

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298

October 1, 2021

Agenda ID #19927

—and

—Alternate Agenda ID #19930

—Ratesetting

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

Enclosed are the proposed decision of Administrative Law Judge (ALJ) Zhen Zhang previously designated as the presiding officer in this proceeding and the alternate proposed decision of Commissioner Guzman Aceves. The proposed decision and the alternate proposed decision will not appear on the Commission's agenda sooner than 30 days from the date they are mailed.

Pub. Util. Code § 311(e) requires that the alternate item be accompanied by a digest that clearly explains the substantive revisions to the proposed decision. The digest of the alternate proposed decision is attached.

This matter was categorized as ratesetting and is subject to Pub. Util. Code § 1701.3(c). Upon the request of any Commissioner, a Ratesetting Deliberative Meeting (RDM) may be held. If that occurs, the Commission will prepare and publish an agenda for the RDM 3 days beforehand. When an RDM is held, there is a related *ex parte* communications prohibition period. (See Rule 8.2(c)(4).)

When the Commission acts on these agenda items, it may adopt all or part of the decision as written, amend or modify them, or set them aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision and alternate decision as provided in Pub. Util. Code §§ 311(d) and 311(e) and in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov). Pursuant to Rule 14.3, opening comments shall not exceed [15] pages.

Comments must be filed pursuant to Rule 1.13 and served in accordance with Rules 1.9 and 1.10. Electronic copies of comments should be sent to Commissioner Guzman Aceves's Chief of Staff Jonathan Koltz at [Jonathan.koltz@cpuc.ca.gov](mailto:Jonathan.koltz@cpuc.ca.gov). The current service list for this proceeding is available on the Commission's website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov).

/s/ ANNE E. SIMON

Anne E. Simon

Chief Administrative Law Judge

AES:mph

Attachment DIGEST OF DIFFERENCES BETWEEN  
ADMINISTRATIVE LAW JUDGE ZHANG'S PROPOSED DECISION

~~AND THE ALTERNATE PROPOSED DECISION  
OF COMMISSIONER GUZMAN ACEVES~~

~~Pursuant to Public Utilities Code Section 311(e), this is the digest of the substantive differences between the proposed decision of Administrative Law Judge Zhen Zhang (mailed on October 1, 2021) and the proposed alternate decision of Commissioner Martha Guzman Aceves (also mailed on October 1, 2021).~~

~~The Alternate Proposed Decision of Commissioner Guzman Aceves differs from the Proposed Decision of Administrative Law Judge Zhang in that it sets the interim storage capacity at the Aliso Canyon Natural Gas Storage Facility at a range between zero and 41.16 billion cubic feet whereas the Proposed Decision of Administrative Law Judge Zhang sets the interim storage capacity at a range between zero and 68.6 billion cubic feet.~~

**ATTACHMENT**  
ALJ/ZZ1/mph **PROPOSED DECISION** Agenda ID #19927 [\(Rev. 1\)](#)  
Ratesetting  
[11/4/2021 Item #17](#)

Decision **PROPOSED DECISION OF ALJ ZHANG** (Mailed 10/1/2021)

**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 SETTING THE INTERIM RANGE OF ALISO CANYON STORAGE  
CAPACITY AT ZERO TO 68.6 BILLION CUBIC FEET**

## Summary

This decision sets the interim storage capacity at the Aliso Canyon Natural Gas Storage Facility at a range between zero and 68.6 billion cubic feet. The new level adopted in this decision is based on the necessity to protect customers from natural gas reliability issues and rate impacts for both natural gas and electricity in the current timeframe, before any mitigation of these potential reliability and cost risks is completed. Today's decision is an interim solution to address the immediate needs of the upcoming winter season because if there is inadequate gas to meet demand in winter 2021-2022, there will be health and safety consequences.

The Commission will re-visit the level as needed.

