

ALTERNATE PROPOSED DECISION

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Ratesetting
11/4/2021 Item #17A

Decision ALTERNATE PROPOSED DECISION OF COMMISSIONER
GUZMAN ACEVES (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 41.16 BILLION CUBIC FEET

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ATTACHMENT A – Summer 2021 Southern California Gas Reliability
Assessment

DECISION SETTING THE INTERIM RANGE OF ALISO CANYON STORAGE CAPACITY AT ZERO TO 41.16 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 41.16 billion cubic feet. If there is inadequate gas to meet demand in winter 2021-2022, there will be health and safety consequences. 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. Today's decision is an interim solution to address the immediate needs of the upcoming winter season and does not detract from the work in Phase 3 of this proceeding to determine the investments needed to minimize or eliminate the use of Aliso Canyon. The Commission will re-visit the interim storage level no later than the conclusion of the combined Phase 2 and Phase 3 in this proceeding.

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,¹ to direct the operator of Aliso Canyon to maintain a specified range of working gas at Aliso Canyon.² The statute expired on January 1, 2020.³ With Decision (D.) 20-11-044, the Commission maintained the maximum storage level

¹ The Division of Oil, Gas, and Geothermal Resources is now called the Geologic Energy Management Division of the Department of Conservation of California.

² 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, subd. (d).

³ Pub. Util. Code, § 715, subd. (f).

for Aliso Canyon at 34 billion cubic feet (Bcf) pending the modeling results and the final report by the Commission's Energy Division.⁴

In November 2020, Energy Division completed the report titled "Aliso Canyon Investigation (I.) 17-02-002 Phase 2: Results of Econometric Modeling" (Economic Analysis Report),⁵ 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 2021.⁶ 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. On July 9, 2021 the Assigned Commissioner issued the Amended Phase 2 and Phase 3 Scoping Memo and Ruling, which amended the schedule to address and conclude the remaining in the two phases concurrently, and also specified that the Commission may issue a new interim storage level before resolution of the proceeding.

⁴ D.20-11-044 at 1.

⁵ Administrative Law Judge's Ruling Entering into the Record Energy Division's Economic Analysis Report, Requesting Comment, November 2, 2020 (Attachment A "Aliso Canyon I.17-02-002 Phase 2: Results of Econometric Modeling," hereinafter "Economic Analysis Report").

⁶ 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, March 8, 2021 (Attachment A "Aliso Canyon I.17-02-003 Phase 2: Modeling Report," hereinafter "Modeling Report").

On August 27, 2021, the ALJ issued a ruling ordering the Energy Division to complete additional modeling, consisting of two sensitivities to assess the need for Aliso Canyon under two winter reliability scenarios.

FTI Consulting, the independent consultant under contract with the Commission to conduct analysis to inform this proceeding, is currently finalizing its scenario modeling. A summary of the gas shortfall that FTI estimates would result if Aliso Canyon were closed and no actions were taken to replace it is available on Energy Division's web page.⁷

On November 3, 2021, FTI will present its shortfall analysis, scenarios modeled to replace Aliso Canyon, and its recommended portfolio of actions in a workshop in this proceeding.

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 more or less natural gas storage needed at Aliso Canyon. 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

⁷ <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/natural-gas/aliso-canyon/aliso-canyon-2027-and-2035-shortfall-memo.pdf>.

limited availability of Aliso Canyon.⁸ The results of Energy Division's analysis showed that gas prices were more volatile in 2017 and 2018 as compared to 2016.⁹ By 2018, 25% increases in the same-day gas price were common.¹⁰ 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).¹¹

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 to 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.¹² 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 market clearing generator in the CAISO, then electricity prices are also higher in

⁸ Economic Analysis Report at 3.

⁹ *Id.* at 15.

¹⁰ *Id.* at 3.

¹¹ *Id.* at 21.

¹² Economic Analysis Report at 23 – 24.

Northern California despite lower gas costs, and vice versa.¹³ 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 2018.¹⁴ 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,¹⁵ due to the combined impact of limitations on Aliso Canyon and pipeline outages.¹⁶ 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.¹⁷ Also in 2018, the high gas prices at SoCal Citygate led to higher electricity prices across CAISO, including the northern zone.¹⁸ Customers in the northern zone paid \$317 million more in electricity costs compared to predicted costs.¹⁹

The Modeling Report analyzed whether the elimination or minimization of Aliso Canyon causes any significant reliability effects, whether Aliso Canyon is

¹³ *Id.* at 29.

