Date of Issuance: December 6, 2019

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION | **RESOLUTION G-3560**
December 5, 2019

R E S O L U T I O N

Resolution G-3560. Ratifies the Executive Director's letter directing the Southern California Gas Company to temporarily reallocate storage injection capacity from the balancing function to customers.

PROPOSED OUTCOME:

- Ratifies the September 19, 2019, letter sent by the Executive Director of the California Public Utilities Commission (Executive Director Letter) directing the Southern California Gas Company (SoCalGas) to make available up to 100 MMcf/d of Cycle 1 firm injection capacity prior to Bidweek for customers to use in the coming month and to release additional injection capacity to customers on Cycle 1 on the day before the gas flow day, if conditions allow.
- Grants these temporary modifications until December 31, 2019.

SAFETY CONSIDERATIONS:

- Based on the information before us, no incremental safety implications associated with approval of this resolution are expected. Public health and safety would be improved by reducing natural gas reliability risk during winter 2019-20.

ESTIMATED COST:

- The implementation of the Executive Director Letter is not expected to cause incremental costs to SoCalGas.

SUMMARY

On September 19, 2019, the Executive Director of the California Public Utilities Commission (CPUC or Commission) sent a letter[1] to SoCalGas directing its System Operator to make temporary modifications to allow more underground gas storage injection capacity to be available to customers during Bidweek[2] and prior to the gas flow day. The Executive Director Letter was sent out of concern that the amount of gas in underground storage inventory was low compared to last year, which could lead to reliability concerns in Southern California this winter.

This resolution ratifies the Executive Director Letter directing SoCalGas to make available to customers up to 100 MMcf/d of Cycle 1 firm injection capacity prior to Bidweek for customers to use in the coming month. This resolution also ratifies the directive in the Executive Director Letter requiring the SoCalGas System Operator to determine whether any additional injection capacity can be released to customers on Cycle 1 on the day before the gas flow day. These modifications, which shall end on December 31, 2019, will increase the amount of gas in storage in preparation for the peak winter season when gas storage is critical for meeting customer demand.

BACKGROUND

Aliso Canyon is the largest of SoCalGas' underground storage facilities and formerly had a capacity of 86.2 billion cubic feet (Bcf). On October 25, 2015, one of the wells at Aliso Canyon began to leak. The leak lasted for nearly four months, becoming the worst natural gas leak in American history.

On May 10, 2016, Governor Brown signed SB 380, which prohibited SoCalGas from injecting gas into Aliso Canyon until the Division of Oil, Gas, and Geothermal Resources (DOGGR) performed a comprehensive safety review with

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[1] The letter was sent to SoCalGas on September 19, 2019 and is dated September 17, 2019.

[2] During Bidweek, monthly gas spot market transactions are finalized. Bidweek takes place on the five business days preceding the first of the month.

which this Commission concurred. On July 19, 2017, DOGGR certified, and the Commission concurred, that SoCalGas had completed the required inspections and safety improvements and that injections could resume. DOGGR authorized Aliso Canyon to operate at pressures up to 2,926 pounds per square inch absolute (psia), which translates into an inventory of 68.6 Bcf for the field.

The current maximum Aliso Canyon inventory is lower than the DOGGR-authorized amount due to another provision of SB 380, which added Section 715 to the Public Utilities Code. Section 715 requires the Commission to determine "the range of working gas necessary to ensure safety and reliability for the region and just and reasonable rates in California." The Commission has released a series of "715 Reports" in response to changing conditions on the SoCalGas system. The Commission published the most recent 715 report on July 6, 2018, and authorized an Aliso Canyon maximum inventory of 34 Bcf.[3]

The Commission has issued several technical reports and assessments concerning the reliability impacts of pipeline outages and the reduced use of Aliso Canyon and has established an Aliso Canyon Withdrawal Protocol (Protocol), which was last updated on July 23, 2019. The latest changes to the Protocol focused on improving short-term reliability and price stability in the Southern California region. The current Protocol specifies that Aliso Canyon withdrawals can only occur under four conditions. Since the Protocol limits SoCalGas' ability to withdraw gas from Aliso Canyon, particularly in the summer, once the field is full, its injection capacity is no longer available.

