalGas and SDG&E note that high procurement costs could lead to short-term financing needs, the cost of which could be passed on to customers if they are approved in the Cost of Capital proceedings.[35] For example, SoCalGas reports that in January 2023, the average SoCalGas residential bill was $308.29, approximately 300% higher than $102.40, the average January bill from 2017 to 2022.[36] Also in January 2023, SDG&E's average residential bill was $233.77, substantially higher than $78.78, the average January bill from 2017 to 2022.[37]

4. Discussion

4.1. The Petition is Granted in Part and Denied in Part

Based on the Petition, and the facts presented by the parties, we find the Petition's request to modify D.21-11-008 should be granted in part and denied in part. Although we do not adopt the Petition's proposed modifications verbatim, we adopt new Findings of Fact (FOF), Conclusion of Law (COL), and Ordering Paragraphs (OP) to reflect the interim Aliso Canyon storage capacity of 68.6 Bcf.

D.21-11-008 discussed extensively the Economic Analysis Report, which analyzed and explained how the natural gas inventory level at Aliso Canyon could reduce the impact of gas commodity price spikes and stabilize customer

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[33] *Id.* at 14.

[34] *Id.* at 7.

[35] *Id.* at 10, 12.

[36] *Id.* at 8, Figure 1.

[37] *Id.* at 9, Figure 2.

rates. D.21-11-008 stated that without a higher storage limit customers face more financial risk.[38] D.21-11-008 also explained that Aliso Canyon supports the electric system's ability to meet demand by supplying natural gas to electric generators and could mitigate electricity prices.[39] D.21-11-008 explained that outages on Line 3000 and Line 4000 restricted the amount of gas that can be injected into the storage fields, and it was unlikely SoCalGas could increase the inventory at Aliso Canyon beyond 41.16 Bcf by November 1, 2021.[40] D.21-11-008 concluded that it was prudent to increase the interim storage capacity at Aliso Canyon from 34 Bcf to 41.16 Bcf to protect natural gas and electricity customers from reliability and economic impacts during the 2021-2022 winter.[41]

Since D.21-11-008 set the Aliso Canyon interim storage capacity limit at 41.16 Bcf, during the past 2022-2023 winter, California and the Western United States experienced high commodity gas prices.[42] In particular, SoCalGas, SDG&E, and SCE report that their customers experienced high natural gas and electricity bills during the 2022-2023 winter. As discussed above, SoCalGas's and SDG&E's procurement cost in 2023 for core customers were 300% higher than costs in January 2022.[43] Consistent with the increase in procurement costs, SoCalGas customer bills and SDG&E customer bills were three times more in

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[38] D.21-11-008 at 4-5, 8-9.

[39] *Id.* at 5 - 6.

[40] *Id.* at 14 – 15.

[41] D.21-011-008 at FOF 2, COL 1 – 3, OP 1.

[42] I.23-03-008, Order Instituting Investigation on the Commission's Own Motion into Natural Gas Prices During Winter 2022-2023 and Resulting Impacts on Energy Markets, March 20, 2023, at 1.

[43] Joint Response of SoCalGas (U904G) and SDG&E (U902G) to Administrative Law Judge Ruling on Joint Petition for Modification of D.21-11-008, May 15, 2023, at 7.

January 2023 when compared to the average January bill from 2017 to 2022. SCE, a utility that only provides electricity, states that the natural gas price volatility during the 2022-2023 winter impacted SCE customer bills. SCE spent 115% more on procurement costs in December 2022 than forecasted, which led to undercollection of costs from customers. SCE is recovering undercollection from customers, which increases bundled customer generation rates by 3.4% (or $454 million), to be implemented in rates over a 12-month period starting in June 2023.[44]

SoCalGas and SDG&E explain that storage capacity mitigates price volatility because it provides the ability to buy cheaper gas during the summer months for the winter months when natural gas is usually more expensive.[45] SoCalGas and SDG&E state the general economic demand and supply principle that if there is less gas inventory and more reliance on pipeline flowing supplies, then there is more exposure to price spikes. Indicated Shippers note as an example, from 2013 to 2023, in eight out of the ten years, the average monthly natural gas spot pricing during the injection season was lower when compared to the winter season.[46] Although prices in the winter are not guaranteed to be higher than in the summer,[47] storing gas during the summer months for use in the winter could dampen price spikes.

