

**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

A.26-01-009  
(Filed January 15, 2026)

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**SOUTHERN CALIFORNIA GAS COMPANY  
OPENING COMMENTS ON APRIL 15, 2026 WORKSHOP AND ANALYSIS**

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Pursuant to Administrative Law Judge (“ALJ”) Ormond’s April 16, 2026, Ruling,<sup>1</sup> Southern California Gas Company (“SoCalGas”) respectfully submits these Opening Comments on the April 15, 2026, workshop presentations and suggestions as to modifications or further analysis that may be helpful to consider for the next biennial assessment.

**I. ENERGY DIVISION’S WORKSHOP PRESENTATIONS**

**A. Receipt Point Utilization**

Receipt Point Utilization (RPU) represents the level of gas supply customers and shippers are expected to deliver to the SoCalGas system *relative to the level of capacity made available to the market*. The Energy Division’s Gas Balance Reliability Analysis on Slides 6-10 assumes pipelines in the Northern and Southern Zones will be 85% full while pipelines in the Wheeler Ridge Zone will be 100% full. However, as Commission Staff have previously recognized, an RPU of 100% "requires ‘perfect’ forecasting and fuel burn."<sup>2</sup> In addition, observed receipt levels can be materially lower due to operational and upstream constraints and market economics. As illustrated in SoCalGas's presentation (Slide 12), historical weather events demonstrate actual RPU levels far below these assumptions: the 2021 Winter Storm Yuri reduced RPU to 46%, the 2024 Arctic Blast reduced RPU to 36%, the 2025 Southwest Winter Storm reduced RPU to 36%, and most recently, the 2026 Winter Storm Fern reduced RPU to just 25%. Thus, Energy Division’s RPU assumptions overstate the amount of supply available to the system and correspondingly understate the volume and value of storage withdrawals required to meet daily demand.

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<sup>1</sup> A.26-01-009: Email Ruling Memorializing Direction Provided at Workshop, April 16, 2026.

<sup>2</sup> I.17-02-002 Phase 2: Further Hydraulic Modeling Explanation and Updates at 2.

## **B. Pipeline Outages**

The Hydraulic Modeling Analysis presented on Energy Division's Slides 11-16 does not reflect how receipt capacity is determined or managed in actual operations, and its treatment of unplanned outages is fundamentally flawed. First, the Energy Division incorrectly represented capacity reductions by lowering pressure in pipeline segments while assuming supplies could be delivered up to full receipt capacity levels. In actual operations, when a pipeline segment experiences an outage, receipt capacity reductions are posted on ENVOY and shippers are not able to schedule volumes in excess of that available capacity. By maintaining full receipt capacity levels in its modeling, the Energy Division overstated the volume of gas that could enter the system during an outage.

Second, and compounding that error, the Energy Division left the affected pipeline assets available within the hydraulic model rather than removing them. The correct approach would have been to remove the affected assets from the model entirely, reflecting the fact that an offline pipeline segment carries no gas and cannot support system throughput. By leaving those assets in the model at reduced pressure, the Energy Division allowed gas to continue flowing through segments that, in a real outage, would be unavailable. This overstated the system's ability to move supplies during an outage, which in turn materially understated the volume of storage supplies, including withdrawals from Aliso Canyon, needed to maintain reliability.

Third, the Energy Division's choice to represent an unplanned outage by using an average of historic capacity losses understates the severity of real-world events, as capacity impacts from unplanned outages can be significantly greater. As an example, pressure reductions on Line 4000 and 4002 resulted in a loss of 655 MMcfd.<sup>3</sup> As another example, the required maintenance on Line 5000 saw a capacity reduction of 150 MMcfd.<sup>4</sup> Fourth, in addition to understanding the magnitude of potential outages, the Energy Division selected an outage scenario that does not meaningfully assess system reliability. The Energy Division's choice of an outage on Line 235 West east of Quigley for its winter 2030-2031 assessment is not representative of a materially constraining outage so long as parallel paths (e.g., Line 335) remain in service, because gas flow on that path is typically limited and readily re-routed. To better reflect reliability risk, the assumed unplanned outage should be on a major pipeline with

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<sup>3</sup> SoCalGas ENVOY Critical Notice, Northern Zone Operational Restrictions, April 11, 2025.