### 1. Background

After the natural gas leak at the Aliso Canyon Natural Gas Storage Facility (Aliso Canyon), Senate Bill (SB) 380 (Statutes of 2016, Chapter 14) authorized the Commission's Executive Director, in consultation with the State Oil and Gas Supervisor,<sup>1</sup> to direct the operator of Aliso Canyon to maintain a specified range of working gas at Aliso Canyon.<sup>2</sup> The statute expired on January 1, 2020.<sup>3</sup> With Decision (D.) 20-11-044, the Commission maintained the maximum storage level for Aliso Canyon at 34 billion cubic feet (Bcf) pending the modeling results and the final report by the Commission's Energy Division.<sup>4</sup>

In November 2020, Energy Division completed the report titled "Aliso Canyon I.17-02-002 Phase 2: Results of Econometric Modeling" (Economic

<sup>1</sup> The Division of Oil, Gas, and Geothermal Resources is now called the Geologic Energy Management Division of the Department of Conservation of California (CalGEM).

<sup>2</sup> Senate Bill 380(2) (stating "...the commission, in consultation with specific entities, to determine the range of working gas necessary to ensure safety and reliability for the region and just and reasonable rates in California..."); Pub. Util. Code § 715(d).

<sup>3</sup> Pub. Util. Code § 715(f).

<sup>4</sup> D.20-11-044 at 1.

Analysis Report),<sup>5</sup> on which the parties filed opening comments and reply comments on November 16, 2020 and November 23, 2020 respectively. In January 2021, Energy Division completed the “Aliso Canyon I.17-02-002 Phase 2: Modeling Report,” (Modeling Report) which was entered into the record in March 2021.<sup>6</sup> Parties filed opening comments and reply comments on the Modeling Report on March 19, 2021 and April 5, 2021 respectively.

On May 26, 2021, Indicated Shippers filed a Petition for Modification of D.20-11-044 to increase the storage limit to 54.88 Bcf. The parties filed responses and replies on June 28, 2021 and July 8, 2021 respectively.

## **2. The Economic Analysis Report and the Modeling Report**

The parties challenge the basis and the findings in the reports by Energy Division, which might lead to different conclusions of the level of natural gas storage needed at Aliso Canyon Natural Gas Storage Facility. The parties will have an opportunity to present their own analyses at future hearings. Today, however, summaries of the reports in this section are provided to inform the discussion in Section 3.

In the Economic Analysis Report and the Modeling Report, Energy Division discussed the role of Aliso Canyon in stabilizing gas prices and customer rates while maintaining reliability. The Economic Analysis Report analyzed natural gas price volatility, the impact of natural gas storage availability on ratepayer’s gas bills, and the impact on electricity costs due to the

<sup>5</sup> Administrative Law Judge’s Ruling Entering into the Record Energy Division’s Economic Analysis Report, Requesting Comment, Nov. 2, 2020 (Attachment A “Aliso Canyon I.17-02-002 Phase 2: Results of Econometric Modeling,” hereinafter “Economic Analysis Report”).

<sup>6</sup> Administrative Law Judge’s Ruling on Confidentiality Claims by Southern California Gas Company Regarding Information in the Energy Division’s Modeling Report, Requesting Comments on Energy Division’s Modeling Report, Mar. 8, 2021 (Attachment A “Aliso Canyon I.17-02-003 Phase 2: Modeling Report,” hereinafter “Modeling Report”).

limited availability of Aliso Canyon.<sup>7</sup> The results of Energy Division's analysis showed that gas prices were more volatile in 2017 and 2018 as compared to 2016.<sup>8</sup> By 2018, 25% increases in the same-day gas price were common.<sup>9</sup> Energy Division found that when compared to average gas commodity procurement costs from 2013 to 2015, before the Aliso Canyon leak and limitations, the average gas commodity procurement cost for Southern California Gas Company (SoCalGas) customers increased in 2016 (\$1.36 per customer bill), 2017 (\$1.89 per customer bill), and 2018 (\$2.25 per customer bill).<sup>10</sup> Based on the 2016 estimate, the total impact of the loss of Aliso Canyon on core residential gas customers is approximately \$102 million per year.<sup>11</sup>

Lastly, the Economic Analysis Report examined the impact on electricity costs due to limited availability of Aliso Canyon. Aliso Canyon has had a critical role in the electric power system's ability to meet regional demand by supplying natural gas-fired electric generation customers. Constrained availability of natural gas in Southern California could require the California Independent System Operator (CAISO) to import additional electricity into the region. Electricity imports may raise electricity prices by dispatching less fuel-efficient generators or generators that are farther away.<sup>12</sup> Because the electricity prices in CAISO's northern zone and southern zone are uniform and set by the marginal resource that clears the market, higher gas prices in Southern California can lead to higher electricity costs from the Southern California gas-fired electric generators. If one of the gas-fired electric generators in Southern California is the

<sup>7</sup> Economic Analysis Report at 3.