Under the current tariffs, the limited remaining injection capacity from the other three fields is dedicated to the balancing function on Cycle 1, which is the 11:00 AM to 3:00 PM period when the majority of gas is traded for gas flows beginning at 7:00 AM the next day. The market has fewer participants and/or less gas available for trades in later cycles, and it is more difficult for customers make trades to increase the amount of gas they have delivered. The lack of firm

[3] The latest 715 Report can be found here: https://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/News_Room/715Report_Summer2018_Final.pdf.

injection capacity on Cycle 1 has made it difficult for SoCalGas' Gas Acquisition Department, which purchases gas for core customers, to fill storage in advance of winter.

SoCalGas has twice filed Enhanced Injection Plans to address the lack of Cycle 1 injection capacity, which the Commission has approved through resolutions. The Commission approved SoCalGas' first gas Proposed Injection Enhancement Plan to support system reliability for summer 2017 in Resolution G-3529 (June 29, 2017).

In 2017 and 2018, SoCalGas lost a great deal of pipeline capacity. First, on October 1, 2017, Line 235-2 ruptured, and, at the time of the issuance of the Executive Director Letter, SoCalGas still had not brought the pipeline back into service. Next, due to safety concerns caused by the rupture of Line 235-2, SoCalGas performed maintenance on Line 4000 and significantly reduced its operating pressure, which reduced the amount of gas it could carry. At the time the Executive Director Letter was issued, there was still no timeline for Line 4000 to return to full pressure. Third, a right-of-way through lands held in reserve for the Morongo Band of Mission Indians expired, reducing capacity on Line 2000. This loss of capacity lowered SoCalGas' ability to deliver gas to customers.

On May 10, 2018, the Commission issued Resolution G-3540, which approved SoCalGas' second Injection Enhancement Plan and Memorandum on a temporary basis. The Commission authorized SoCalGas' System Operator to release up to 100,000 Dth of injection capacity before Bidweek for customers to use on Cycle 1 for the coming month. The Commission also authorized the System Operator to determine to whether additional injection capacity could be released to customers on Cycle 1 on the day before the gas flow day.

On June 1, 2018, the completion of the Aliso Canyon Turbine Replacement project prompted a change in SoCalGas' Rule 41. SoCalGas' Rule 41 sets aside the lesser of 345 MMcfd (348,000 dekatherms (Dth) per day) or the full amount of available storage injection capacity for the balancing function. This change to Rule 41 resulted from a settlement adopted in D. 16-10-004 and went into full effect with the expiration of the second Injection Enhancement plan on October 31, 2018.

On September 19, 2019, SoCalGas took Line 4000 completely out of service to perform safety validation work. The pipeline was scheduled to return to service at reduced pressure on November 4, 2019. At the time the Executive Director Letter was issued, the CPUC was concerned that if the validation work or the results of the recent inline inspection revealed any urgent safety concerns, SoCalGas would need to begin maintenance work immediately, potentially delaying the pipeline's return to service date and negatively impacting gas reliability. Instead, SoCalGas returned the pipeline to service on October 24.

The gas injection season officially ends on October 31. However, weather permitting, it may be possible to continue to inject in November and possibly even in December.

NOTICE

Notice of this Executive Director Letter was made by publication on the Commission's Daily Calendar. This Executive Director Letter was distributed to the Service List for proceedings Investigation (I.) 17-02-002 (Investigation into Feasibility of minimizing or eliminating the use of the Aliso Canyon), I.19-06-016 (Investigation into the Operations and Practices of Southern California Gas Company with Respect to the Aliso Canyon storage facility and the release of natural gas), and A.18-07-024 (Application for Sempra Triennial Cost Allocation Proceeding).