¹⁴ *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.”)

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

¹⁶ Economic Analysis Report at 4.

¹⁷ Economic Analysis Report at 33.

¹⁸ *Id.* at 39.

¹⁹ *Id.* at 40.

needed for one cold winter day, and whether Aliso Canyon is needed for sustained cold periods.²⁰ 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.²¹ Simulations of a 1-in-10 peak demand day of winter 2030 demonstrated that Aliso Canyon is necessary to provide gas reliability. Under scenarios that reflect electric generator curtailment, such as the Minimum Local Generation metric, less storage capacity is needed; but these conditions do not meet the 1-in-10 reliability standard. 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 and 68.6 Bcf would be needed to ensure reliability depending on pipeline capacity.²² 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%, based on historical data, to 90%, based on peak demand days data.²³ Other factors affect pipeline capacity as well, such as reduced capacity due to technical issues, or pipelines taken offline completely for maintenance or repairs.²⁴ The unavailability of pipelines limits whether a storage field can be filled at all. As of October 1, 2021, line 4000 has returned to service allowing for ability to store more gas in Aliso to prevent winter reliability issues.

²⁰ Modeling Report at 9.

²¹ *Id.* at 12, 24.

²² *Id.* at 9.

²³ Modeling Report at 86.

²⁴ *Id.* at 87.

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.²⁵ 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 reliability and customer rates issues.²⁶ 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.²⁷ Additional modeling requested by the parties is being completed by Energy Division.

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.²⁸

Indicated Shippers commented that the cost to natural gas residential core customers substantiates the similar experience of commercial and industrial

²⁵ D.20-11-044 at 8.

²⁶ *Id.* at 11-12.

²⁷ *Id.* at 14.

²⁸ Economic Analysis Report at 41.

noncore customers.²⁹ 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.³⁰ PCF commented that the Economic Analysis Report failed to acknowledge that gas prices are declining and a permanent shut down of Aliso Canyon may offset the cost impact experienced by core customers.³¹ 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 what the customers pay for gas and electricity.

Furthermore, the parties also 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.³² Specifically, The Utility Reform Network (TURN) commented that a higher storage limit would help avoid

²⁹ 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, November 16, 2020, at 2-3.

³⁰ Comments of Southern California Gas Company (U904G) to California Public Utilities Commission Energy Division Economic Analysis Report, November 16, 2020, at 3-4.

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

³² Comments of The Utility Reform Network in Response to the August 26, 2020 ALJ Ruling, September 8, 2020, at 1; Indicated Shippers' Opening Comments on Proposed Decision, November 5, 2020, at 5.

paying for higher gas prices when the commodity price spikes.³³ 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.³⁴

Natural gas storage can reduce the impact of gas commodity price spikes and stabilize customer rates. Without a higher 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.³⁵ Furthermore, for sustained 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 RPU percentage numbers. High RPU 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 Commission stated that the levels used by Energy Division, 85% to 100% receipt point utilization, are unrealistic because 85% to 100% was much higher than the amount of gas available from the Southwest on a peak winter day.³⁶ Indicated Shippers and SoCalGas echoed the

³³ Comments of The Utility Reform Network in Response to the August 26, 2020 ALJ Ruling, September, 2020, at 1.

³⁴ *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, June 28, 2021, at 2.

³⁵ Modeling Report at 9.

³⁶ Comments of the Public Advocates Office, March 19, 2021, at 1-2.

same observation and stated that a lower RPU percentage better reflected historical data.³⁷ PCF and Issam Najm disagree 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 RPU in the last four winters was not below 85%.³⁸ Overall, even assuming high RPU percentages between 85% to 100%, *i.e.*, that there would be a high 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. The Modeling Report shows that when interstate supplies are 2,800 million cubic feet per day (MMcfd) or less, 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.³⁹ 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 storage at Aliso Canyon is sufficient.⁴⁰ In all scenarios, however, the intrastate pipeline capacity must be available to transport the gas to the Aliso Canyon field: as interstate gas availability decreases, the availability to

³⁷ Comments of the Indicated Shippers on Administrative Law Judge Ruling, March 19, 2021, at 3, 6-8; Opening Comments of Southern California Gas Company (U904G) to Aliso Canyon I.17-02-002 Phase 2: Modeling Report, March 19, 2021, at 14, 19.