<sup>8</sup> *Id.* at 15.

<sup>9</sup> *Id.* at 3.

<sup>10</sup> *Id.* at 21.

<sup>11</sup> *Id.* at 4.

<sup>12</sup> Economic Analysis Report at 23 – 24.

market clearing generator in the CAISO, then electricity prices are also higher in Northern California despite lower gas costs.<sup>13</sup> When evaluating the cost trends in the CAISO market to determine if the Aliso Canyon leak and restrictions led to an increase in electricity costs and the dispatch of less efficient plants, Energy Division found that compared to 2017 there was an increase in the less efficient electric power generation in the northern zone in 2018.<sup>14</sup> Because the electricity prices in Northern California reflect the limitations in Southern California, the increase in less efficient power generation can be explained by the higher price of natural gas at SoCal Citygate,<sup>15</sup> due to the combined impact of limitations on Aliso Canyon and pipeline outages.<sup>16</sup> Energy Division estimated that electric customers in the southern zone paid about \$599 million in excess costs in 2018 due to pipeline outages and Aliso Canyon restrictions.<sup>17</sup> Also in 2018, the high gas prices at SoCal Citygate led to higher electricity prices across CAISO, including the northern zone.<sup>18</sup> Customers in the northern zone paid \$317 million more in electricity costs compared to predicted costs.<sup>19</sup>

The Modeling Report analyzed whether the elimination or minimization of Aliso Canyon causes any significant reliability effects, whether Aliso Canyon is needed for one cold winter day, and whether Aliso Canyon is needed for

<sup>13</sup> *Id.* at 29.

<sup>14</sup> *Id.* at 40 - 41, at 25 (stating “where lower heat rates are associated with more efficient power generating plants, a lower IMHR (implied market heat rate) means a more efficient market and a higher IMHR means a less efficient market.”), at 31 (stating “2017 and 2018 show a substantial increase in IMHR, despite other significant factors that were driving electric prices lower, such as increased renewable generation, increased hydro generation, and a transition to more efficient thermal generation.”)

<sup>15</sup> SoCal Citygate is a virtual trading location on SoCalGas’s systems for natural gas deliveries.

<sup>16</sup> Economic Analysis Report at 4.

<sup>17</sup> Economic Analysis Report at 33.

<sup>18</sup> *Id.* at 39.

<sup>19</sup> *Id.* at 40.

sustained cold periods.<sup>20</sup> When evaluating the impact of Aliso Canyon on gas-fired electric generators, where the gas supply is reduced, Energy Division found that reliability is reduced while costs increased due to less optimal resource dispatch.<sup>21</sup> Simulations of a 1-in-10 peak demand day of winter 2030 demonstrated that Aliso Canyon is necessary to provide gas reliability. Furthermore, for a 1-in-10 peak demand day, Aliso Canyon is needed to maintain reliability when non-Aliso Canyon storage fields are 30%, 50%, 70%, or 90% full. Simulations for a sustained cold period demonstrated that Aliso Canyon inventory between 41.2 Bcf and 68.6 Bcf would be needed to ensure reliability depending on pipeline capacity.<sup>22</sup> If pipeline capacity increases, more natural gas can be imported from outside of California, and less gas needs to be stored at Aliso Canyon to meet demand. Receipt point utilization percentages (RPU), the proxy for available interstate gas supply, has been a contentious issue, as the parties have advocated for as low as 60% and higher than 90%.<sup>23</sup> Other factors affect pipeline capacity as well, such as reduced capacity due to pipeline maintenance or repairs.<sup>24</sup>

### **3. Discussion**

D.20-11-044 set the storage level at 34 Bcf level based on the prior Energy Division reports assessing whether monthly 1-in-10 peak day demand could be met with forecasted storage inventory levels.<sup>25</sup> All the parties who submitted comments to D.20-11-044, except Protect Our Communities Foundation (PCF), supported increasing the storage level over the 34 Bcf level in order to address

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<sup>20</sup> Modeling Report at 9.

