

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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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
(Filed February 9, 2017)

SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) AND SAN DIEGO GAS & ELECTRIC COMPANY'S (U 902 G) JOINT PETITION FOR MODIFICATION OF DECISION 21-11-008

AIMEE M. SMITH

SETAREH MORTAZAVI

Attorney for:

Attorney for:

SAN DIEGO GAS & ELECTRIC COMPANY
8330 Century Park Court, CP32
San Diego, California 92123
Telephone: (858) 654-1644
Facsimile: (858) 654-1586
E-mail: amsmith@sdge.com

SOUTHERN CALIFORNIA GAS COMPANY
555 West Fifth Street, Suite 1400
Los Angeles, California 90013
Telephone: (213) 244-2975
Facsimile: (213) 629-9620
E-mail: SMortazavi@semprautilities.com

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Pursuant to Rule 16.4 of the California Public Utilities Commission's Rules of Practice and Procedure, Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) respectfully submit this Joint Petition for Modification (Petition or PFM) of Decision (D.) 21-11-008 (or, the Interim Decision), issued on November 5, 2021.¹ This Petition is accompanied by a separate motion seeking a shortened response time, due to the need for the Commission to take expedited action.

I. INTRODUCTION AND SUMMARY OF REQUESTED RELIEF

D.21-11-008 was issued 18 months ago setting the interim range of Aliso Canyon storage capacity at zero to 41.16 billion cubic feet (Bcf). Since then, new facts and circumstances have arisen warranting modification of the decision, both within the record or as may be officially noticed.²

¹ Pursuant to Rule 1.8(d) of the CPUC Rules of Practice and Procedure, SoCalGas has been authorized to submit this Joint Petition for Modification on behalf of SDG&E.

² CPUC Rules of Practice and Procedure, Rule 13.10 ("Official notice may be taken of such matters as may be judicially noticed by the courts of the State of California pursuant to Evidence Code section 450 et seq.").

First, California and the Western United States experienced extremely high gas prices this past winter which highlights the need for more locally available gas.³ The U.S. Energy Information Administration (EIA) identified widespread, below-normal temperatures; high natural gas consumption; pipeline constraints; reduced natural gas flows; and low storage inventories in the west as drivers of the recent price spikes.⁴ On February 7, 2023, the Commission held an *en banc* hearing to gather facts on the extent and reasons for the high gas prices.⁵ Several stakeholders participated in the *en banc* and highlighted the importance of natural gas storage, including Aliso Canyon, in mitigating against price volatility.⁶

Subsequently, on March 20, 2023, the Commission issued an Order Instituting Investigation (OII) intended to continue the Commission's fact-finding effort and to investigate potential threats to gas and electric reliability and price volatility in summer 2023 and beyond, and to examine actions the Commission can take to avoid the likelihood that similar price spikes will occur in the future.⁷ Since then, SoCalGas has issued its Summer 2023 Technical Assessment which indicates that 68.6 Billion Cubic Feet (Bcf) could potentially be injected into Aliso Canyon by November 1, 2023, but for the Commission's interim inventory limitation of 41.16 Bcf.⁸

³ Investigation (I.) 23-03-008, *Order Instituting Investigation on the Commission's Own Motion into Natural Gas Prices During Winter 2022-2023 and Resulting Impacts to Energy Markets*, March 20, 2023, at 1.

⁴ *Ibid.*

⁵ *Ibid.*

⁶ CPUC, *En Banc, Current Gas Market Conditions & Impacts of Gas Prices on Electricity Markets*, February 7, 2023, available at: <https://www.cpuc.ca.gov/events-and-meetings/en-banc-2023-02-07> and https://www.adminmonitor.com/ca/cpuc/en_banc/20230207/; SCE, *CPUC En Banc Impact on the Electric Market from High Gas Prices*, at slide 6, available at: https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/meeting-documents/20230207-en-banc/20230207-en-banc---sce-presentation.pdf?sc_lang=en&hash=5862FE90B8415CA6A92579A60E9B22CF.

⁷ I.23-03-008 at 10.

⁸ SoCalGas, *Summer 2023 Technical Assessment-Revised*, April 13, 2023, available at: <https://efiling.energy.ca.gov/GetDocument.aspx?tn=249688&DocumentContentId=84327>. (On

In addition, relevant rulings have been issued since the issuance of D.21-11-008 finding that Aliso Canyon is needed now and in the future for both reliability and to mitigate prices. On January 19, 2022, the Aliso Canyon Investigation 17-02-002 Phase 3 Report was entered into the record by the Administrative Law Judge,⁹ and parties filed opening comments and reply comments on February 16, 2022 and March 2, 2022, respectively. On February 10, 2022, the Aliso Canyon Investigation 17-02-002 Phase 2: Additional Modeling Report was entered into the record by the Administrative Law Judge,¹⁰ and parties filed opening comments and reply comments on March 1, 2022 and March 15, 2022, respectively. On September 23, 2022, the Assigned Commissioner entered into the record Energy Division Staff’s Proposal for Portfolio and Next Steps (Staff Proposal),¹¹ and parties submitted three rounds of testimony on the best mix of resources to reduce or eliminate reliance on Aliso Canyon and the implementation plan.¹²

In Phase 2 of this proceeding, Commission Staff found that Aliso Canyon is needed for reliability and mitigates against price volatility,¹³ reduces customer bills, and reduces the price of energy (natural gas and electric generation) in California. Moreover, the Commission has provided that “[g]iven the circumstances today, it is undeniable that the availability of gas at Aliso Canyon influences the price of gas and what customers pay for gas and electricity”¹⁴ and

April 14, 2023, as a courtesy, SoCalGas served the Summer 2023 Technical Assessment-Revised on parties to I.17-02-002).