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

³⁹ Modeling Report at 9.

⁴⁰ *Id.*

inject gas into the field, above what is already there, also decreases. Reproduced from the Energy Division Modeling Report, the table below illustrates the Aliso Canyon maximum storage levels with the coinciding interstate gas levels.⁴¹

Table 1: Daily Pipeline Capacity and Aliso Inventory⁴²

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. Assuming the range of daily pipeline capacity is 2,700 MMcfd to 3,000 MMcfd as described in Table 1 above, the anticipated daily pipeline capacity for the peak summer months, and going forward into winter 2021-2022, 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 respectively.⁴³ As part of its annual Southern California Reliability Assessment, Energy Division conducted a similar assessment. Energy Division’s “Summer 2021 Southern California Reliability

⁴¹ Modeling Report at 85-86 (Table V - 3 Storage Level Results).

⁴² *Id.*

⁴³ Indicated Shippers Petition for Modification, May 26, 2011, Attachment A “Southern California Gas Company Summer 2021 Technical Assessment, Apr. 1, 2011” at 3-4.

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.⁴⁴ In June 2021, SoCalGas’s actual pipeline capacity was 2,658 MMcfd.⁴⁵

⁴⁴ 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).

⁴⁵ Response of Southern California Gas Company (U904G) to the Indicated Shippers Petition for Modification of D.20-11-044, June 28, 2021, at 4 (citing to receipt capacity posted on SoCalGas’s public Envoy database).

Table 2: Pipeline Capacities

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

Despite the 68.6 Bcf inventory of natural gas needed at Aliso Canyon to maintain reliability according to modeling, the availability of pipelines restricts the amount of gas that can physically flow into storage fields.⁵² Due to outages on Line 3000 and Line 4000, limited gas is available at the Otay Mesa receipt point.⁵³ Line 4000, which was operating at reduced pressure, was taken out of

⁴⁶ *Id.*

⁴⁷ *Id.*

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

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

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

⁵¹ Response of Southern California Gas Company (U904G) to the Indicated Shippers Petition for Modification of D.20-11-044, June 28, 2021, at 4 (citing to receipt capacity posted on SoCalGas’s public Envoy database).

⁵² Indicated Shippers Petition for Modification, May 26, 201, Attachment A “Southern California Gas Company Summer 2021 Technical Assessment, Apr. 1, 2021” (“Summer Technical Assessment”) at 1, 3 (Table 1 “Line 3000 and Line 4000 outages), 4 (Table 2 “Line 3000 and Line 4000 outages”).

⁵³ Summer Technical Assessment at 2.

service in May 2021.⁵⁴ According to SoCalGas' summer technical assessment, it can reach no more than 66.8 Bcf of underground storage inventory systemwide—*i.e.*, not just in Aliso Canyon but including Playa del Rey, La Goleta, and Honor Rancho as well—by November 1, 2021, assuming the best-case scenario for pipeline capacity.⁵⁵ So it seems likely that to increase the storage inventory beyond 41.16 Bcf would require interstate supplies to exceed the most optimistic levels modeled in the Staff Modeling Report. There is no evidence that a higher limit would be reached. Since the critical question before the Commission now is how to maintain reliability this winter, the physical limitations to filling storage fields before the winter withdrawal season makes it reasonable to set the storage inventory to 41.16, the lowest maximum working gas inventory necessary for reliability.

So too does one of the concerns that guided the Commission in issuing D.20-11-044. In that Decision, as noted above, despite most of the parties arguing that the Commission should increase the maximum inventory to 68.6 Bcf, the Commission maintained it at 34 Bcf.⁵⁶ We concluded that “the existing interim level is appropriate until another level is set based on the additional information that will be considered in this proceeding once production cost and hydraulic modeling is completed.”⁵⁷ Although Energy Division's 2021 Modeling Report has refined our understanding of winter reliability needs, that modeling work is not yet complete: on April 14, 2021, the assigned Administrative Law Judge (ALJ) issued a ruling in this proceeding asking parties to propose additional

⁵⁴ Summer 2021 Southern California Gas Reliability Assessment, May 17, 2021, at 3.

