FILED
02/20/26
04:59 PM
A2601009

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE

STATE OF CALIFORNIA

Application of Southern California Gas Company (U904G) in Compliance with Ordering Paragraph 6 of Decision 24-12-076	**Application 26-01-009** **(Filed January 15, 2026)**

INDICATED SHIPPERS RESPONSE TO SOUTHERN CALIFORNIA GAS COMPANY APPLICATION

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February 20, 2026

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Pursuant to the California Public Utilities Commission (the Commission or CPUC) Rules of Practice and Procedure Rule 2.6, the Indicated Shippers[1] submit this response to the January 15, 2026 *Application Of Southern California Gas Company (U904g) In Compliance With Ordering Paragraph 6 Of Decision 24-12-076* (Application).

I. INTRODUCTION

The Commission should grant Applicant's requested relief. The Aliso Canyon Biennial Assessment Report Pursuant to D.24-12-076 (2025 Biennial Assessment) establishes the foundation for operation of the Aliso Canyon Natural Gas Storage Facility (Aliso Canyon). The 2025 Biennial Assessment recommends a reduction in the maximum inventory level of Aliso Canyon by 10 Bcf,[2] which would significantly increase reliability risk for the Applicant's natural gas system, especially during winter peaking months. Ascertaining the appropriate inventory

[1] The Indicated Shippers represent the natural gas non-core customer interests of the following companies in this proceeding: BP Energy Company, California Resources Corp., Chevron U.S.A. Inc., Marathon Petroleum Company LP and PBF Holding Company.
[2] CPUC Energy Division, Aliso Canyon Biennial Assessment Report Pursuant to D.24-12-076, October 1, 2025 (2025 Biennial Assessment) at 4-5, 29.

level is critical, because Aliso Canyon plays an essential role in maintaining energy reliability and preserving just and reasonable energy rates for service in Southern California.

The Application correctly identifies errors in the 2025 Biennial Assessment's analysis that threaten to undermine the reliability of the gas system and compromise the Commission's efforts to obtain rate affordability. Applicant's testimony details problematic methodological inconsistencies and inaccurate key assumptions that understate the importance of maintaining, or possibly increasing, the currently approved Aliso Canyon inventory capacity.[3] Correction of these errors is essential to reinforcing the Commission's ability to guard against service disruptions and elevated prices.

II. BACKGROUND

In February of 2017, the CPUC opened Investigation (I.) 17-02-002 to determine the feasibility of reducing or eliminating reliance on the usage of the Aliso Canyon natural gas storage facility.[4] In December 2024, the Commission issued decision D.24-12-076 (Decision) finding that Aliso Canyon is a critical part of California's energy infrastructure, necessary to support natural gas and electric system reliability and maintain just and reasonable natural gas and electricity rates.[5] The Decision ordered that Aliso Canyon remain in operation with a maximum inventory level of 68.6 Bcf, to be re-evaluated going forward on a biennial basis (Biennial Assessment) by the CPUC's Energy Division, beginning in 2025.[6] If a Biennial Assessment recommends "changes to the [Aliso Canyon] storage limit and/or the reliability and

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[3] Application (A.)26-01-009, Application of Southern California Gas Company (U904G) in *Compliance with Ordering Paragraph 6 of Decision 24-12-076,* Jan. 15, 2026 (the Application) at 4-5.
[4] Order Instituting Investigation, I.17-02-002, Feb. 17, 2017.
[5] D.24-12-076, *Decision Adopting Biennial Assessment Process*, I.17.02.002, Dec. 24, 2024 at 15, 26-31.
[6] D.24-12-076 at 60.

economic analyses,"[7] Applicant is required to file an application requesting Commission review of the Biennial Assessment and the Application.[8]

On October 1, 2025, the Energy Division issued its (first) 2025 Biennial Assessment, stating the analyses led to a recommendation for a notional 10 Bcf reduction in maximum inventory capacity to 58.6 Bcf. Importantly, Energy Division qualified this result with the caveat that no reduction in capacity may be warranted. Accordingly, Applicant filed its Application on January 15, 2026, requesting Commission review of the 2025 Biennial Assessment and recommending retention of the existing 68.6 Bcf inventory capacity. The Application also recommends a possible increase to 86.2 Bcf to meet cold winter day peak demand, assuming the critical North-South transmission line L-225 suffers an unplanned outage and Southern System capacity is reduced due to impacts from Energia Costa Azul (ECA) LNG exports.[9]

III. RESPONSE

The Indicated Shippers' utmost interest and concern in this proceeding is the reliability of Applicant's system, and the impacts of that reliability on the wider California gas grid during multiple-consecutive-day weather events such as the recent Arctic blasts.[10] Indicated Shippers'