<sup>4</sup> SoCalGas ENVOY Event ID 8283 and 8299, L5000 Maintenance.

demonstrated systemwide significance, such as Line 4000 or Line 225. On December 27, 2025, SoCalGas posted a 650 MMcfd capacity reduction at its Wheeler Ridge Zone due to a force majeure event on Line 225.<sup>5</sup> Only two months earlier, another unplanned outage on Line 225 occurred north of the Honor Rancho Storage Field and south of Saugus Station, impacting both the Wheeler Ridge Zone and Honor Rancho Storage Field and La Goleta Storage Field withdrawal.<sup>6</sup>

Lastly, SoCalGas must balance maintaining sufficient capacity for customers, and performing necessary maintenance for safety and compliance. As explained in SoCalGas's Slide 11, maintenance activities are becoming more frequent as pipelines age, inspection methods enhance, and regulations change. The average number of annual capacity reductions has increased from 2011-2019 to 2020-2025, driven in part by PHMSA's adoption of the Gas Transmission Safety Rule in 2019, which substantially expanded integrity management and inspection requirements. Thus, it is prudent to plan for significant and impactful outages to confirm continued and reliable service to customers.

### **C. Electric Generation Demand Forecast**

The summer demand forecasts presented on Energy Division's Slides 15 and 16, showing demand of 3,110 MMcfd for 2026 and 2,305 MMcfd for 2031, are materially lower than the demand presented in the 2024 California Gas Report (CGR). This divergence is particularly concerning given recent experience demonstrating that lower summer electric generation forecasts have not reliably captured actual system conditions. During the summer 2022 heatwave, electric generation and total system demand on the SoCalGas system regularly exceeded the 2022 CGR projected high summer day demand levels.<sup>7</sup> This divergence indicates that the assumptions underlying the reduced summer forecast did not fully account for sustained extreme heat events, particularly across several western states, or for the operational realities (e.g., renewable generation or imported power).

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<sup>5</sup> SoCalGas ENVOY Event ID 8309 L225 Force Majeure.

<sup>6</sup> SoCalGas ENVOY Event ID 8210 and related events for L225 Necessary Remediation.

<sup>7</sup> California Gas and Electric Utilities, *2023 California Gas Report Supplement*, at 21-24, available at [https://www.socalgas.com/sites/default/files/Joint\\_Biennial\\_California\\_Gas\\_Report\\_2023\\_Supplement.pdf](https://www.socalgas.com/sites/default/files/Joint_Biennial_California_Gas_Report_2023_Supplement.pdf).

#### **D. Energía Costa Azul LNG Export Facility**

Energy Division's Slide 20 acknowledges the Energía Costa Azul (ECA) LNG Export Facility coming into service with 425-440 MMcfd capacity, but the analysis fails to adequately account for its material operational risk to flowing supplies on the Southern System. ECA's export capacity could effectively reduce available supplies to the Southern System from 1,210 MMcfd to 785 MMcfd—only 65% of the nominal capacity of the Southern System, far below the 85% RPU assumed in the analyses. If Southern System supplies are reduced due to LNG export activity at ECA, increased reliance on storage, including Aliso Canyon, would be necessary to maintain system reliability.

#### **E. Energy Division's Caveats**

Energy Division's presentation acknowledges significant uncertainties that undermine its recommendation on Slide 21. Energy Division Slide 9 recognizes that the gas balance reliability analysis is only "a necessary but not sufficient test of pipeline-storage reliability because it does not conserve energy, nor does it consider withdrawals for cost mitigation." Moreover, while the presentation states that "[g]iven the expected rise in LNG exports and natural gas prices in 2026-27, the CPUC may wish to consider a smaller inventory reduction as a precautionary measure," the Biennial Assessment itself provided that no reduction may be appropriate.<sup>8</sup>

Moreover, Energy Division's Slide 14 acknowledges that winter 2030-31 results assume completed upgrades, no unplanned outages, and accurate forecasts. Energy Division's modeling assumed the completion of multiple system upgrades, including upgrades to the Quigley Regulator Station, additional wells at Honor Rancho, and the Honor Rancho Compressor Station Modernization Project. Another critical pending project—the Ventura Compressor Modernization Project (VCM)—is necessary to confirm that the La Goleta Storage Field can be reliably filled every summer. Until these projects are completed, tested, and perform reliably under peak conditions, it would be premature to make reductions to Aliso Canyon's inventory.

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<sup>8</sup> CPUC Energy Division, Aliso Canyon Biennial Assessment Report Pursuant to D.24-12-076, October 1, 2025 (Biennial Assessment), at 5.