⁹ I.17-02-002, *Administrative Law Judge’s Ruling Entering Into The Record Aliso Canyon Investigation 17-02-002, Phase 3 Report, Requesting Comments*, January 19, 2022.

¹⁰ I.17-02-002, *Administrative Law Judge’s Ruling Entering into the Record Aliso Canyon Investigation 17-02-002 Phase 2: Additional Modeling Report, Requesting Comment*, February 10, 2022.

¹¹ I.17-02-002, *Assigned Commissioner’s Ruling Entering into the Record Energy Division Proposal and Ordering Testimony*, September 23, 2022.

¹² Parties submitted opening testimony, rebuttal testimony, and sur-rebuttal testimony on December 12, 2022, January 18, 2023, and February 8, 2023, respectively.

¹³ I.17-02-002, *Assigned Commissioner’s Ruling Entering Into The Record Energy Division Proposal And Ordering Testimony*, September 23, 2022, at 4.

¹⁴ *Id.* at 8; see also D.21-11-008 at 21, Finding of Fact (FOF) 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.”).

"[t]he natural gas inventory level at Aliso Canyon has economic impacts on gas prices, natural gas costs and electricity costs for customers."¹⁵ In order to mitigate against similar price spikes in the future and impacts to customers, and to preserve reliability, the Commission should take expedited action to increase the inventory limit at Aliso Canyon to 68.6 Bcf. The California Geologic Energy Management Division (CalGEM) determined that Aliso Canyon could be operated safely at inventory levels up to 68.6 Bcf.¹⁶ In addition, the Interim Decision's concern that "[t]he parties have not yet had a chance to comment on that additional modeling and analysis; nor has the Commission yet ruled on it"¹⁷ is now moot. Further, as the Commission has explained, "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."¹⁸

In order to mitigate against the risk of future price spikes, the maximum allowable inventory established in the Interim Decision should be increased in advance of the 2023 summer season and the 2023-2024 winter season. In the Interim Decision, the Commission provided that "[t]oday'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."¹⁹ This Petition is not seeking a final decision for Phase 2 and 3 of this proceeding, but rather an updated interim decision, in light of the new facts and circumstances described herein. The Interim Decision reiterated that it was an interim

¹⁵ *Id.* at 8.

¹⁶ Staff of the CPUC, *Aliso Canyon I.17-02-002 Phase 2: Modeling Report*, January 26, 2021, at 9.

¹⁷ D.21-11-008 at 16.

¹⁸ *Id.* at 17-18.

¹⁹ *Id.* at 18.

decision and that “[w]hen it becomes appropriate to revisit the maximum allowable inventory, we will do so.”²⁰ Now is the appropriate time to revisit the maximum allowable inventory in order to mitigate against price volatility and impacts to customers, and to preserve reliability, and immediate action must be taken.

II. JUSTIFICATION OF THIS PETITION

SoCalGas and SDG&E seek leave under Rule 16.4(d) of the Commission’s Rules of Practice and Procedure to file this Petition more than a year following issuance of D.21-11-008. As described herein, new facts and circumstances have arisen that warrant modification to the Interim Decision. Specifically, California and the Western United States experienced unprecedented high gas prices this past winter. In addition, on February 7, 2023, the Commission held an *en banc* hearing to gather facts on the extent and reasons for the high gas prices this past winter where stakeholders highlighted the importance of natural gas storage, including Aliso Canyon, in mitigating price volatility. Subsequently, on March 20, 2023, the Commission issued an OII which tasks the Commission with examining actions it can take to avoid the likelihood that similar price spikes occur in the future. Lastly, SoCalGas recently published its Summer 2023 Technical Assessment which indicates 68.6 Bcf could potentially be injected into Aliso Canyon by November 1, 2023, but for the Commission’s interim inventory limitation of 41.16 Bcf. Accordingly, given these new facts and circumstances, this Petition could not have been filed within one year of D.21-11-008.

²⁰ *Id.* at 20.

III. BACKGROUND

Senate Bill (SB) 380 authorized the Commission’s Executive Director, in consultation with the State Oil and Gas Supervisor, to direct SoCalGas to maintain a specified range of working gas at Aliso Canyon.²¹ The statute expired on January 1, 2020.²² On November 23, 2020, in D.20-11-044, the Commission maintained the maximum storage level for Aliso Canyon at 34 Bcf pending the modeling results and the final report by Commission Staff.²³ In comments related to D.20-11-044, parties emphasized the role of Aliso Canyon in stabilizing gas prices and customer rates.²⁴ Specifically, The Utility Reform Network (TURN) commented that a higher storage limit would help avoid paying for higher gas prices when the commodity price spikes.²⁵

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.²⁶ Indicated Shippers and additional Parties raised the role of Aliso Canyon in mitigating costs.²⁷ SCE provided that “[g]iven the risks associated with a heatwave event and tight capacity conditions that California is experiencing, SCE contends the risk to reliability, increased costs to customers, curtailment for noncore customers, and tighter balancing requirements justify the Commission modifying D.20-11-044 (the Decision) to increase the storage inventory as expeditiously as possible given SoCalGas’ limited injection

²¹ Senate Bill 380(2) (2016) (“...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) (repealed).

²² Pub. Util. Code, § 715(f) (repealed).

²³ D.20-11-044 at 1.

²⁴ I.17-02-002, *Comments of The Utility Reform Network in Response to the August 26, 2020 ALJ Ruling*, September 9, 2020, at 1; Indicated Shippers, *Indicated Shippers’ Opening Comments on Proposed Decision*, November 5, 2020, at 5.

²⁵ I.17-02-002, *Comments of The Utility Reform Network in Response to the August 26, 2020 ALJ Ruling*, September 8, 2020, at 1.