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[7] D.24-12-076 at 61.
[8] D.24-12-076 at 61-62.
[9] A.26-01-009, *Prepared Direct Testimony of Andrew J. Sawin on Behalf of Southern California Gas Company (U 904 G)*, Jan. 15, 2026 (Testimony of Andrew J. Sawin) at AJS-14-15, AJS-20:21-24.
[10] [Reference 2014 Polar Vortex, 2021 Winter Storms Elliott and Uri, January 2025 MLK Day weekend, January 2026 Arctic Cold Snap.] Exhibit No. IS-4, Supplemental Testimony of Brian C. Collins, I.17-02-002, Jan. 5, 2024 at 3:10-14, 6:3-10 ("Polar vortexes can develop over a period of weeks. These periods of extreme weather, such as polar vertexes and heat storms that test system reliability, result in periods of elevated pricing…subsequent…price spikes, may not be revealed via forward market pricing months in advance of extreme weather"), ("Winter Storm Uri occurred in February of 2021…Well freeze-offs in the Permian Basin in Texas reduced natural gas supply at the California border…causing SoCalGas to become more dependent upon supply from natural gas storage to meet customers' demands. This elevated the marginal price of gas in the SoCalGas market, even though Winter Storm Uri was a Midcontinent event"); *Administrative Law Judge's Ruling Admitting Revised Staff White Paper Part 1 Into the Record*,

industrial facilities include energy production facilities (including power generation) and petroleum refining facilities that can take anywhere from hours to weeks to re-start if forced offline, due to significant or prolonged natural gas curtailments. Indicated Shippers agree with the Commission and the Applicant that Aliso Canyon is critical to maintaining energy reliability in Southern California.[11] Any reduction to the maximum inventory level will significantly increase the reliability risk that Applicants' system will not be able to meet both the 1-in-35 year cold day Core, and the 1-in-10 cold dry year peak day Core plus Noncore demand.

The flawed assumptions in the 2025 Biennial Assessment identified by Applicant must be corrected, and the analyses remodeled to determine an appropriate and realistic maximum inventory level. With realistic assumptions applied, the result will likely be significantly higher forecasted withdrawal requirements that do not support the reduction of the current maximum inventory level, as proposed by the 2025 Biennial Assessment.

A. Receipt Point Utilization and Flowing Supplies

Applicant explains that the 2025 Biennial Assessment relied on "unrealistic and overly optimistic" assumptions regarding receipt point utilization (RPU), pipeline availability, flowing supplies, and storage performance.[12] Applicant also notes that the theoretical capabilities of

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I.23-03-008, Feb. 13, 2025, Attachment 3, "High Natural Gas Prices in Winter 2022-23: Part 1; A Staff White paper Supporting CPUC Investigation I.23-03-008," Updated Feb. 10, 2025 at 17 ("California is not immune to price shocks due to events outside of the state since the U.S. gas system is an integrated network. For example, during Winter Storm Uri, gas production from the Permian basin, a major supply region for Southern California, dropped by 25 percent. This drop contributed to average gas prices at the SoCal Citygate skyrocketing from $11/million British thermal units (MMBtu) on February 11, 2021, to $144/MMBtu on February 16, 2021"); Jamison Cocklin, *Freeze-Offs Near Record, Setting Stage for Natural Gas 'Deliverability' Issues and Upside Volatility*, Natural Gas Intelligence (Jan. 27, 2026), https://www.naturalgasintel.com/news/freeze-offs-near-record-setting-stage-for-natural-gas-deliverability-issues-and-upside-volatility/.

[11] Application at 1-2.

[12] Testimony of Andrew J. Sawin at AJS-5.

the storage system on which the 2025 Biennial Assessment relied do not accurately represent actual operations and customer behavior.[13] The Indicated Shippers concur.

In its testimony, Applicant explains that the 2025 Biennial Assessment's conclusions regarding system reliability and reduced reliance on Aliso Canyon are based on assumptions that "materially overstate the availability of flowing supplies;" inflating the quantity of gas assumed to be available, which then "suppresses modeled storage withdrawals and overstates storage inventory and deliverability in the hydraulic modeling."[14] The RPU assumptions in the analysis do not mirror actual system operations.[15] Actual RPU may be significantly lower on any given day due to operational constraints on Applicant's system, upstream (pipeline and production) constraints and market activity. As Applicant's testimony clarifies, an assumed high RPU that does not reflect actual operational conditions; customer behavior overstates flowing supplies, which in turn lead to an understatement of the need for storage withdrawals to meet peak demands. This error then results in a higher modeled inventory and withdrawal availability that is not realistic.[16]

B. Pipeline Outages

Applicant also explains that the impact of pipeline outages on Applicant's system are underappreciated, as is the impact of how outages on discrete critical pipeline segments affect entire pipeline zones or lines. Applicant contends that the assumption that gas would be delivered to modeled receipt levels, so long as minimum operating pressures continued despite

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[13] *Id*. at AJS-6.
[14] *Id*. at AJS-5.
[15] *Id*. at AJS-6.
[16] *Id*.

scheduling restrictions, was also flawed.[17] Indicated Shippers agree with Applicant's assessments.