## **F. Economic Analysis**

Energy Division's Slides 19 and 20 highlight that forward prices have declined due to "milder than expected" weather and "higher than expected storage levels." However, the forward price inputs used in the threshold comparison assume the continued availability of Aliso Canyon at existing inventory levels. As a result, the analysis does not reflect the gas commodity prices that would likely occur under conditions in which Aliso Canyon inventory is reduced and, therefore, cannot capture the potential price impacts associated with such reductions. Put simply, the current low forward prices reflect a market that assumes Aliso Canyon remains available—the economic analysis provides no indication of what would happen to prices without it.

This underscores how the economic analysis is a simple threshold comparison rather than a predictive or comprehensive assessment. As noted on SoCalGas's Slide 15, the economic analysis is limited in scope and not designed to evaluate the full economic consequences of reducing Aliso Canyon inventory. The analysis does not model storage behavior for economic or price mitigation purposes, even though storage has historically played a role in moderating price volatility. Moreover, the economic analysis does not capture impacts to the Unbundled Storage (UBS) Program, including effects on noncore customers and electric generators. As explained on SoCalGas's Slide 16, the UBS Program is currently fully subscribed, with 25 Bcf of storage inventory allocated, and returns 100% of net revenues to ratepayers. Moreover, after the Commission's August 2023 decision to increase Aliso Canyon's inventory, gas prices stabilized. A 10 Bcf inventory reduction would be fully borne by the UBS Program, eliminating a proven price mitigation tool while depriving ratepayers of both price protection and UBS revenues.

## **II. BIENNIAL ASSESSMENT MODIFICATIONS AND ADDITIONAL ANALYSES**

### **A. Biennial Assessment Cadence**

The Commission should reconsider how often the biennial assessments are conducted. A biennial cycle is unlikely to produce meaningfully different results between successive studies because underlying supply, demand, and infrastructure conditions simply do not change that quickly. Each assessment also requires substantial time and resources from all parties, especially in developing and vetting base case assumptions. Under the current two-year cycle, one assessment is barely complete before the next must begin, placing the Energy Division and parties in a near-continuous cycle of assessment. The Energy Division experienced delays in

issuing its report, which seems to be due to the difficulty of finalizing base case assumptions within the compressed biennial timeline. That difficulty is unlikely to improve. Uncertainty regarding base conditions is not expected to improve with the increase in maintenance activities discussed herein. The practical result is that the Commission is now examining the need for Aliso Canyon for a winter season that has already passed—an outcome that undermines the purpose of the assessment. SoCalGas respectfully proposes that the Commission adopt a five-year assessment cycle in place of the current biennial schedule. Each assessment would examine projected winter and summer reliability conditions five years into the future, giving the Commission and ratepayers a forward-looking analysis on which to base decisions about the need for, and appropriate level of, support from Aliso Canyon.

## **B. Modifications to the Reliability Analysis**

SoCalGas proposes the following modifications to the reliability analysis.

- Date of Peak Demand. Daily peak winter demand is forecast to occur in December through January, and daily peak summer demand can be at any time during the summer season but typically occurs in August through October. Therefore, the biennial assessment should select months that are representative of when the daily peak demand would occur.
- Unplanned Outage of 101.5 MMcfd for Hydraulic Flow Modeling. The unplanned outage value is overly specific and undervalued as capacity impacts from unplanned outages can be significantly greater than 101.5 MMcfd. Therefore, the biennial assessment should determine the appropriate value for unplanned outages for each biennial assessment performed.
- Methodology of Modeling Unplanned Outages. The biennial assessment should model any outages by removing the relevant assets from the hydraulic model and including associated capacity reductions in the reliability analyses to accurately reflect pipelines that are shut in and out of service.
- Receipt Point Utilization. The RPU should be applied after accounting for outages because the RPU represents the level of gas supply customers and shippers are expected to deliver to the system relative to the level of capacity made available to the market, not relative to the nominal capacity of the system.

## **C. Modifications to the Economic Analysis**

SoCalGas proposes the following modifications to the economic analysis.

- Reconsider the 50% Price Premium Threshold. It is unclear why it is appropriate for ratepayers to bear additional costs up to 50% of historical prices. Moreover, utilizing 50%, or a percentage threshold generally, may not be appropriate since actual ratepayer cost increases could be substantial even when the percentage threshold is not met. The Commission should develop a more precise

methodology that accounts for cost impacts to ratepayers rather than relying solely on percentage-based triggers.