²⁶ I.17-02-002, *Petition for Modification of D.20-11-044 by The Indicated Shippers*, May 26, 2021.

²⁷ *Id.* at 3; I.17-02-002, *Southern California Edison Company (U 338-E) Response to the Petition for Modification of D.20-11-044 by the Indicated Shippers*, June 28 2021, at 2; I.17-02-002, *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.

season.”²⁸ TURN’s comments partly forecasted what happened this past winter stating that it “strongly agrees that additional gas storage in Aliso Canyon would provide valuable insurance against potential gas and electric reliability problems and price spikes in case Southern California experiences an unusual 1-in-10 gas demand event this coming winter. While the risk of an extreme event is by its nature low, its consequences could be significant. Such an event would most likely result in increased gas and electric prices and gas curtailments for noncore customers and electric generators.”²⁹

On October 1, 2021, ALJ Zhang issued a Proposed Decision (PD) in I.17-02-002 that set the interim maximum inventory level of Aliso Canyon at 68.6 Bcf, based in part upon the available pipeline receipt capacity as recommended by Commission Staff. Commissioner Martha Guzman Aceves issued a separate Alternate PD (APD) which instead set the maximum inventory level of Aliso Canyon at 41.16 Bcf. The Indicated Shippers highlighted that the PD provided greater reliability and customer rate benefits than the APD and that the PD correctly referenced the significant impact of increasing the maximum allowable capacity of Aliso Canyon on customer rates and reliability for SoCalGas system customers.³⁰

On November 5, 2021, the APD was approved by the Commission as D.21-11-008, which set the interim storage capacity at the Aliso Canyon at a range between zero and 41.16 Bcf. The interim storage level was adopted based on the necessity to protect customers from natural gas reliability issues and rate impacts for both natural gas and electricity in the current

²⁸ I.17-02-002, *Southern California Edison Company (U 338-E) Response to the Petition for Modification of D.20-11-044 by the Indicated Shippers*, June 28 2021, at 2.

²⁹ I.17-02-002, *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.

³⁰ I.17-02-002, *Comments by The Indicated Shippers on the Proposed Decision Setting the Interim Range of Aliso Canyon Storage Capacity at Zero to 68.6 Billion Cubic Feet; and the Alternate Proposed Decision Setting the Interim Range of Aliso Canyon Storage Capacity at Zero to 41.16 Billion Cubic Feet*, October 21, 2021, at 6-8.

timeframe.³¹ In setting the Aliso Canyon inventory level at 41.16 Bcf, D.21-11-008 noted the following:

Similar to other parties, both [SoCalGas and Indicated Shippers] 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." 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...." But, to reiterate, this is an interim decision. **When it becomes appropriate to revisit the maximum allowable inventory, we will do so.**³²

IV. PETITION FOR MODIFICATION

A. Recent High Gas Prices Demonstrate a Need for an Increased Maximum Allowable Inventory at Aliso Canyon

The recent high gas prices demonstrate a need for the Commission to increase the maximum allowable inventory at Aliso Canyon. As described further herein, Commission Staff have concluded Aliso Canyon is needed for reliability and mitigates price volatility, reduces customer bills, and reduces the price of energy (natural gas and electric generation) in California. In addition, the Commission has provided that "[g]iven the circumstances today, it is undeniable that the availability of gas at Aliso Canyon influences the price of gas and what customers pay for gas and electricity³³ and "[t]he natural gas inventory level at Aliso Canyon has economic impacts on gas prices, natural gas costs and electricity costs for customers."³⁴ Stakeholders at the *en banc* also identified natural gas storage, including Aliso Canyon, as a resource to mitigate

³¹ D.21-11-008 at 2.

³² *Id.* at 19-20 (emphasis added).

³³ I.17-02-002, *Assigned Commissioner's Ruling Entering Into The Record Energy Division Proposal And Ordering Testimony*, September 23, 2022, at 8; see also D.21-11-008 at 21, FOF 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.").

³⁴ D.21-11-00 at 8.

against price volatility. For example, Southern California Edison Company's (SCE) presentation provided that "Gas storage is an important component of gas infrastructure; continued access to **Aliso Canyon**, as long as it continues to remain safe, helps to manage price volatility."³⁵ In addition, Mark Pocta, Program Manager with the Public Advocate's Office, highlighted the following:

So that being said, we recommend that some considerations by the Commission. Well, the surveys have talked about storage and that is an asset within the Commission's oversight. And it's important that these assets be optimized because going forward with, you know, as a state decarbonizes, actually storage assets are going to become more important to you as an asset to utilize efficiently by the state and to mitigate these gas price movements...Turning to Southern California. The Commission set a range back in 2021 for Aliso Canyon. They could operate between zero and 41 Bcf. At that time, there was a concurrent proposed decision by administrative law judge that would have proposed to accept the interim range and how a maximum from zero to 68.6 Bcf. So you saw that under SoCal charts, so that additional capacity would provide more storage capacity for the market. So again, the **utilization of Aliso Canyon**, is another matter that the Commission will need to consider closely moving forward.³⁶

The recent OII tasks the Commission with examining actions it can take to avoid the likelihood that similar price spikes occur in the future.³⁷ As highlighted by the Commission and stakeholders, storage inventory is critical to, and has the potential to mitigate price volatility. On November 1, 2022, Aliso Canyon had a total inventory of 40.345 Bcf.³⁸ In

³⁵ SCE, *CPUC En Banc Impact on the Electric Market from High Gas Prices*, at slide 6 (emphasis added), available at: https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/meeting-documents/20230207-en-banc/20230207-en-banc---sce-presentation.pdf?sc_lang=en&hash=5862FE90B8415CA6A92579A60E9B22CF.