Indicated Shippers likewise concur with Applicant's assertion that an inventory reduction will increase price volatility and energy costs. In testimony, Applicant shows how the set of assumptions relied upon "materially overstate the availability of flowing supplies."[18] The 2025 Biennial Assessment also contains inconsistencies in the application of economic analysis methodology. For example, differing time periods are applied to comparable calculations; if consistent time periods had been applied, an entirely different outcome would have been reached, resulting in "a differential of approximately +56 percent."[19]

C. Economic Analyses and Price Volatility

Applicant also reveals that the flawed assessment is limited in scope, and omits key considerations by applying a threshold comparison rather than a comprehensive economic assessment of the price impacts of a reduction in the maximum inventory level. As pointed out by Applicant quoting the 2025 Biennial Assessment, a simple threshold comparison does not allow for the prediction of inventory reduction on gas commodity prices.[20] The forward price inputs used in the analysis assume the continued availability of Aliso Canyon at existing inventory levels,[21] and that non-Aliso storage capacity is 100% full.[22] Also puzzling, the 2025 Biennial Assessment failed to model storage for economic or price mitigation purposes. This

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[17] Testimony of Andrew J. Sawin at AJS-7.
[18] *Id*. at AJS-5.
[19] A. 26-01-009, *Prepared Direct Testimony of M. Michelle Dandridge on Behalf of Southern California Gas Company (U 904 G)*, Jan. 15, 2026 (Testimony of M. Michelle Dandridge) at MMD-3.
[20] *Id*. at MMD-4.
[21] *Id*.
[22] Testimony of Andrew J. Sawin at AJS-13:11-16.

oversight ignores the historical role of storage in mitigating price volatility, yet the 2025 Biennial Assessment notes that sufficient gas in storage historically tended to "prevent or mitigate the impact of high or volatile gas commodity prices."[23] The report's analysis is materially incomplete.

D. Gas Competition

Further, Applicant points out that rising prices as a result of competition for natural gas supplies from increasing sources such as ECA LNG exports and data centers, as well as expanding markets in other regions of North America, have not been captured.[24]

E. Unbundled Storage Program

Notably, impacts associated with the unbundled storage program (UBS),[25] which was identified by the Commission as being a critical price mitigation tool that was missing during the Winter 2022-2023 price spikes, was not included in the analyses.[26] Indicated Shippers wholeheartedly agree with Applicant that "[t]he UBS program plays a critical role in affordability, stabilizing natural gas prices and, by extension, electric rates, by providing customers access to storage that would otherwise be unavailable."[27] Further, "the Commission should exercise caution before reducing or eliminating a program that has proven effective at mitigating price volatility and protecting ratepayers."[28]

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[23] 2025 Biennial Assessment at 2.
[24] Application at 10.
[25] Testimony of M. Michelle Dandridge at MMD-5-6.
[26] [Proposed] *Decision Regarding the Causes and Contributors to the 2022-2023 Gas Price Spike and Adopting Directions to Reduce the Likelihood or Mitigate the Impact of Future Gas Price Spikes*, I.23-03-008, Jan. 23, 2026 at 144.
[27] Testimony of M. Michelle Dandridge at MMD-7.
[28] *Id*. at MMD-8.

IV. PROPOSED CATEGORY, SCHEDULE AND NEED FOR HEARING

Applicant proposes a ratesetting categorization, as the Application requests review by the Commission of recommendations regarding a utility asset that may impact system operations and rates.[29] Indicated Shippers agree with this categorization, and also support Applicant's proposed schedule. The 2025 Biennial Assessment and the Application are comprised of complex concepts, and it is important to give the analyses of these concepts the time and weight necessary to protect reliability of supply and just and reasonable rates. Likewise the stability of Applicant's gas system and the safety of its customers warrant thorough, careful examination. The record is not sufficiently informed at this stage of the proceeding to determine whether evidentiary hearings will be needed.

V. SCOPE OF ISSUES

Indicated Shippers concur with Applicant, and support the issues Applicant proposes to be considered by the Commission:

(1) Whether it is feasible to reduce the maximum inventory level at Aliso Canyon, as recommended in the Aliso Canyon Biennial Assessment, while maintaining reliability and just and reasonable rates.

(2) Whether the Commission should increase the inventory at Aliso Canyon to maintain reliability and just and reasonable rates.[30]

As set forth in the Application and this Response, Aliso Canyon is an essential component of reliability and just and reasonable rates. Reducing the maximum inventory level at this point in

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[29] Application at 7.
[30] *Id*.

time may negatively impact gas and electric system reliability, as well as raise rates for service. A thorough review of the 2025 Biennial Assessment and Applicant's recommendations as supported by its testimony, and potentially the testimony of other parties to this proceeding, is warranted.

VI. CONCLUSION

The Indicated Shippers appreciate this opportunity to submit this Response.

Respectfully submitted,

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February 20, 2026