- Incorporate Summer-Winter Price Spread Analysis. The Commission should include an analysis of summer-winter price spreads using January minus October forward prices. The summer-winter spread is directly influenced by the perceived demand or need for storage and is commonly referred to as the "storage spread." January minus October is considered a proxy for the summer-winter spread and is one of the most liquid instruments traded on the NYMEX and ICE exchanges for Henry Hub. As such, the January minus October spread is also less illiquid in other market locations including the western natural gas markets, making it a more reliable indicator of storage demand.
- Compare SoCal Citygate Prices to an Average of Multiple Western Basins. Rather than comparing SoCal Citygate prices only to Henry Hub, the Commission should compare the forward January minus October fixed price spread at SoCal Citygate to an average of the forward January minus October fixed price spreads at Henry Hub, San Juan basin, and Rockies basin. Comparing the forward January minus October fixed price spreads at SoCal Citygate to that of the western supply basins may better isolate the need or demand for storage at SoCal Citygate from other factors in the western supply basins that may be influencing the forward January minus October fixed price spread. If the January minus October spread of SoCal Citygate is higher than the average spread at Henry Hub, San Juan basin, and Rockies basin, this indicates a need for storage at SoCal Citygate, relative to other regions, and for the inventory capacity at Aliso Canyon to be maintained.

#### **D. Additional Economic Analyses**

The Biennial Assessment's economic analysis is a simple threshold comparison rather than a predictive or comprehensive assessment. The analysis does not model storage behavior for economic or price mitigation purposes, even though storage has historically played a role in moderating price volatility. Accordingly, the economic analysis is not a sufficient test to inform whether reducing Aliso Canyon inventory is prudent, and SoCalGas proposes the following additional analyses.

##### *1. Predictive Price Impact Analysis*

The current analysis does not model how inventory changes would affect prices. To address this, SoCalGas recommends a predictive analysis with one or more of the following:

- Supply-Demand Equilibrium: Model the relationship between regional supply/demand including, but not limited to, available storage inventory and withdrawal capacity, and regional price.
- Scenario-Based Price Forecasting: Rather than relying on forward prices that "assume the continued availability of Aliso Canyon at existing inventory levels," develop scenarios modeling market outcomes at different inventory levels. This

would require incorporating regional supply elasticity, pipeline constraint dynamics, and storage-price relationships.

- Dynamic Forward Curve Adjustment: The current methodology uses winter forward prices during March–May as inputs. These prices embed assumptions about available storage. A refined model should decompose forward prices to isolate the storage availability premium and recalculate expected prices under reduced inventory scenarios.

Using these methods, SoCalGas recommends analyzing both a full Aliso Canyon capacity scenario and a reduced capacity scenario. The difference between the predicted prices under these two scenarios could be used to represent the theoretical premium attributable to ratepayers to reduced storage capacity.

## 2. *Storage Behavior and Price Volatility Analysis*

The current framework does not model the impact of withdrawal capacity to price volatility and other market parameters such as frequency of price spikes with regard to price mitigation purposes. To address this, SoCalGas recommends the following:

- Historical Volatility Correlation Analysis: Statistically analyze the relationship between Aliso Canyon inventory levels and (i) daily price volatility at SoCal Citygate; (ii) frequency of price spikes exceeding specified thresholds; and (iii) basis blowouts between SoCal Citygate and upstream delivery points.
- Monte Carlo Price Simulation: Use stochastic modeling to simulate price outcomes across a distribution of demand scenarios, pipeline conditions, and storage availability levels. This would capture tail-risk events that simple threshold comparisons miss.

Using these methods, SoCalGas recommends comparing simulated prices assuming full Aliso Canyon capacity against simulated prices assuming reduced Aliso Canyon capacity. One or more models would be used to predict pricing parameters, such as volatility, frequency of price spikes, and duration of price spikes, as dependent variables from multiple independent supply and demand variables. Western regional supply and demand factors include, but are not limited to, available storage inventory, withdrawal capacity, pipeline capacity into the region, pipeline maintenance, heating demand, power generation demand, and industrial demand, modeled against both spot and forward prices. Western region prices should include spot and forward prices for AECO/NOVA, Sumas, Rocky Mountains, San Juan, Permian, Kern Delivered area, PG&E Citygate, Malin, SoCal Border, and SoCal Citygate. The difference between the simulated prices under full capacity and the simulated prices under reduced capacity would

