

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

Agenda ID #16200
RESOLUTION G-3536
January 11, 2018

R E S O L U T I O N

**EMERGENCY ORDER DIRECTING SOUTHERN CALIFORNIA
GAS COMPANY TO IMPLEMENT A MORATORIUM ON NEW
NATURAL GAS SERVICE CONNECTIONS**

Resolution G-3536 orders Southern California Gas Company to implement an emergency moratorium on new commercial and industrial natural gas service connections in both incorporated and unincorporated areas of Los Angeles County.

PROPOSED OUTCOME:

- Orders Southern California Gas Company (SoCalGas) to implement an emergency moratorium on new commercial and industrial customer gas connections in the Los Angeles County area from January 11, 2018 until further action by the Commission, or March 31, 2018, whichever is earlier.
- Directs SoCalGas to file a Tier 2 Advice Letter to implement tariff changes necessary to implement the moratorium.

SAFETY CONSIDERATIONS:

- The moratorium is designed to enhance natural gas reliability to core and noncore customers during the winter heating season and thereby preserve public health and safety.

ESTIMATED COST:

- Unknown at this time.

SUMMARY

This Resolution orders Southern California Gas Company (SoCalGas) to implement an emergency moratorium on new commercial and industrial customer connections in both incorporated and unincorporated areas of Los Angeles County area from January 11, 2018 until further Commission action or

March 31, 2018, whichever is earlier. SoCalGas is directed to submit a Tier 2 Advice Letter to implement the moratorium.

The Aliso Canyon Winter Risk Assessment Technical Report 2017-18 Supplement issued on November 28, 2017 (2017-18 Winter Technical Report) identified an emergency moratorium on new connections as a potential measure to avoid increased demand for natural gas (p. 25). The report described a series of outages on the SoCalGas system that include all of the major system elements: storage facilities, pipelines, and compressor stations. The outages collectively put SoCalGas system reliability at risk this winter and jeopardize reliability of natural gas service to noncore, and potentially core, customers.

A moratorium on new commercial and industrial, natural gas service connections in both incorporated and unincorporated areas of Los Angeles County is necessary to avoid increasing demand for natural gas by new commercial and industrial customers until such time as the Commission is assured that there is adequate capacity in the system to meet foreseeable need taking into account seasonal distinctions. It is reasonable and necessary to implement a moratorium as described in this Resolution, and the California Public Utilities Commission (CPUC) undertakes this action to preserve public health and safety pursuant to its authority under the California Constitution Article XII, Section 6 and Public Utilities Code Sections 451, 701, and 702.

BACKGROUND

In response to the Aliso Canyon natural gas leak, a series of critical planning steps to ensure reliability have been taken along with significant energy conservation efforts by residents as documented by the timeline and resources available at <http://www.cpuc.ca.gov/aliso>. For the 2017-2018 winter period, however, significant new reliability challenges on the SoCalGas system exist due to a series of major unplanned outages and maintenance issues. The Los Angeles region faces greater uncertainty than a year ago with respect to the ability of SoCalGas to meet customer demand this winter.

NOTICE

Notice of this Resolution was made by publication in the CPUC's Daily Calendar and by issuance to the service list of CPUC Investigation (I). 17-02-002 (the

“Aliso Canyon Investigation”) and Application (A.) 17-10-008 (SoCalGas General Rate Case).

DISCUSSION

A combination of events has created an unforeseen emergency situation.

On January 6th, 2016, Governor Brown issued a State of Emergency Proclamation regarding the natural gas leak at Aliso Canyon. In response to the Aliso leak and reduced usage of the gas storage field a set of reviews were undertaken by the Aliso Canyon Technical Assessment Group.¹ The 2017-18 Winter Technical Report found that the unplanned outages of three critical natural gas pipelines have raised significant concerns SoCalGas will be unable to meet natural gas demand during peak winter conditions this winter. Three pipelines that provide almost half of all import capacity into the Los Angeles region are currently out of service. With the exception of Line 4000, it is unlikely these lines will return to service before spring 2018, further constraining gas service to this region during peak winter months.

Although several mitigation measures have been implemented, including authorizing the use of gas from the Aliso Canyon storage field when necessary, expanding programs to deploy more smart thermostats that reduce demand, and other measures taken based on recommendations in the succession of technical reports prepared by the Aliso Canyon Technical Assessment Group, it remains unclear that the actions to date will be sufficient to avoid gas service disruption to noncore customers in Southern California in the event of a colder than normal series of days this winter. As stated in the 2017-18 Winter Technical Report:

Unprecedented pipeline outages (including an October 1, 2017 pipeline rupture) on the SoCalGas system mean that reliable natural gas serve this

¹Aliso Canyon risk assessment technical reports are prepared by an independent review team called the Aliso Canyon Technical Assessment Group, which is composed of technical experts from the CPUC, California Energy Commission, California Independent System Operator, and Los Angeles Department of Water and Power. The reports are available here: <http://www.cpuc.ca.gov/aliso>.

winter to noncore customers, including electric generators, is threatened. (See 2017-18 Winter Technical Report, p. 27).