DISCUSSION

On April 2, 2019, SoCalGas published a Summer 2019 Technical Assessment where the following table was presented. SoCalGas forecasted that under the best-case scenario, 82.12 Bcf of gas would be in storage at all four SoCalGas underground storage facilities[4] by the end of October, which is just short of the fields' maximum capacity of 84.4 Bcf. In reality, as of September 13, 2019, only 70.8 Bcf of gas was in storage at the four fields. Given expected demand and the

[4] The four storage fields are Honor Rancho, Playa del Rey, La Goleta, and Aliso Canyon.

continued pipeline supply restrictions on the SoCalGas system, the Commission does not forecast storage to be filled under current conditions.

		2019						
		April	May	June	July	August	September	October
Best Case	Supply Utilization	90%	90%	90%	85%	90%	85%	85%
	CGR Demand	76320	67983	65490	75485	82429	78780	73594
	Pipeline Supply	78915	81546	78915	79244	83778	84338	87149
	Storage Injection[1]	2595	12014	13425	3759	1364	4837	6901
	Month End Inventory (BCF)[2]	40.25	52.26	65.68	69.44	70.81	75.64	82.12
Worst Case	Supply Utilization	90%	90%	90%	90%	95%	95%	90%
	CGR Demand	76320	67983	65490	75485	82429	78780	73594
	Pipeline Supply	60555	62574	72165	74571	78593	76058	74571
	Storage Injection[1]	-15765	-5410	6675	-914	-3836	-2723	976
	Month End Inventory (BCF)[2]	21.89	16.48	23.15	22.24	18.40	15.68	16.65

1 Storage injection is the lesser of the available supply or the available injection capacity (negative numbers represent withdrawal).

2 Combined potential capacity is 83.9 BCF.

With SoCalGas' pipeline situation similar to, and potentially worse than, last year, it is critical that SoCalGas maximize storage inventories before winter. If winter 2019-20 sees similar weather conditions to winter 2018-19, there is cause for reliability concerns if storage is not full. Energy Division's Winter 2018-19 SoCalGas Conditions and Operations Report found there were several winter days when maximum withdrawal at all four storage fields and near-maximum pipeline supplies were not enough to meet gas demand. This in turn caused gas-fired electric generation customers to be subject to both voluntary and mandatory curtailments.

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 20-day comment prior to a vote of the Commission. Section 311(g)(3) provides that this 30-day public review and 20-day comment period may be reduced/waived by Commission adopted rule.

The 30-day public review and 20-day comment period has been reduced by a decision where the Commission has determined that public necessity, as defined in Rule 14.6 (c)(2) requires reduction/waiver of the 30-day public review and 20-day comment period.

All comments received on the Draft Resolution are summarized below in chronological order. Updates were made throughout the Draft Resolution based on the comments received.

Indicated Shippers Comments on November 14, 2019

Indicated Shippers does not oppose the Executive Director Letter directives. They suggested that the CPUC should adjust cost allocation for storage assets with any increased core customer use of the system. Indicated Shippers states that shifting firm injection capacity to SoCalGas' core customers reduces the amount of injection available for balancing. As a result, "Customers benefitting from the increase should credit the service it is taking away." They argue that the additional firm storage capacity coming out of storage services used by noncore customers should be reclassified as firm injection and, furthermore, cost allocation must be updated. Lastly, Indicated Shippers proposes language to require cost allocation changes.

SoCalGas Comments on November 14, 2019

SoCalGas points out instances in the Draft Resolution that state Lines 235-2 and 4000 are still out of service and make suggestions to reflect the October 15 and October 24 return-to-service dates, respectively. SoCalGas then comments that the Draft Resolution stated the pipeline situation was "similar to, and potentially worse than, last year." They suggest that phrase is inconsistent with the CPUC's Winter 2019-20 Southern California Reliability Assessment stating, "Staff finds the risk this winter to be similar to or better than last winter as both L235-2 and Line 4000 could be in service whereas there was no chance of both lines being in service last year."