³⁶ CPUC, *En Banc, Current Gas Market Conditions & Impacts of Gas Prices on Electricity Markets*, February 7, 2023, Cal Advocates Presentation by Marc Pocta, at 1:04:29-1:06:56, recording available at: https://www.adminmonitor.com/ca/cpuc/en_banc/20230207/ (emphasis added).

³⁷ See I.23-03-008.

³⁸ SoCalGas ceases injecting prior to reaching the 41.16 Bcf current inventory limitation to verify it does not exceed the limitation and to mitigate against the potential for high operational flow orders (OFO).

SoCalGas's Summer 2022 Technical Assessment, SoCalGas found that it would have 66.3 Bcf of excess supply (excluding Otay Mesa supply) under the best-case supply scenario,³⁹ which it could use to inject at Aliso Canyon but for the limitation of 41.16 Bcf.⁴⁰ Actual receipt capacity during the summer 2022 operating season exceeded the best-case supply scenario presented in the Technical Assessment.⁴¹ Accordingly, but for the 41.16 Bcf limitation at Aliso Canyon, there may have been additional inventory at Aliso Canyon on November 1, 2022 and throughout the winter season, including inventory allocated to the Unbundled Storage Program. As highlighted by Cal Advocates, additional inventory would provide more storage for the market, which has the potential to dampen price volatility. Accordingly, the Commission should act expeditiously to update the Interim Decision to increase the inventory limit for the 2023 summer season and winter 2023-2024 season.

B. SoCalGas's Summer 2023 Technical Assessment Indicates Sufficient Supply to Fill Aliso Canyon

SoCalGas's Summer 2023 Technical Assessment provides a forecasted outlook of system reliability during the coming summer months, assesses the preparedness of the system for this upcoming winter, and analyzes the associated risks to energy reliability during the periods. For the upcoming summer season, SoCalGas estimates that it will be able to meet the forecasted peak

³⁹ SoCalGas, *SoCalGas Summer 2022 Technical Assessment*, March 30, 2022, at 7, available at: <https://efiling.energy.ca.gov/GetDocument.aspx?tn=242505&DocumentContentId=76010>. SoCalGas Operations does not purchase and store gas supply for the use of any customer. SoCalGas' Gas Acquisition department purchases supplies for storage only for the SoCalGas retail core and the SDG&E wholesale core market segment, excluding those core customers served by Core Transport Agents as part of a Core Aggregation Transportation (CAT) program and other wholesale providers. SoCalGas Operations can only make pipeline and storage capacity available to market participants. The Summer 2022 Technical Assessment found that sufficient capacity would be available to fill storage to the cited levels if market participants made use of that capacity to deliver gas supply.

⁴⁰ *Id.* at 7.

⁴¹ The best-case supply scenario in the Summer 2022 Technical Assessment assumed 559.8 Bcf of supply for the entire summer season, excluding Otay Mesa supply. (See *SoCalGas Summer 2022 Technical Assessment* at 7.) Actual receipt capacity for the summer 2022 season was 620.6 Bcf.

day demand of 3.317 billion cubic feet per day (Bcfd).⁴² SoCalGas also performed a preliminary analysis of projected storage injection and resulting inventory through the summer to prepare for the 2023-24 winter season. SoCalGas expects to have sufficient supply to fill its storage fields by the end of the summer season.⁴³ Notably, the Technical Assessment provides that there would be excess pipeline supply of approximately 53 Bcf over the summer season, some of which could potentially be stored at Aliso Canyon if the Commission's inventory limitation of 41.16 Bcf were not in place.⁴⁴ For example, if the maximum allowable inventory limitation at Aliso Canyon was set to 68.6 Bcf, a level deemed safe by the California Geologic Energy Management Division (CalGEM), SoCalGas expects it would have sufficient excess supply to fill Aliso Canyon to that level by November 1, 2023. Prudence dictates an increase in the maximum allowable inventory at Aliso Canyon, and the Commission should act swiftly to allow sufficient time for injections prior to November 1, 2023.

C. Commission Staff's Economic Analysis Report Supports Increasing the Maximum Allowable Inventory at Aliso Canyon

In Phase 2 of this proceeding, the Commission concluded Aliso Canyon is needed to maintain reliability and affordability. In Phase 1 of this proceeding, the Energy Division issued a Scenarios Framework which outlined the economic, hydraulic, and production cost modeling to be performed in Phase 2 of the proceeding. The three analyses were performed to inform the proceeding as follows:

⁴² SoCalGas, *SoCalGas Summer 2023 Technical Assessment -Revised*, April 13, 2023, at 1, available at: <https://efiling.energy.ca.gov/GetDocument.aspx?tn=249688&DocumentContentId=84327>.

⁴³ *Id.* at 7.

⁴⁴ *Ibid.*

- Hydraulic Modeling – to ascertain the ability of the gas system to provide reliable and stable gas service to both core and noncore customers, inclusive of a minimization in usage or elimination of Aliso Canyon.
- Production Cost Modeling – to quantify the impact on the electric system, both in terms of reliability and costs, of minimization in usage or elimination of Aliso Canyon.
- Economic Modeling – to estimate the impact on SoCalGas’s core and noncore ratepayers (i.e., costs) of minimization in usage or elimination of Aliso Canyon.⁴⁵

In Phase 2, the Energy Division’s economic modeling analysis (Economic Analysis Report) concluded Aliso Canyon mitigates price volatility, reduces customer bills, and reduces the price of energy (natural gas and electric generation) in California.⁴⁶ Following the Economic Analysis Report, the Energy Division’s production cost modeling and hydraulic modeling analysis (Modeling Report) concluded that Aliso Canyon is currently necessary for reliability and provided a recommended Aliso Canyon inventory level between 41.2 and 68.6 Bcf depending on available pipeline capacity.⁴⁷ Subsequently, the Energy Division provided two new sets of modeling results—(1) additional reliability assessment scenarios for comparison with the results provided in the Modeling Report, and (2) a feasibility assessment for comparison with the modeling performed by FTI Consulting, Inc. (FTI) in Phase 3 of the proceeding.