A moratorium on new commercial and industrial natural gas service connections in both the incorporated and unincorporated areas of Los Angeles County served by Aliso Canyon was identified in the Winter Technical Report as a measure to avoid increased gas demand and is reasonable and necessary to address this emergency situation. The moratorium would avoid increased demand for natural gas by these customers to avoid further curtailments to existing customers. The moratorium does not apply to reassignment of customer accounts to existing connections.

SoCalGas shall submit a Tier 2 Advice Letter to implement the moratorium in its applicable tariffs. The moratorium shall remain in effect until SoCalGas can verify to the Commission, through a tier 2 Advice Letter, that it has adequate capacity to service the demand for gas in its service territory taking into account seasonal distinctions, or March 31, 2018, whichever is earlier.

In D.17-11-021, the Commission ordered SoCalGas to file a status report by December 31, 2017, that provides a detailed description of its actions to align the storage cost and storage capacity allocations approved in Decision 16-06-039 with current storage inventory, injection, and withdrawal capacity. Upon receipt of this report, the Commission may consider additional mitigation measures as necessary.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the CPUC. Section 311(g)(2) provides that this 30-day period may be reduced or waived “in an unforeseen emergency” The CPUC’s Rules of Practice and Procedure also provides that public review and comment may be waived or reduced in an “unforeseen emergency situation” specifically where there are “[a]ctivities that severely impair or threaten to severely impair public health or safety...” (Rule 14.6(a)(1) and/or where there are “[c]rippling disasters that severely impair public health or safety.” (Rule 14.6(a)(2)).

The 30-day comment period is reduced pursuant to these authorities due to the unforeseen emergency situation caused by unplanned gas system outages and

maintenance issues detailed in the 2017-18 Winter Technical Report that threaten to severely impair public health and safety. The Draft Resolution in this matter was mailed to the service lists of I. 17-02-002 (Aliso Canyon Investigation) and A.17-10-008 (SoCalGas General Rate Case) on December 15, 2018. Comments were filed on _____.

FINDINGS

1. Unplanned outages, as detailed in the 2017-18 Winter Technical Report, have created an unforeseen emergency situation on the SoCalGas system.
2. A moratorium on new commercial and industrial natural gas service connections in incorporated and unincorporated Los Angeles County is reasonable and necessary to address this emergency situation.
3. SoCalGas should submit a Tier 2 advice letter containing the tariff changes necessary to implement this moratorium.
4. The moratorium should be effective from January 11, 2018, until further Commission action following a Tier 2 advice letter by SoCalGas verifying that it has the capacity to service the demand for gas in its service territory taking into account seasonal distinctions, or March 31, 2018, whichever is earlier.
5. The CPUC undertakes this action pursuant to its authority under the California Constitution Article XII, Section 6 and Public Utilities Code Sections 451, 701, and 702.
6. Public Utilities Code section 311(g)(1) allows the Commission to reduce or waive the public review and comment period in an unforeseen emergency.

THEREFORE IT IS ORDERED THAT:

1. Southern California Gas Company shall implement an emergency moratorium on new commercial and industrial natural gas service connections in incorporated and unincorporated areas of Los Angeles County beginning January 11, 2018. The moratorium shall remain in effect, until Commission action, consistent with General Order 96-B, on a Tier 2 Advice Letter by Southern California Gas Company verifying that Southern

California Gas Company has the capacity to service the demand for gas in its service territory taking into account seasonal distinctions, or March 31, 2018, whichever is earlier.

2. Within 2 days of the effective date of this resolution, Southern California Gas Company shall verify compliance with this Resolution's emergency moratorium in a letter to Timothy J. Sullivan, Executive Director, and Edward Randolph, Energy Division Director.
3. Within 15 days of the date of the effective date of this resolution, Southern California Gas Company shall submit a Tier 2 Advice Letter with all tariff changes necessary to implement the emergency moratorium on new commercial and industrial natural gas service connections in both incorporated and unincorporated Los Angeles County.
4. Southern California Gas Company must request expedited advice letter treatment pursuant to the Commission's General Order 96-B for the advice letters in the Ordering Paragraphs above.
5. Southern California Gas Company must serve its advice letters on all service lists for Investigation 17-02-002 and Application 17-10-008, and any proceedings reasonably impacted by the emergency moratorium adopted in this Resolution.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on January 11, 2018; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director