<sup>21</sup> *Id.* at 12, 24.

<sup>22</sup> *Id.* at 9.

<sup>23</sup> Modeling Report at 86.

<sup>24</sup> *Id.* at 87.

<sup>25</sup> D.20-11-044 at 8.



reliability and customer rates issues.<sup>26</sup> PCF supported the 34 Bcf level, but noted that the decision failed to achieve closure of the facility. D.20-11-044 explained that it was appropriate for the inventory level to remain at 34 Bcf in the interim and a new level would be established after Energy Division completed its analysis, the Modeling Report in Phase 2, and the parties had an opportunity to comment on the Modeling Report.<sup>27</sup>

### **3.1. Gas Prices and Rates Stability**

The natural gas inventory level at Aliso Canyon has economic impacts on gas prices, natural gas costs and electricity costs for customers. In November 2020, the parties commented on the Economic Analysis Report's conclusions that with the limitations on Aliso Canyon, gas prices were more volatile, natural gas core residential customers faced increased costs, and electricity customers also faced increased costs.<sup>28</sup>

Indicated Shippers commented that the cost to natural gas residential core customers substantiates the similar experience of commercial and industrial noncore customers.<sup>29</sup> SoCalGas agreed with Energy Division's analysis that reduced availability of Aliso Canyon increased price volatility. SoCalGas asserted that the potential impact could be understated as the weather in the study period was mild. SoCalGas noted that costs were underestimated because the Economic Analysis Report did not include administrative costs and import electricity costs.<sup>30</sup> PCF commented that the Economic Analysis Report failed to

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<sup>26</sup> *Id.* at 11-12.

<sup>27</sup> *Id.* at 14.

<sup>28</sup> Economic Analysis Report at 41.

<sup>29</sup> Opening Comments by the Indicated Shippers on the Administrative Law Judge's Ruling Entering into the Record Energy Division's Economic Analysis Report, Requesting Comment, Nov. 16, 2020, at 2-3.

<sup>30</sup> Comments of Southern California Gas Company (U 904 G) to California Public Utilities Commission Energy Division Economic Analysis Report, Nov. 16, 2020, at 3-4.

acknowledge that gas prices are declining and a permanent shut down of Aliso Canyon may offset the cost impact experienced by core customers.<sup>31</sup>

Even if closing Aliso Canyon may offset the cost impact experienced by customers in the future, the gist of the comments is that given the circumstances today the availability of gas at Aliso Canyon influences the price of gas and what the customers pay for gas and electricity.

Furthermore, the parties emphasized the role of Aliso Canyon in stabilizing gas prices and customer rates in comments related to D.20-11-044, which set the storage inventory at 34 Bcf.<sup>32</sup> Specifically, The Utility Reform Network (TURN) commented that a higher storage limit would help avoid gas commodity price spikes.<sup>33</sup> TURN stated that although customers have paid, and are paying, for infrastructure upgrades at Aliso Canyon, customers have not received the full benefits of Aliso Canyon.<sup>34</sup>

Natural gas storage reduces gas commodity price spikes and stabilizes customer rates. Without a higher natural gas storage limit, commercial and residential customers alike could face more financial risk.

### **3.2. Reliability**

Energy Division's 2021 Modeling Report showed that Aliso Canyon is necessary for gas reliability for a 1-in-10 winter day.<sup>35</sup> Furthermore, for sustained

<sup>31</sup> The Protect Our Communities Foundation Comments on the Administrative Law Judge's Ruling Entering into the Record Energy Division's Economic Analysis Report, Nov. 16, 2020, ¶ at 2-3.

<sup>32</sup> Comments of the Utility Reform Network in Response to the August 26, 2020 ALJ Ruling, Sep. 8, 2020, at 1; Indicated Shippers' Opening Comments on Proposed Decision, Nov. 5, 2020, at 5.