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[44] Response of SCE (U338E) to questions in Attachment 1 of the ALJ's Ruling on Joint Petition for Modification, May 15, 2023, at 1 – 2. *See* also D.23-04-012.

[45] Joint Response of SoCalGas (U904G) and SDG&E (U902G) to ALJ Ruling on Joint Petition for Modification of D.21-11-008, May 15, 2023, at 11.

[46] Indicated Shippers' Reply to Supplemental Support and Responses to Attachment 1 Questions Filed May 15, 2023 by SoCalGas and SDG&E in Response to the ALJ's May 5, 2023 Ruling on Joint Petition for Modification, May 30, 2023, at 5 – 7.

[47] Issam Najm Reply to Joint Response of SoCalGas (U904G) and SDG&E (U902G) to ALJ's Ruling on Joint Petition for Modification of D.21-11-008, May 30, 2023, at 10 – 11 (stating that

Footnote continued on next page.

SoCalGas and SDG&E state that if the interim storage capacity is 68.6 Bcf, then there would 27 Bcf available for the Unbundled Storage Program, which would increase the natural gas inventory in the market and dampen price volatility.[48] Indicated Shippers point out that both core and noncore customers could use this additional natural gas storage as a tool to mitigate volatility in future natural gas pricing.[49] In short, the natural gas in storage acts as a hedge against high natural gas market prices and the potential for disruptions to interstate gas supply.[50] As discussed above, unlike 2021, where interstate pipeline outages could have hindered customers' ability to fill Aliso Canyon, the SoCalGas Summer 2023 Technical Assessment states it has the excess pipeline supply to fill Aliso Canyon to 68.6 Bcf by November 1, 2023 in preparation for the upcoming 2023-2024 winter.[51]

Indicated Shippers, SCE, Cal Advocates, and TURN support the Petition to increase the Aliso Canyon interim storage limit as a tool to dampen price spikes in the natural gas market.[52] In contrast, PCF and Mr. Najm argue that the Commission should deny the Petition because granting the Petition would prejudge the issues of this proceeding and also reward the alleged market

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from 2012 to 2016, in two out of the five years, a storage hedge would have lost money because winter prices were lower than summer prices).

48 Petition at 14.

49 Indicated Shippers' Reply to Supplemental Support and Responses to Attachment 1 Questions Filed May 15, 2023 by SoCalGas and SDG&E in Response to the ALJ's May 5, 2023 Ruling on Joint Petition for Modification, May 30, 2023, at 3.

50 *Id.*

51 Petition at 2, 10 - 11.

52 Indicated Shippers' Response to Joint Petition for Modification of D.21-11-008, May 1, 2023; Response of SCE (U338E) to SoCalGas (U904G) and SDG&E (U902G) Joint Petition for Modification of Decision 21-11-008, May 3, 2023.

manipulation.[53] Mr. Najm notes that SoCalGas and SDG&E failed to conduct modeling on natural gas prices and customer bill impacts and argues that storage at Aliso Canyon would have had an insignificant effect on price spikes.[54] Below, we address the arguments in support of granting the Petition first, followed by the arguments in opposition.

TURN agrees with SoCalGas and SDG&E that comparing the average monthly index prices during the injection period versus the withdrawal season is a proper measure of hedging value for core customers.[55] Also, TURN agrees with SoCalGas and SDG&E that additional storage could provide lower-cost gas and reduce spot market prices and that an incentive exists for noncore customers to buy and store gas during summer 2023.[56] Cal Advocates proposes an alternative two-year phase-in where the inventory level would increase to 57 Bcf in the summer 2023 for the 2023-2024 winter and then increase to 68.6 Bcf in 2024.[57] However, Cal Advocates does not provide additional facts or detailed justifications; therefore, we give Cal Advocates' proposal minimal weight.