The Energy Division performed three economic studies to estimate the quantifiable impacts of eliminating or minimizing Aliso Canyon: (1) natural gas price volatility, (2) the

⁴⁵ I.17-02-002, *Assigned Commissioner and Administrative Law Judge’s Ruling Adopting Scenarios Framework and Closing Phase 1 of Investigation 17-02-002*, January 4, 2019, at 6; *Administrative Law Judge’s Ruling Entering into Record Updated Scenarios Framework*, January 14, 2019.

⁴⁶ Staff of the CPUC, *Aliso Canyon I.17-02-002 Phase 2: Results of Econometric Modeling*, October 26, 2020 (hereinafter, Economic Analysis Report), at 15, 22, 41.

⁴⁷ Staff of the CPUC, *Aliso Canyon I.17-02-002 Phase 2: Modeling Report*, January 26, 2021, at 9.

impact of natural gas storage availability on ratepayers' bills, and (3) the impact of natural gas price increases on implied market heat rate and excess electricity costs.⁴⁸ Commission Staff found that gas prices were more volatile in 2017 and 2018 as compared to 2016.⁴⁹ By 2018, 25% increases in same-day gas price was common.⁵⁰ Commission Staff found that when compared to average gas commodity procurement cost for Southern California Gas Company (SoCalGas) customers increased in 2016 (\$1.32 per customer bill), 2017 (\$1.89 per customer bill), and 2018 (\$2.25 per customer bill).⁵¹ The Economic Analysis Report also examined the impact on electricity costs.⁵² 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.⁵³ Commission Staff 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.⁵⁴ Also in 2018, the high gas prices at SoCal Citygate led to significantly higher electricity prices across CAISO, including the northern zone.⁵⁵ In order to mitigate against price volatility and to preserve reliability, the Commission should take expedited action to increase the inventory at Aliso Canyon to 68.6 Bcf. This increase is supported by Commission Staff's Economic Analysis Report.

⁴⁸ See Economic Analysis Report. SoCalGas notes that while the analyses appropriately concluded that reducing or eliminating Aliso Canyon increases price volatility, raises customer gas bills, and increases energy costs, the analyses may have understated the economic impacts of reducing or eliminating Aliso Canyon.

⁴⁹ *Id.* at 15.

⁵⁰ *Id.* at 3.

⁵¹ *Id.* at 21.

⁵² *Id.* at 23-40.

⁵³ D.21-11-008 at 5.

⁵⁴ Economic Analysis Report at 33.

⁵⁵ *Id.* at 38.

D. Unbundled Storage Program

In D.20-02-045, the Commission addressed SoCalGas’s and SDG&E’s 2020 Triennial Cost Allocation Proceeding (TCAP) Application (A.)18-07-024. Among other things, the decision adopted a Commission Staff Proposal on Storage Capacity Allocation (with certain modifications).⁵⁶ The Storage Capacity Allocations included in the TCAP Commission Staff Proposal assumed 34 Bcf of inventory at Aliso Canyon, but direction was also included on how SoCalGas should modify its storage capacity allocations should the Commission modify Aliso Canyon capacity in the future.⁵⁷ The following table depicts how storage inventory would be allocated under the proposed 68.6 Bcf, as compared to the current allocation (injection and withdrawal capacity allocations would not be impacted).

Storage Inventory Allocation	Current 41.16 Bcf	Proposed 68.6 Bcf
Core	82.50	82.50
Load Balancing	9.56	10.00
Unbundled Storage Program	0.00	27.00
Total	92.06	119.50

Under the proposed 68.6 Bcf of maximum allowable inventory, 0.44 Bcf of additional storage inventory would be allocated to Load Balancing and 27 Bcf would be allocated to the Unbundled Storage Program. The Unbundled Storage Program, which was suspended due to restrictions on Aliso Canyon, provided unbundled firm or interruptible storage service, to any creditworthy party, including the Utility’s Gas Procurement Department for storage that is additional to their Commission allocated core storage rights.

⁵⁶ D.20-02-045 at 103, Ordering Paragraph (OP) 5; see also *Id.*, Appendix A, at 4, Table 1.

⁵⁷ *Id.*, Appendix A, at 8, Table 3, and 11, Table 4.

Increasing the maximum allowable inventory at Aliso Canyon to 68.6 Bcf would reinstate the Unbundled Storage Program and would provide additional storage inventory to the market which has the potential to dampen price volatility.

Revenues from the Unbundled Storage Program are balanced in the Noncore Storage Balancing Account (NSBA) against allocated costs. Pursuant to D.16-06-039, and as extended by D.20-02-045, the sharing mechanism associated with the Unbundled Storage Program is 75% ratepayer/25% shareholder (e.g., if there are net revenues for the program, 75% of the net revenues are provided to ratepayers and 25% are provided to shareholders). If the Petition is granted, the Commission should modify the sharing mechanism associated with the Unbundled Storage Program from 75% ratepayer/25% shareholder to 100% ratepayer so that ratepayers receive the full benefits of the revenues of the program.