<sup>33</sup> Comments of the Utility Reform Network in Response to the August 26, 2020 ALJ Ruling, Sept. 8, 2020, at 1.

<sup>34</sup> *Id.* at 2. *See also* Response of the Utility Reform Network to the Petition for Modification of D.20-11-044 Regarding the Interim Storage Level for Aliso Canyon, Jun. 28, 2021, at 2.

<sup>35</sup> Modeling Report at 9.

cold periods, longer than the one day modeled in the 1-in-10 analysis, simulation results showed that storage at Aliso Canyon between 41.2 Bcf and 68.6 Bcf levels is necessary to maintain reliability.

Several commenters emphasized that the Modeling Report used overly optimistic assumptions related to the availability of gas imports from outside of California, represented by receipt point utilization percentage numbers. High receipt point utilization percentage numbers would indicate more gas availability from out of state sources, thereby decreasing the level of storage needed at Aliso Canyon to meet peak winter demand. Public Advocates Office of the California Public Utilities Commission (Cal Advocates) stated that the levels used by Energy Division, 85% to 100% receipt point utilization, were unrealistic because 85% to 100% were much higher than the amount of gas available from the Southwest on a peak winter day.<sup>36</sup> Indicated Shippers and SoCalGas echoed the same observation and stated that a lower receipt point utilization percentage better reflected historical data.<sup>37</sup>

PCF and Issam Najm disagreed that the 85% to 100% were unrealistic for a variety of reasons, one of which was that the consultant evaluating the portfolios that might replace the services provided by Aliso Canyon, FTI Consulting, Inc. (FTI), presented data showing that the average receipt point utilization in the last four winters was not below 85%.<sup>38</sup> Overall, even assuming high receipt point utilization percentages between 85% to 100%, meaning there would be high

<sup>36</sup> Comments of the Public Advocates Office, Mar. 19, 2021, at 1-2.

<sup>37</sup> Comments of the Indicated Shippers on Administrative Law Judge Ruling, Mar. 19, 2021, at 3, 6-8; Opening Comments of Southern California Gas Company (U 904 G) to Aliso Canyon I.17-02-002 Phase 2: Modeling Report, Mar. 19, 2021, at 14, 19.

<sup>38</sup> The Protect Our Communities Foundation Reply Comments on the Energy Division Aliso Canyon Modeling Report, Apr. 5, 2021, at 4-7; Reply Comments of Issam Najm on Energy Division's Phase 2 Modeling Report, Apr. 5, 2021 at 5-6.

availability of gas imports to meet demand in California, Aliso Canyon would still be needed to maintain reliability.

The Modeling Report stated that as interstate gas availability increases, less gas is required to be stored at Aliso Canyon. For interstate supplies of 2,800 million cubic feet per day (MMcfd) or less, the Modeling Report shows the Aliso Canyon storage limit should be 68.6 Bcf, the working gas inventory allowed by Geologic Energy Management Division of the Department of Conservation of California (CalGEM).<sup>39</sup> When interstate supplies reach 2,900 MMcfd, 54.88 Bcf at Aliso Canyon is sufficient. For interstate supplies around 3,000 MMcfd, 41.16 Bcf at Aliso Canyon is sufficient.<sup>40</sup> In all scenarios, the intrastate pipeline capacity must be available to transport the gas. Reproduced from the Energy Division Modeling Report, the table below illustrates the Aliso Canyon maximum storage levels with the coinciding interstate gas levels.<sup>41</sup>

**Table 1: Daily Pipeline Capacity and Aliso Inventory<sup>42</sup>**

Daily Pipeline Capacity (MMcfd)	Maximum Inventory at Aliso (Bcf)
2,700	68.6
2,800	68.6
2,900	54.88
3,000	41.16

Current assessments show that there is reliability risk for winter 2021-2022 given the expected daily pipeline capacity. Assuming the range of the 2,700 MMcfd to 3,000 MMcfd described in Table 1 above, the anticipated daily pipeline capacity for the peak summer months, and going forward into winter 2021-2022,

<sup>39</sup> Modeling Report at 9.