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[53] The Protect Our Communities Foundation Opposition to Joint Petition for Modification of Decision 21-11-008 by SoCalGas and SDG&E, May 15, 2023, at 2 – 4; The Protect Our Communities Foundation Reply to Responses to Questions Presented in the May 5, 2023 Administrative Law Judge's Ruling, May 30, 2023, at 5 – 7; Issam Najm Reply to Joint Response of SoCalGas (U904G) and SDG&E (U902G) to Administrative law Judge Ruling on Joint Petition for Modification of D.21-11-008, May 30, 2023, at 2, 12.

[54] Issam Najm Reply to Joint Response of SoCalGas (U904G) and SDG&E (U902G) to Administrative law Judge Ruling on Joint Petition for Modification of D.21-11-008, May 30, 2023, at 6 – 9, 12.

[55] Reply of The Utility Reform Network to Responses to ALJ Ruling Seeking Supplemental Information Concerning the Petition for Modification, May 30, 2023, at 4.

[56] *Id.* at 3 – 5.

[57] Public Advocates Office Response to Petition for Modification of D.21-11-008, May 25, 2023, at 3.

Furthermore, 68.6 Bcf is the level deemed safe by the California Geologic Energy Management Division.[58]

Contrary to PCF's and Mr. Najm's contention that granting the Petition would prejudge the issues of this proceeding or preempt future Commission actions, none of the modifications to D.21-11-008 disrupt this proceeding's work to formulate and adopt a path forward. D.21-11-008 explicitly states it is an interim solution to address immediate needs of ensuring reliability and protecting customers from rate impacts while the Commission comprehensively evaluates the portfolio of resources that could replace Aliso Canyon.[59] The Petition brings to light new developments since D.21-11-008 was issued in November 2021, which are important to consider to protect ratepayers from excessively high energy costs. Changing the maximum allowable storage limit as needed does not prejudice the path forward or determine an outcome. This proceeding continues to consider near-term pathways to reduce and eliminate reliance on Aliso Canyon, consistent with the scoping memo, and based on extensive party input. Regarding Mr. Najm's criticism of the information on price spikes and customer bill impacts,[60] SoCalGas, SDG&E, and SCE reasonably

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[58] D.21-11-008 at 11, citing Energy Division Modeling Report at 9; *see* Administrative Law Judge's Ruling on Confidentiality Claims by Southern California Company Regarding Information in the Energy Division's Modeling Report, Requesting Comments on the Energy Division's Modeling Report, March 8, 2021 (affixing the January 26, 2021 Modeling Report as Attachment A); *see also* Aliso Canyon Working Gas Inventory Protection Capacity, Injection Capacity, and Well Availability for Reliability, Summer 2018 Supplemental Report, July 6, 2018, at 3, *available at* https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc_public_website/content/news_room/715report-summer2018-final.pdf.

[59] D.21-11-008 at 17 – 18.

[60] Issam Najm Reply to Joint Response of SoCalGas (U904G) and SDG&E (U902G) to Administrative law Judge Ruling on Joint Petition for Modification of D.21-11-008, May 30, 2023, at 6-12.

estimate increases in energy procurement costs and high customer bills if the Aliso Canyon storage limit remains unchanged, and in contrast, possible customer savings if the storage limit increases at Aliso Canyon. Therefore, we do not rely on the arguments of PCF and Mr. Najm when evaluating the Petition.

The Petition satisfies the Rule 16.4(b) requirement that "factual allegations must be supported with specific citations to the record in the proceeding or to matters that may be officially noticed." Rule 13.10 states "[o]fficial notice may be taken of such matters as may be judicially noticed by the courts of the State of California pursuant to Evidence Code Section 450 et seq." Evidence Code § 452(c) permits judicial notice of any official act of any legislative, executive, and judicial departments of a state." Hence, we take official notice of I.23-03-008, Order Instituting Investigation on the Commission's Own Motion into Natural Gas Prices During Winter 2022-2023 and Resulting Impacts to Energy Markets, which discusses the high natural gas prices during the 2022-2023 winter.