In addition, SoCalGas has requested that the Commission eliminate the Aliso Canyon Withdrawal Protocol (ACWP or Protocol).⁵⁸ If the ACWP remains in place, the Unbundled Storage Program will not be as useful to the market. Moreover, increasing the storage inventory at Aliso Canyon and eliminating the ACWP could help mitigate Operational Flow Orders (OFOs). For example, a Low OFO occurs when the Forecasted Total Daily Customer imbalance is greater than the Storage withdrawal limit for Load Balancing. Increasing the inventory at Aliso Canyon, which would increase the Load Balancing storage inventory allocation, and eliminating the Aliso Canyon Withdrawal Protocol, which would include Aliso Canyon's inventory in the OFO calculation, could help mitigate OFOs. Further, if the Unbundled Storage Program is reinstated and customers contract for storage, those customers

⁵⁸ Appendix A: SoCalGas Letter to Deputy Executive Director for Energy and Climate Policy, Re: Aliso Canyon Withdrawal Protocol, April 19, 2023.

may be able to use storage to mitigate OFO penalties. Accordingly, the Commission should eliminate the ACWP, as well as increase the inventory at Aliso Canyon to 68.6 Bcf.

In addition, there is currently a pending Cost Allocation Proceeding (CAP) Application⁵⁹ to revise rates for gas services and to implement gas storage related proposals effective January 1, 2024 to December 31, 2027. Allocating storage inventory to the Unbundled Storage Program only through to December 31, 2023 (the end date of the current CAP decision) will not allow for the full benefits of storage to be realized for the entire 2023-2024 winter season. The Commission should make certain that any inventory allocated to the Unbundled Storage Program remains in effect until the later of March 31, 2024 or a decision in A.22-09-015.

E. An Updated Interim Decision Would Not Detract from the Commission's Efforts

SoCalGas and SDG&E recognize the Commission's objectives of examining the feasibility of reducing or eliminating the use of Aliso Canyon for natural gas storage, while maintaining energy and electric reliability at just and reasonable rates. SoCalGas's Angeles Link project, proposed in A.22-02-007, supports the Commission's objectives as a complementary physical solution that could reduce demand for natural gas from Aliso Canyon while providing a clean fuel for firm, dispatchable electricity generation in the Los Angeles Basin.⁶⁰ In addition, the Commission should continue to examine the impact on reliability and affordability of decreased use of natural gas-fired resources through the resource planning analysis conducted in the Integrated Resource Planning (IRP) proceeding, Rulemaking (R.) 20-05-003. An updated Interim Decision would not detract from the Commission's efforts to examine resources to reduce reliance on Aliso Canyon, while maintaining reliability at just and reasonable rates.

⁵⁹ A.22-09-015.

⁶⁰ A.22-02-007.

Accordingly, the Commission should expeditiously grant this petition to maintain reliability and mitigate against future potential price volatility, increased customer bills, and increased energy costs.

F. Specific Wording to Carry Out All Requested Modifications to D. 21-11-008

The Commission’s Rules of Practice and Procedure Rule 16.4(b) requires that, “[a] petition for modification of a Commission decision must concisely state the justification for the requested relief and must propose specific wording to carry out all requested modifications to the decision.”⁶¹ SoCalGas and SDG&E propose the following changes below, with bold/underline representing proposed additions and strikethrough representing proposed deletions.

Body of the decision, page 2

This decision sets the interim storage capacity at the Aliso Canyon Natural Gas Storage Facility at a range between zero and **68.6** ~~41.16~~ billion cubic feet.

Body of the decision, page 17

~~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.~~

Body of the decision, page 18

The price of natural gas in California, and throughout the Western United States was extraordinarily high during the 2022-2023 winter season. The U.S. Energy Information Administration (EIA) identified widespread, below-normal temperatures; high natural gas consumption; pipeline constraints; reduced natural gas flows; and low storage inventories in the west as drivers of the recent gas price spikes. On February 7, 2023, the Commission held an en banc hearing to gather facts on the extent and reasons for the high gas prices this past winter where stakeholders highlighted the importance of natural gas storage, including Aliso Canyon, in mitigating price volatility. On March 20, 2023, the Commission issued Investigation (I) 23-03-008 which tasks the Commission with examining actions it can take to avoid the likelihood that similar price spikes occur in the future. On April 13, 2023, SoCalGas issued its Summer 2023 Technical Assessment which indicates 68.6 Bcf could potentially be injected into Aliso Canyon by November 1,

⁶¹ CPUC Rules of Practice and Procedure, Rule 16.4(b).

2023, but for the Commission’s interim inventory limitation of 41.16 Bcf. If an interim decision does not address the inventory level at the Aliso Canyon Natural Gas Storage Facility expeditiously, then natural gas customers and electric customers may be impacted. As a result, prudence dictates an increase in the maximum allowable inventory to 68.6 Bcf.

Findings of Fact

- 7. The price of natural gas in California, and throughout the Western United States was extraordinarily high during the 2022-2023 winter season.**
- 8. The U.S. Energy Information Administration (EIA) identified widespread, below-normal temperatures; high natural gas consumption; pipeline constraints; reduced natural gas flows; and low storage inventories in the west as drivers of the recent gas price spikes.**
- 9. On February 7, 2023, the Commission held an *en banc* hearing to gather facts on the extent and reasons for the high gas prices this past winter where stakeholders highlighted the importance of natural gas storage, including Aliso Canyon, in mitigating price volatility.**
- 10. On March 20, 2023, the Commission issued Investigation (I.) 23-03-008 which tasks the Commission with examining actions it can take to avoid the likelihood that similar price spikes occur in the future.**
- 11. On April 13, 2023, SoCalGas issued its Summer 2023 Technical Assessment which indicates 68.6 Bcf could potentially be injected into Aliso Canyon by November 1, 2023, but for the Commission’s interim inventory limitation of 41.16 Bcf.**
- 12. If an interim decision does not address the inventory level at the Aliso Canyon Natural Gas Storage Facility expeditiously, then natural gas customers and electric customers may be impacted.**

Conclusion of Law

- 2. It is prudent to increase the storage level at the Aliso Canyon Natural Gas Storage Facility to provide increased reliability for gas and electric customers and protect them from impacts during the current summer 2023 and winter 2023-2024 operating seasons.**
- 32.** 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 41.16³⁴ billion cubic feet.