<sup>40</sup> *Id.*

<sup>41</sup> Modeling Report at 85-86 (Table V – 3 Storage Level Results).

<sup>42</sup> *Id.*

is closer to 2,700 MMcfd than 3,000 MMcfd. This means that the maximum natural gas inventory needs to be increased from the current maximum storage limit of 34 Bcf at Aliso Canyon in order to support winter gas needs. The assessment by SoCalGas titled “Southern California Gas Company Summer 2021 Technical Assessment” (SoCalGas Assessment) shows a best case scenario and a worst case scenario between 2,835 MMcfd and 2,685 MMcfd of available pipeline capacity respectively.<sup>43</sup> As part of its annual Southern California Reliability Assessment, Energy Division conducted a similar assessment. Energy Division’s “Summer 2021 Southern California Reliability Assessment” (Energy Division Assessment) evaluates whether capacity can meet demand independent of SoCalGas’s analysis. The Energy Division Assessment estimates a daily pipeline capacity of 2,675 MMcfd, which is even lower than SoCalGas’s assessment.<sup>44</sup> In June 2021, SoCalGas’s actual pipeline capacity was 2,658 MMcfd.<sup>45</sup> As presented in Table 2 below, all the values for interstate imports via the pipeline capacity show that 68.6 Bcf storage inventory at Aliso is needed to support reliability.

<sup>43</sup> Indicated Shippers Petition for Modification, May 26, 201, Attachment A “Southern California Gas Company Summer 2021 Technical Assessment, Apr. 1, 2021” at 3-4.

<sup>44</sup> California Public Utilities Commission Staff, “Summer 2021 Southern California Gas Reliability Assessment, May 17, 2021,” at 14-16 (affixed as Attachment A). This assessment has not been entered into the record or commented on by the parties. It was presented at the California Energy Commission’s Integrated Energy Policy Report “Summer 2021 Electric and Natural Gas Reliability – Day 2, Session 3” on July 9, 2021 (presentation available at TN238732\_20210707T174349\_Presentation - Summer 2021 Southern California Reliability Assessment.pdf) and is provided here for information only.

<sup>45</sup> Response of Southern California Gas Company (U 904 G) to the Indicated Shippers Petition for Modification of D.20-11-044, Jun. 28, 2021, at 4 (citing to receipt capacity posted on SoCalGas’s public Envoy database).

**Table 2: Pipeline Capacities**

Daily Pipeline Capacity (MMcfd) <sup>46</sup>	Maximum Inventory at Aliso (Bcf) <sup>47</sup>	SoCalGas Assessment : “Best Case” (MMcfd) <sup>48</sup>	SoCalGas Assessment : “Worst Case” (MMcfd) <sup>49</sup>	Energy Division Assessment <sup>50</sup>	SoCalGas as Pipeline Capacity on June 22, 2021 <sup>51</sup>
2,700	68.6		2,685	2,675	2,658
2,800	68.6	2,835			
2,900	54.88				
3,000	41.16				

The SoCalGas Assessment describes an increased need this upcoming winter due to drought conditions in California, when hydro power is predicted to be lower than last year. When hydro power levels are lower, higher levels of gas-fired electric generation are usually required,<sup>52</sup> which means the storage inventory deficit is exacerbated in cold temperatures with dry hydro.<sup>53</sup> Although SoCalGas will be able to meet peak demand in the summer of 2021, it expects to enter the winter season with low gas storage inventory and, in the worst case, noncore customers would have to be curtailed.<sup>54</sup> The low availability of hydro

<sup>46</sup> *Id.*

<sup>47</sup> *Id.*

<sup>48</sup> Indicated Shippers Petition for Modification, May 26, 201, Attachment A “Southern California Gas Company Summer 2021 Technical Assessment, Apr. 1, 2021” at 3-4.

<sup>49</sup> Indicated Shippers Petition for Modification, May 26, 201, Attachment A “Southern California Gas Company Summer 2021 Technical Assessment, Apr. 1, 2021” at 3-4.

<sup>50</sup> Summer 2021 Southern California Gas Reliability Assessment, May 17, 2021, at 14-16.