RESPONSE TO COMMENTS

Indicated Shippers correctly observes that neither the Executive Director Letter nor the Draft Resolution provide direction on cost allocation. The CPUC is aware of this concern as well as the negative impacts experienced by all core and noncore customers on the SoCalGas system in the last few years. However, this Resolution will not require an updated cost allocation for four reasons. First, the increase in storage inventory resulting from the directive benefits all customers on the system when gas supplies are tight by increasing both storage withdrawal capacity and total storage supply. Second, the comments do not make a substantial showing of Indicated Shippers' harm by the directive and the current cost allocation. Third, Indicated Shippers has not suggested a cost allocation proposal or changes which would address their concerns. Lastly, the CPUC has an open proceeding on Sempra's Triennial Cost Allocation Proceeding (TCAP), A.18-07-024, which may prevent this issue from arising in the future.

The comments by SoCalGas observe that the Draft Resolution should be updated to reflect the return to service dates of Lines 235-2 and 4000. Revisions have been made to reflect this point. The inconsistency in outlook between the Draft Resolution and the CPUC's Winter 2019-20 Southern California Reliability Assessment results from Line 235-2 returning to service on October 15. This development allowed the winter report, published on October 24, to have a more optimistic tone.

FINDINGS

1. As of September 13, 2019, SoCalGas had 7.4 Bcf less gas in storage than one year prior (i.e., 70.8 Bcf of gas in storage in 2019 compared to 78.2 Bcf of gas one year prior on September 13, 2018).

2. SoCalGas has twice previously filed advice letters requesting approval of Enhanced Injection Plans. The CPUC has approved the re-allocation of injection capacity reserved for balancing in both Enhanced Injection Plans.

3. SoCalGas did not filed an Enhanced Injection Plan in 2019.

4. With the return-to-service dates of two major pipelines uncertain and underground storage inventories 7.4 Bcf below last year's levels at the time the Executive Director Letter was issued, Southern California faced the possibility of energy reliability problems this winter.

5. In accordance with California Public Utilities Code § 701 (2017), the Commission has the authority to "supervise and regulate every public utility in the State and may do all things, whether specifically designated in this part or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction." As such, and to ensure gas reliability this winter, this resolution ratifies the Executive Director Letter of September 19, 2019 which directed SoCalGas to temporarily make additional storage injection capacity available to customers.

THEREFORE IT IS ORDERED THAT:

1. The Executive Director's letter of September 19, 2019, to Southern California Gas Company directing additional storage injection is ratified.

2. The SoCalGas System Operator shall make up to 100 MMcfd of the storage injection capacity allocated to the system balancing function available to customers for injection nominations for the following month, every month before Bid Week, which is the five business days preceding the first of the month. The System Operator shall make this allocation on a best-efforts basis, given projected system operating conditions for the coming month. SoCalGas shall post this injection capacity on Envoy.

3. The SoCalGas System Operator shall determine whether additional injection capacity can be released to customers on Cycle 1 on the day before the gas flow day based on projected system operating conditions. SoCalGas shall post this injection capacity on Envoy.

4. SoCalGas' Gas Acquisition Department shall use best efforts to use the injection capacity made available to inject gas into storage.

5. These temporary modifications expire on December 31, 2019.

6. Within 30 days of the expiration of the temporary modifications, SoCalGas shall file a Tier 1 advice letter containing a status report of storage

inventory and an analysis of the effectiveness of these temporary modifications in increasing storage inventory.

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 December 5, 2019; the following Commissioners voting favorably thereon:

<u>/s/Alice Stebbins</u>
ALICE STEBBINS
Executive Director

MARYBEL BATJER
President
LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
Commissioners