Additionally, Rule 16.4(b) states "[a]llegations of new or changed facts must be supported by an appropriate declaration or affidavit." Evidence Code § 452(h) permits judicial notice of "[f]acts and propositions that are not reasonably subject to dispute and are capable of immediate and accurate determination by resort to sources of reasonably indisputable accuracy." Here, the Petition cites the SoCalGas April 13, 2023 Summer 2023 Technical Assessment. The Summer Technical Assessments are regularly issued to analyze system reliability during the summer and preparedness for the upcoming winter and are generally not reasonably subject to dispute. Therefore, we take official notice that based on the SoCalGas Summer 2023 Technical Assessment SoCalGas expects to have excess pipeline capacity to fill Aliso Canyon if its interim storage capacity is increased to 68.6 Bcf. Similarly, the costs and customer bills are generally accurate determinations from reasonably reliable sources. Furthermore, bill increases experienced by SoCalGas, SDG&E, and SCE customers and the energy costs of SoCalGas, SDG&E, and SCE are supported by officer verifications under the penalty of perjury. Hence, pursuant to Rule 13.10 and Evidence Code § 452(h), we take official notice of the customer bills in the SoCalGas, SDG&E, and SCE territories and the energy costs of SoCalGas, SDG&E, and SCE during the 2022-2023 winter.

4.2. Other Issues

We consider the Petition only as to the requested modifications to D.21-11-008. We do not consider three issues that will be determined in other forums. First, the Petition discusses how the Aliso Canyon Withdrawal Protocol would affect the Unbundled Storage Program if the Aliso Canyon interim storage capacity increases, including a letter to the Commission's Deputy Executive Director for Energy and Climate Policy with a request to eliminate the Withdrawal Protocol.[61] The Petition states that the Unbundled Storage Program will not be as useful to the market if the Withdrawal Protocol stands, but the Petition does not request changes to D.21-11-008 related to the Withdrawal Protocol. Therefore, this decision does not address the Withdrawal Protocol. Nevertheless, the Withdrawal Protocol is designed to allow the use of Aliso Canyon when it is most needed for price or reliability reasons.

Second, the Petition states that the Commission should increase the ratepayer share of the Unbundled Storage Program net revenue from 75% to 100%. Given that "net revenues" can be positive or negative, the allocation represents both risks and rewards. Again, this decision does not consider

[61] Petition at 15, Attachment A.

revenue sharing decided in other proceedings because there is no record, and the topic was not part of D.21-11-008. Third, the market manipulation concerns raised by TURN, PCF and Mr. Najm are not within the scope of this proceeding as they are being considered in I.23-03-008.

5. Comments on the Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311(d) of the Public Utilities Code and comments were allowed under Rule 14.3. Opening Comments were filed on __________. Reply Comments were filed on __________.

6. Assignment of Proceeding

Alice Reynolds is the assigned Commissioner and Zhen Zhang is the assigned ALJ and the presiding officer in this proceeding.

Findings of Fact

1. D.21-11-008 increased the interim limit of working natural gas at Aliso Canyon from 34 billion cubic feet to 41.16 billion cubic feet.
2. D.21-11-008 concluded that setting the interim limit of 41.16 billion cubic feet was prudent to protect natural gas and electricity customers from reliability and economic impacts during the 2021-2022 winter.
3. D.21-11-008 stated that increasing storage beyond 41.16 billion cubic feet was unlikely, because if pipelines are out of service, then the amount of gas that can be injected in the storage fields decreases.
4. SoCalGas and SDG&E seek modifications to D.21-11-008 to increase the interim limit of working natural gas at Aliso Canyon from 41.16 billion cubic feet to 68.6 billion cubic feet in preparation for the 2023-2024 winter.
5. It is necessary to modify D.21-11-008 to protect natural gas and electricity customers from reliability and economic impacts during the 2023-2024 winter.

6. It is unnecessary to adopt verbatim the proposed modifications to Findings of Fact, Conclusion of Law, and Ordering Paragraphs.

7. The modifications to D.21-11-008 in this Decision create an interim solution to address immediate needs of ensuring reliability and protecting customers from rate impacts in preparation for the 2023-2024 winter.

8. The modifications to D.21-11-008 do not impact the Commission's work to comprehensively evaluate the portfolio of resources that could replace Aliso Canyon in the long term.

9. In this Petition, SoCalGas and SDG&E do not seek modifications to D.21-11-008 related to the Aliso Canyon Withdrawal Protocol.