<sup>51</sup> Response of Southern California Gas Company (U 904 G) to the Indicated Shippers Petition for Modification of D.20-11-044, Jun. 28, 2021, at 4 (citing to receipt capacity posted on SoCalGas’s public Envoy database).

<sup>52</sup> Indicated Shippers Petition for Modification, May 26, 2021, at 5-6 (citing the 2020 California Gas Report).

<sup>53</sup> *Id.* at 13 (citing the SoCalGas Assessment at 2).

<sup>54</sup> Indicated Shippers Petition for Modification, May 26, 2021, at 12-13.

and the potential for an extended cold period in winter 2021-2022 indicate that it is prudent to increase the storage limit at Aliso Canyon to 68.6 Bcf.

### **3.3. Short Term Operation of Aliso Canyon**

When this proceeding was initiated in 2017, the primary issue concerned the “continued safe operation of the Aliso Canyon Storage facility and investigation of alternatives that could be pursued to reduce or eliminate the need for Aliso Canyon while maintaining energy and electric reliability and just and reasonable rates for the Southern California region.”<sup>55</sup> The Commission is sensitive to the comments and arguments to close Aliso Canyon immediately. There remains analysis in this proceeding concerning the portfolio of resources that could replace the services provided by Aliso Canyon in the long term. Furthermore, the parties will have the opportunity to contest the evidence in this proceeding at hearings. In the meantime, however, the record shows that continuing to rely on Aliso Canyon is necessary to protect customers from natural gas reliability issues and rate impacts for both natural gas and electricity in the current timeframe, and until any mitigation of these potential reliability and cost risks is completed. Today’s decision is an interim solution to address the immediate needs of the upcoming winter season.

The Commission will revisit the natural gas storage inventory limit as circumstances change. For example, due to planned maintenance and safety concerns, SoCalGas is currently operating certain pipelines at reduced capacity.<sup>56</sup> If those pipelines become fully operational and more daily pipeline capacity

<sup>55</sup> Order Instituting Investigation, Feb. 9, 2017, at 5.

<sup>56</sup> Summer 2021 Southern California Gas Reliability Assessment, May 17, 2021, at 3 (“The Line 4000 transmission pipeline, which has been operating at reduced pressure, will be taken out of service for remediation from May 1 through September 30.... The Northern Zone has a nominal capacity of 1,590 MMcfd but has been operating at reduced capacity due to safety concerns on Lines 4000, 3000, and 235”).



becomes available, then the Commission may determine it is appropriate to reduce the maximum storage limit at Aliso Canyon.

#### **4. Petition for Modification**

On May 26, 2021, Indicated Shippers filed a Petition for Modification of D.20-11-044 to increase the storage limit to 54.88 Bcf. The parties filed responses and replies on June 28, 2021 and July 8, 2021 respectively. This decision resolves the issues in the petition for modification making it moot.

#### **5. Comments on the Proposed Decision**

The proposed decision of Administrative Law Judge Zhang 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 of the Commission's Rules of Practice and Procedure. Comments were filed ~~on \_\_\_\_\_, 2021, and reply comments were filed on \_\_\_\_\_, 2021.~~ by Sierra Club, Issam Najm, Southern California Edison Company, Indicated Shippers, PCF, SoCalGas, Center for Energy Efficiency and Renewable Technologies on October 21, 2021. Reply comments were filed by Clean Power Alliance of Southern California, SoCalGas, PCF, and Center for Energy Efficiency and Renewable Technologies on October 26, 2021. Save Porter Ranch timely served comments on October 26, 2021, but the comments required revisions due to the failure to comply with the five page limit stated in Rule 14.3(d) of the Commission's Rule of Practice and Procedure.

In response to the comments, no changes to the outcome was made. A substantive change was added to the ordering paragraphs to dictate the process SoCalGas is required to follow if there are any tariff-related changes due to the increase of the storage level at Aliso Canyon.



## **6. Assignment of Proceeding**

Martha Guzman Aceves is assigned Commissioner and Zhen Zhang is assigned Administrative Law Judge for this proceeding.