⁵⁵ Summer Technical Assessment at 1.

⁵⁶ *Id.* at 8.

⁵⁷ *Id.* at 9.

modeling scenarios, which the Commission will consider “depend[ing] on whether the new scenarios will likely contribute additional information important to the decisions in this proceeding.”⁵⁸ Per the August 27, 2021 Assigned Administrative Law Judge ruling, Energy Division is conducting additional modeling and analysis. The parties have not yet had a chance to comment on that additional modeling and analysis; nor has the Commission yet ruled on it. Finally, we note that not only are Phase 2 and Phase 3 incomplete, but the parties disagree strongly on the proper inventory level and assumptions about pipeline receipts, based in part on disputes about the modeling. Prudence dictates an increase in the maximum allowable inventory but, until the Commission deems its modeling work complete, prudence also dictates moving carefully, increasing storage in Aliso only in incremental steps. Here too, prudence and utility align: it makes little sense to increase the capacity limit above what intrastate pipeline capacity realistically allows us to fill.

This conclusion is, moreover, in line with the public policy of this state. California’s political leadership has given this Commission clear direction to minimize or eliminate the use of Aliso Canyon.⁵⁹ This, in turn, is driven by our mandate under SB 100 to rapidly phase out the use of fossil fuels in this State. And if it ever was, this is no longer just a legal requirement. We may need Aliso Canyon to maintain short-term reliability, but we can now plainly see the reliability risks posed by global warming, which is caused by our continued use

⁵⁸ Administrative Law Judge’s Ruling Setting Due Date for Phase 2 Modeling Scenario Proposals and Noticing the April 30, 2021 Status Conference, April 14, 2021, at 2.

⁵⁹ Pub. Util. Code, § 714; *see also, e.g.*, Letter from California Energy Commission Chair Robert Weisenmiller to California Public Utilities Commission President Michael Picker, July 19, 2017 (“Governor Brown has asked me to plan for the permanent closure of the Aliso Canyon natural gas storage facility, and I urge the California Public Utilities Commission (CPUC) to do the same.”).

of fossil fuels: just this year, the Bootleg Fire knocked out the California-Oregon Intertie, jeopardizing thousands of megawatts of transmission capacity,⁶⁰ and the ongoing drought has cut the State's hydroelectric generation by millions of megawatt-hours even since 2020.⁶¹ At the very least, there are reliability concerns on both sides, and we must take those into account.

As a policy matter, all of those factors weighed together militate an increase in the maximum allowable inventory to no more than 41.16 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."⁶² 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

⁶⁰ Oregon Public Broadcasting, *Southern Oregon's Bootleg Fire doubles again, threatening transmission lines, firefighters and local structures*, July 11, 2021 (available at <https://www.opb.org/article/2021/07/11/southern-oregon-bootleg-fire-continues-to-grow/>).

⁶¹ U.S. Energy Information Administration, *California's hydroelectric generation affected by historic drought*, July 7, 2021 (available at <https://www.eia.gov/todayinenergy/detail.php?id=48616>).

⁶² Order Instituting Investigation, February 9, 2017, at 5.

and cost risks is completed. Today's decision is an interim solution to address the immediate needs of the upcoming 2021-2022 winter season. Before the conclusion of the combined Phase 2 and Phase 3, the Commission will re-evaluate the storage limit. This Decision in no way affects the Commission's ability to determine which resources are necessary to replace Aliso Canyon, and to order the procurement of those resources.

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 Alternate Proposed Decision

The proposed alternate decision of Commissioner Guzman Aceves 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 by Sierra Club, Issam Najm, Southern California Edison Company, Indicated Shippers, PCF, SoCalGas, and Center for Energy Efficiency and Renewable Technologies (CEERT) on October 21, 2021. Reply comments were filed by Clean Power Alliance of Southern California, SoCalGas, PCF, and CEERT 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 Rules of Practice and Procedure. Though we do not respond in detail to every comment raised, the Commission has carefully considered all of the comments made by the parties.