43. 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 68.641.16 billion cubic feet.

Ordering Paragraphs:

1. Southern California Gas Company may utilize working gas at the Aliso Canyon Natural Gas Storage Facility between zero and 68.641.16 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. **Pursuant to D.20-02-045, OP 6, SoCalGas shall incorporate any necessary update to transportation rates that result from changes in storage inventory capacity as part of an otherwise scheduled rate change. SoCalGas shall submit a Tier 2 Advice Letter by the 15th day of the month following such a change, providing allocated costs and illustrative class-average rate changes and related work papers.** The following tariff changes 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.
 - (b) Schedule G-TBS: Remove reference on sheet 1 to the tariff being temporarily closed.**
 - (c) Schedule G-PAL: Remove reference on sheet 1 to the tariff being temporarily closed.**
 - (d) Rule 41: Remove reference on sheets 1 and 4 to certain operational hub activities being transferred to the System Operator.**

V. CONCLUSION

SoCalGas and SDG&E appreciate the opportunity to submit this Petition and urge the Commission to expeditiously grant this petition to maintain reliability and mitigate against future potential price volatility, increased customer bills, and increased energy costs.

Respectfully submitted,

/s/ Setareh Mortazavi

Setareh Mortazavi
SOUTHERN CALIFORNIA GAS COMPANY
555 West Fifth Street, Suite 1400
Los Angeles, California 90013
Telephone: (213) 244-2975
Facsimile: (213) 629-9620
E-mail: SMortazavi@socalgas.com

Dated: April 19, 2023

APPENDIX A



Rodger R. Schwecke
Senior Vice President
Chief Infrastructure Officer
555 W. Fifth Street
Los Angeles, CA 90013-1011
Tel: 213.244.2140
RSchwecke@socalgas.com

By Email and US Mail

April 19, 2023

Leuwam Tesfai
Deputy Executive Director for Energy and Climate Policy
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Aliso Canyon Withdrawal Protocol

Dear Ms. Leuwam Tesfai:

As the California Public Utilities Commission (CPUC or Commission) knows, California and the Western United States experienced unprecedented high natural gas commodity prices this past winter.¹ The U.S. Energy Information Administration (EIA) identified widespread, below-normal temperatures; high natural gas consumption; pipeline constraints; reduced natural gas flows; and low natural gas storage inventories in the west as drivers of the recent price spikes.² On February 7, 2023, the Commission held an *en banc* hearing to gather facts on the extent and reasons for the high gas prices.³ Several stakeholders participated in the *en banc* and highlighted the importance of natural gas storage, including the Aliso Canyon natural gas storage facility (Aliso Canyon), in mitigating against price volatility.⁴

Subsequently, the Commission issued an Order Instituting Investigation (OII) intended to continue the Commission's fact-finding effort and to investigate potential threats to gas and electric reliability and price volatility in summer 2023 and beyond, and to examine actions the Commission can take to avoid the likelihood that similar price spikes will occur in the future.⁵ While the OII will consider actions the Commission can take to mitigate the likelihood of similar price spikes

¹ Investigation (I.) 23-03-008 at 1, Order Instituting Investigation on the Commission's Own Motion into Natural Gas Prices During Winter 2022-2023 and Resulting Impacts to Energy Markets, March 20, 2023.

² *Ibid.*

³ *Ibid.*

⁴ CPUC En Banc, Current Gas Market Conditions & Impacts of Gas Prices on Electricity Markets, February 7, 2023, available at: <https://www.cpuc.ca.gov/events-and-meetings/en-banc-2023-02-07>.

⁵ I.23-03-008 at 10.

occurring in the future, Southern California Gas Company (SoCalGas) proposes immediate actions the Commission can take to potentially mitigate these issues. The Commission has provided that “[g]iven the circumstances today, it is undeniable that the availability of gas at Aliso Canyon influences the price of gas and what customers pay for gas and electricity.”⁶ In order to mitigate against similar price spikes in the future and potential impacts to customers, SoCalGas requests that the Commission immediately eliminate the Aliso Canyon Withdrawal Protocol (Protocol or ACWP).

The Protocol describes the criteria required before making a withdrawal from Aliso Canyon. Specifically, the Protocol provides that SoCalGas may withdraw from Aliso Canyon if any of the following conditions are met: (1) Preliminary low Operational Flow Order (OFO) calculations for any cycle result in a Stage 2 low OFO or higher for the applicable gas day; (2) Aliso Canyon is above 70% of its maximum allowable inventory between February 1 and March 31; in such case, SoCalGas may withdraw from Aliso Canyon until inventory declines to 70% of its maximum allowable inventory; (3) The Honor Rancho and/or La Goleta fields decline to 110% of their month-end minimum inventory requirements during the winter season; and/or (4) There is an imminent and identifiable risk of gas curtailments created by an emergency condition that would impact public health and safety or result in curtailments of electric load that could be mitigated by withdrawals from Aliso Canyon.⁷ The Protocol was first developed as a reliability tool in 2016 and has been modified over several years, including in 2019 to reflect market conditions. The current Protocol was made effective July 23, 2019, with noticing and reporting requirements updated April 1, 2020.⁸ The Protocol provides that it “shall remain in effect, subject to modification, through the completion of the CPUC Investigation (I.) 17-02-002 **or such time as determined based on conditions.**”⁹

When the Commission updated the Protocol conditions in July 2019, it explained that it did so for several reasons, including a focus on improving price stability in the Southern California region.¹⁰ In particular, the Commission noted that combined natural gas pipeline outages and operational

⁶ *Id.* at 8; see also D.21-11-008 at 21, Finding of Fact (FOF) 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.”).