### **Findings of Fact**

1. Assuming a sustained cold period occurs during winter 2021-2022, then a working gas inventory at the Aliso Canyon Natural Gas Storage Facility between 41.2 billion cubic feet and 68.6 billion cubic feet would be needed to ensure reliability.
2. Assuming the daily pipeline capacity for interstate natural gas supplies is below 2,800 million cubic feet per day, then an inventory of 68.6 billion cubic feet at the Aliso Canyon Natural Gas Storage Facility would ensure reliability for a sustained cold period.
3. Assuming the daily pipeline capacity for interstate natural gas supplies is around 2,900 million cubic feet per day, then an inventory of 54.88 billion cubic feet at the Aliso Canyon Natural Gas Storage Facility would ensure reliability for a sustained cold period.
4. Assuming the daily pipeline capacity for interstate natural gas supplies is around 3,000 million cubic feet per day, then an inventory of 41.16 billion cubic feet at the Aliso Canyon Natural Gas Storage Facility is sufficient to ensure reliability for a sustained cold period.
5. The availability of gas at the Aliso Canyon Natural Gas Storage Facility influences the price of natural gas and what the customers pay for gas and electricity.
6. Assuming a sustained cold period occurs during winter 2021-2022 and the inventory at the Aliso Canyon Natural Gas Storage Facility remains 34 billion

cubic feet, the lack of natural gas may impact residential natural gas core customers and electric customers.

7. It is a fact that is not reasonably subject to dispute and capable of immediate and accurate determination by resort to sources of reasonably indisputable accuracy that on June 22, 2021, Southern California Gas Company had a gas pipeline capacity of 2,658 million cubic feet per day, as provided on the Envoy website.

8. Parties challenge the basis and the findings in the reports by Energy Division, titled “Aliso Canyon I.17-02-002 Phase 2: Results of Econometric Modeling” and “Aliso Canyon I.17-02-003 Phase 2: Modeling Report” which might lead to different conclusions and the level of natural gas storage needed at the Aliso Canyon Natural Gas Storage Facility.

9. The opportunity to contest evidence in this proceeding will be provided in the future.

10. If an interim decision does not address the inventory level at the Aliso Canyon Natural Gas Storage Facility before winter 2021-2022, then natural gas residential core customers and electric customers may be impacted.

11. If there is inadequate natural gas to meet demand during winter 2021-2022, then there will be health and safety consequences for customers.

### **Conclusion of Law**

1. On balance, as a matter of policy, it is prudent to take the conservative approach by protecting gas and electricity customers from reliability and economic impacts during the upcoming winter 2021-2022.

2. On balance, as a matter of policy, the storage level at the Aliso Canyon Natural Gas Storage Facility should increase from the current level of 34 billion cubic feet to 68.6 billion cubic feet.

3. It is reasonable to set the interim maximum working gas storage level at the Aliso Canyon Natural Gas Storage Facility at 68.6 billion cubic feet.

## **O R D E R**

### **IT IS ORDERED** that:

1. 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 such time as this interim range is revisited.

2. Any storage inventory capacities impacted by this decision are effective as of the date of this decision. The 2020 Triennial Cost Allocation decision (D.20-02-045) adopted a mechanism to allocate storage based on shifting inventory capacity at Aliso Canyon, including resumption of 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

- [3.](#) ~~2.~~ Investigation 17-02-002 remains open.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.

Document comparison by Workshare Compare on Tuesday, November 2, 2021  
9:38:21 AM

Input:	
Document 1 ID	file://C:\Users\mph\Desktop\l1702002 Zhang Comment PD Setting The Interim Range.docx
Description	l1702002 Zhang Comment PD Setting The Interim Range
Document 2 ID	file://C:\Users\mph\Desktop\l1702002 REV 1 Setting The Interim Range.docx
Description	l1702002 REV 1 Setting The Interim Range
Rendering set	Standard

Legend:	
<u>Insertion</u>	
<del>Deletion</del>	
<del>Moved from</del>	
<u>Moved to</u>	
Style change	
Format change	
<del>Moved deletion</del>	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	20
Deletions	39
Moved from	1
Moved to	1
Style change	0
Format changed	0
Total changes	61