Sierra Club supports the APD, citing its recognition of limited system import capacity with which to utilize additional storage this winter. Clean Power Alliance, CEERT and SCE support the APD generally on the basis of its greater alignment with the proceeding's goal of phasing out Aliso as well as with the State's energy policy goals. Issam Najm and PCF opposed both the PD and the APD, with stronger opposition to the PD; SoCalGas and Indicated Shippers supported the PD.

Some parties, especially PCF and Dr. Najm, disagree strongly with the proposed inventory increase, asserting that it is unnecessary and harmful. At this time we must conclude the contrary, we find substantial evidence that an increase to Aliso Canyon's inventory is currently needed to reduce reliability risks this winter. PCF in particular urges us to consider the potential around Minimum Local Generation. As previously modeled, Minimum Local Generation involved curtailments which does not meet our reliability standards. However, we intend to fully consider all solutions that could reliably reduce gas demand in peak conditions, which could include targeted electric dispatch protocols in coordination with other gas demand reduction strategies. We reiterate that this proceeding will continue to fully consider assumptions used in Phase 2 modeling and all options towards reliably reducing our reliance on Aliso in Phase 3. As noted above, on November 3, 2021 FTI Consulting will present its analysis of the actions needed to replace the Aliso facility. Parties will have a chance to comment on that presentation, and to provide recommendations to the Commission for changes or additions to the proposed actions.

SoCalGas and Indicated Shippers both argue that the PD's 68.6 Bcf limit is more appropriate than this APD's 41.16 Bcf limit. Their arguments are unconvincing. Similar to other parties, both seem to read finality into this *interim*

APD, assuming that there will be no future opportunities to increase (or decrease) the maximum allowable inventory. For example, SoCalGas writes that the APD's 41.16 Bcf limit "may increase longer term reliability and affordability risks, especially if the Commission may not re-visit the interim storage level for multiple seasons."⁶³ Indicated Shippers go further, writing that "the APD would extend this restriction [i.e., the proposed 41.16 Bcf storage inventory, which is, remember, higher than the current inventory] **until the completion of this proceeding . . .**"⁶⁴ But, to reiterate, this is an *interim* decision.⁶⁵ When it becomes appropriate to revisit the maximum allowable inventory, we will do so. SoCalGas also states that raising the storage inventory to 68.6 Bcf "allows resumption of the Unbundled Storage Program, enabling noncore customers to procure and utilize their own storage inventory."⁶⁶ SoCalGas also notes that allowing a higher inventory – even if SoCalGas is unable to fill it – decreases the occurrence of high Operational Flow Orders, allowing for increased flexibility on the pipeline network.⁶⁷ When it becomes appropriate to revisit the inventory, we can consider these issues further. But, on balance, we still believe that the better policy is to proceed in an incremental fashion, and that stepwise changes like this best conform to the State's environmental goals.

In response to the comments, clarifications were made, but the outcome remains the same. SoCalGas notes that it may need authority to change its tariff to reflect the increased inventory; we have added a new Ordering Paragraph

⁶⁶ SoCalGas Opening Comments at p. 6.

⁶⁷ *Id.* at p. 7.

giving SoCalGas that authority 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 an 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. The availability of gas at the Aliso Canyon Natural Gas Storage Facility is an important influencing factor on what customers pay for gas and electricity.

3. 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.

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

5. 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.

6. If pipelines are out of service, then the amount of gas that can be injected into the storage fields decreases.

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.

3. On balance, as a matter of policy, it is reasonable to set the interim maximum working gas storage level at the Aliso Canyon Natural Gas Storage Facility at 41.16 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 41.16 billion cubic feet until the completion of Phase 2 and Phase 3 of this proceeding.

2. Any storage inventory capacities impacted by this decision are effective as of the date of this decision. The following tariff change related to the Gas Cost Incentive Mechanism (GCIM) core storage targets consistent with the additional inventory capacity allocated to core customers shall be submitted via a Tier 1 Advice Letter:

(a) GCIM Preliminary Statement: Modify core storage target on Sheet 5.

3. Investigation 17-02-002 remains open.

This order is effective today.

Dated _____, at San Francisco, California.