Conclusions of Law

1. The Joint Petition for Modification by SoCalGas and SDG&E complies with the procedural requirements of Rule 16.4 of the Commission's Rules of Practice and Procedure and provides adequate justification as to why the petition could not have been presented within one year of the effective date of D.21-11-008.

2. Official notice of I.23-03-008, initiated on March 20, 2023, Order Instituting Investigation on the Commission's Own Motion into Natural Gas Prices During Winter 2022-2023 and Resulting Impacts to Energy Markets, should be taken pursuant to Rule 13.10 of the Commission's Rules of Practice and Procedure.

3. Official notice of SoCalGas Summer 2023 Technical Assessment should be taken pursuant to Rule 13.10 of the Commission's Rules of Practice and Procedure.

4. Official notice of the natural gas cost increases of SoCalGas, SDG&E, and SCE should be taken pursuant to Rule 13.10 of the Commission's Rules of Practice and Procedure.

5. Official notice of increases to SoCalGas, SDG&E, and SCE customer bills should be taken pursuant to Rule 13.10 of the Commission's Rules of Practice and Procedure.

O R D E R

IT IS ORDERED that:

1. The Joint Petition for Modification of Decision (D.) 21-11-008 by Southern California Gas Company and San Diego Gas & Electric Company is granted in part and denied in part as discussed in this Decision.

2. The following paragraphs are added to the Findings of Fact in Decision 21-11-008:

   7. During the 2022-2023 winter, California and Western United States experienced high natural gas prices.
   8. During the 2022-2023 winter, SoCalGas, SDG&E, and SCE experienced high natural gas costs.
   9. During the 2022-2023 winter, customers of SoCalGas, SDG&E, and SCE experienced high natural gas and electricity bills compared to previous years.
   10. SoCalGas Summer 2023 Technical Assessment predicts sufficient pipeline capacity to fill Aliso Canyon if the interim storage capacity is increased to 68.6 Bcf.
   11. If an interim decision does not address the inventory level at Aliso Canyon before the 2023-2024 winter, then natural gas and electricity customers may be impacted.

3. The following paragraphs are added to the Conclusions of Law of Decision 21-11-008:

   4. On balance, as a matter of policy, it is prudent to take the conservative approach by protecting natural gas and electricity customers from reliability and economic impacts during the upcoming 2023-2024 winter.

5. On balance, as a matter of policy, the storage level at Aliso Canyon should increase from 41.16 billion cubic feet in preparation for the 2023-2024 winter.
6. On balance, as a matter of policy, it is reasonable to set the interim maxim working natural gas storage level at Aliso Canyon at 68.6 billion cubic feet in preparation for the 2023-2024 winter.

4. Ordering Paragraphs of Decision 21-11-008 are modified to read as follows:

1. In preparation for the 2023-2024 winter, Southern California Gas Company may utilize working gas at the Aliso Canyon Natural Gas Storage Facility between zero and 68.6 billion cubic feet until updated due to new facts and circumstances or the completion of Phase 2 and Phase 3 of this proceeding.
2. Any storage inventory capacities impacted by this decision are effective as of the date of this decision.
3. Until revised or updated by the Commission, the 2020 Triennial Cost Allocation Decision (D) 20-02-045 applies. D.20-02-045 describes the mechanism to allocate storage based on shifting inventory capacity at Aliso Canyon, recommencing the Unbundled Storage Program (UBS) if there is sufficient capacity to support it and Gas Cost Incentive Mechanism (GCIM) core storage targets. The following tariff changes related to the UBS and GCIM core storage targets shall be submitted via a Tier 1 Advice Letter:
   - Schedule G-TBS: Remove reference on sheet 1 to the tariff being temporarily closed
   - Schedule G-PAL: Remove reference on sheet 1 to the tariff being temporarily closed
   - Rule 41: Remove reference on sheets 1 and 4 to certain operational hub activities being transferred to the system operator (these will revert to the hub now that the unbundled storage program is back in effect)

- GCIM Preliminary Statement: Modify core storage target on Sheet 5

5. Investigation 17-02-002 remains open.

This order is effective today.

Dated _________________, at Lakeport, California.