⁷ CPUC, *Aliso Canyon Withdrawal Protocol*, July 23, 2019, at 1, available at: https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpucwebsite/content/news_room/newsupdates/2020/withdrawalprotocol-revised-april12020clean.pdf

⁸ *Id.* at 3.

⁹ *Id.* (emphasis added).

¹⁰ CPUC, Letter Re: Aliso Canyon Withdrawal Protocol to Stakeholders and Parties to Proceedings I.17-02-002, A.18-07-024, and A.17-10-007, July 23, 2019, at 1, available at: https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpucwebsite/content/news_room/newsupdates/2019/coverletter-alisocanyonwithdrawalprotocol-2019-07-23.pdf.

restrictions on Aliso Canyon led to extraordinarily high natural gas and electricity prices.¹¹ The Commission found that modifications to the Protocol to allow for more flexible use contributed to natural gas and electricity prices remaining relatively stable during summer 2019.¹² The California Independent System Operator (CAISO) also acknowledged the positive impacts of revising the Protocol.¹³ While the market saw positive impacts as a result of the changes, the existence of the Protocol continues to limit the availability of the facility to the market. Under the current Protocol, market participants with gas in storage are not able to rely on the availability of the gas in storage at Aliso Canyon, which may artificially increase the demand and price for flowing supplies. To help mitigate price spikes in the future, SoCalGas requests that the Commission immediately eliminate the Protocol.

SoCalGas and SDG&E filed a Joint Petition for Modification (PFM or Petition) of Decision (D.) 21-11-008, which set the interim range of Aliso Canyon storage capacity at zero to 41.16 billion cubic feet (Bcf).¹⁴ SoCalGas and SDG&E are requesting the Commission take expedited action to increase the inventory at Aliso Canyon to 68.6 Bcf, a limit deemed safe by the California Geologic Energy Management Division (CalGEM),¹⁵ to help mitigate against future price spikes.¹⁶ Pursuant to D.20-02-045, under the proposed 68.6 Bcf of maximum allowable inventory, 0.44 Bcf of additional storage inventory would be allocated to Load Balancing and 27 Bcf would be allocated to the Unbundled Storage Program. The Unbundled Storage Program, which was suspended due to restrictions on Aliso Canyon, provided unbundled firm or interruptible storage service, to any creditworthy party, including the Utility's Gas Procurement

¹¹ CPUC, Letter Re: CPUC Proposed Revisions to Aliso Canyon Withdrawal Protocol to Stakeholders and Parties to Proceedings I.17-02-002, A.18-07-024, and A.17-10-007, July 1, 2019, at 1, available at: https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpucwebsite/content/news_room/newsupdates/2019/alisocanyonwithdrawal_protocol-letter-2019-07-01.pdf.

¹² Staff of the CPUC, *Summer 2019 SoCalGas Conditions and Operations Report*, July 20, 2020, at 4, available at: https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpucwebsite/content/news_room/newsupdates/2020/summerlookback2019report-final.pdf.

¹³ CAISO, *2020 Summer Loads and Resources Assessment*, May 15, 2020, at 13 (“Specifically, on July 23, 2019 the CPUC made revisions to the Aliso Canyon Withdrawal Protocol to remove its classification as “an asset of last resort” to provide SoCalGas with more flexibility to use Aliso Canyon to balance the system and ease energy price spikes.”), available at: <https://www.caiso.com/Documents/2020SummerLoadsandResourcesAssessment.pdf>.

¹⁴ *Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) Joint Petition for Modification of Decision*, April 19, 2023.

¹⁵ I.17-02-002 Phase 2: Modeling Report at 9. On July 19, 2017, after a comprehensive inspection and analyses of all the wells at Aliso Canyon, CalGEM along with the Commission determined that the facility was safe to operate. https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc_public_website/content/news_room/news_and_updates/openlettertosocalgasandpublic.pdf.

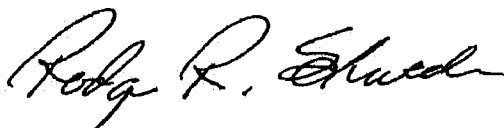
¹⁶ *Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) Joint Petition for Modification of Decision*, April 19, 2023; *Motion of Southern California Gas Company (U 904 G) to Shorten Time to Respond to Petition for Modification of Decision*, April 19, 2023.

Department for storage that is additional to their Commission allocated core storage rights. Increasing the maximum allowable inventory at Aliso Canyon to 68.6 Bcf would reinstate the Unbundled Storage Program, providing additional supply to the market which could help mitigate price volatility. If the Protocol remains in place, the Unbundled Storage Program will not be as useful to the market and not as effective in price mitigation.

In addition, increasing the storage inventory at Aliso Canyon and eliminating the Protocol could help mitigate OFOs. For example, a Low OFO occurs when the Forecasted Total Daily Customer imbalance is greater than the Storage withdrawal limit for Load Balancing. Increasing the inventory at Aliso Canyon, which would increase the Load Balancing storage inventory allocation, and eliminating the Aliso Canyon Withdrawal Protocol, which would include Aliso Canyon's inventory in the OFO calculation, could help mitigate OFOs. Moreover, if the Unbundled Storage Program is reinstated and customers contract for storage, those customers may be able to use storage to mitigate OFO penalties.

SoCalGas appreciates the Commission's attention to these important efforts to further promote our shared goal of maintaining reliability at just and reasonable rates. SoCalGas urges immediate action consistent with this letter to further this goal.

Sincerely,



Rodger Schwecke
Senior Vice President & Chief Infrastructure Officer

cc: Bruce Kaneshiro, CPUC, Energy Division
Simon Baker, CPUC, Energy Division
Jean Spencer, CPUC, Energy Division