

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



November 8, 2019

Senator Henry Stern  
Twenty-Seventh Senate District  
State Capitol, Room 5080  
Sacramento, CA 95814

Assemblymember Christy Smith  
Thirty-Eighth Assembly District  
State Capitol  
Sacramento, CA 95814

By Electronic Transmission

Dear Senator Stern and Assemblymember Smith,

Thank you for your letter of October 22, 2019, regarding the California Public Utilities Commission's (CPUC's) Aliso Canyon Order Instituting Investigation (Aliso OII, or I.17-02-002) pursuant to Senate Bill 380 (Pavley, 2016). As you know, SB 380 directs the Commission to "determine the feasibility of minimizing or eliminating the use of the Aliso Canyon natural gas storage facility while maintaining energy and electric reliability."

*Current Status of the Aliso Canyon Order Instituting Investigation Pursuant to SB 380*

In order to accomplish SB 380's statutory goal of determining the "feasibility of minimizing or eliminating" the use of Aliso Canyon while maintaining reliability, our studies are designed to answer two sequential questions both of which are grounded in the declining reliance on natural gas in California.

The first question is what are the gaps or needs that may be left by a storage field that is minimized or eliminated – in other words, what happens if customers are relying more on low-carbon generation, flowing gas, and demand reductions rather than on a large underground storage field? Commission staff's hydraulic and production cost modeling work will be completed in Q2 2020 because, as you are aware, we encountered significant challenges with finding a consultant to perform the hydraulic modeling required, and have instead deployed modelers on the CPUC's staff to conduct the studies.

This data is critical because it informs stakeholders about where impacts to residential customers and electric generation customers appear in the absence of the Aliso storage field.

The second question is about replacement or transition scenarios. Our plan has long been to launch a phase in which parties and the community discuss replacement or transition scenarios, such as: more gas demand reduction than even our current suite of programs, use of pipelines instead of a storage field, and identifying and catalyzing development of a portfolio of low-carbon generation resources that can replace the natural gas-fired plants that Southern California relies on today.

Understanding that community is anxious to begin that phase now, the Commission will launch discussion of this second question. Even without the full benefit of completed studies, we have enough information to begin this important next step.

*November 13, 2019 Workshop: Preliminary Customer Cost Results and Data Development*

Your letter is well-timed, because the CPUC staff team will present our initial customer cost impact modeling results and key pieces of our hydraulic data development at a public workshop at 9:00 AM on November 13, 2019, at the CPUC's Los Angeles office, 320 W. Fourth Street, Fifth Floor. You and/or any member of your teams are certainly welcome to participate.

At that workshop, one key presentation will focus on staff's data development to date that will be used in our hydraulic modeling. The CPUC team has developed data inputs that represent 1-in-10 peak day and 1-in-35 extreme peak day demand conditions for core and non-core customers, as well as SoCalGas core customer hourly gas demand profiles. Those data inputs are indications of circumstances in which the Aliso storage field is used today and in which a replacement energy resource (or resources) would be used in the future.

Further, staff's forthcoming production cost modeling study incorporates the portfolio of lower-carbon resources identified in the CPUC's Integrated Resource Plan (IRP) proceeding. The IRP portfolio meets the statewide target of reducing GHG emissions to 40 percent below 1990 levels by 2030. This means that we are studying the future of the Aliso storage field with an assumption of electric generation that is based more on renewables, battery storage, and other low-carbon resources in 2030 than the resources that exist today. Assuming less need for gas-fired generation in the future allows us to examine a reduced need for the Aliso Canyon storage field.

*Current CPUC Efforts to Reduce Reliance on Gas*

You are absolutely correct that reducing gas demand is a critical piece of the large-scale infrastructure transition that is being examined in the Aliso OII, and critical to moving California toward our low-carbon future.

The CPUC has several demand-side programs and policies in place that are focused on reducing demand for natural gas. In addition, our staff's modeling uses the Energy Commission's load forecast, which incorporates assumptions about declining reliance on natural gas in California. Below is additional detail about our programs and modeling assumptions:

- **Building Decarbonization:** The CPUC opened the Building Decarbonization proceeding (Rulemaking 19-01-011) to implement Senator Stern’s bill, SB 1477, which establishes two pilot programs aimed at reducing GHG emissions in both new and existing buildings. The CPUC held a number of workshops (one of which Senator Stern attended), received party comments from more than two dozen stakeholders, and recently released a staff proposal that states the CPUC’s interest “in targeting some activities in the areas of natural gas infrastructure failures, particularly the area around Aliso Canyon in Southern California.” A proposal is now under development that would build on the staff proposal and parties’ reactions to it. In 2020, the proceeding will begin to address more comprehensive policies and strategies for decarbonizing buildings in California, with reduced natural gas use being a central component of efforts moving forward.
- **Application by SoCalGas for a Gas Demand Response Program:** At the direction of the CPUC, SoCalGas ran a first of its kind residential gas demand response program in 2017, 2018, and 2019 by taking advantage of smart thermostats. SoCalGas filed an application in November 2018 seeking authorization to expand these pilots and create a new gas demand response program for commercial and industrial customers.
- **Gas-to-Electric Fuel Substitution Supported with Energy Efficiency Funds:** The CPUC recently revised longstanding rules to allow energy efficiency funds to be used for customers who wish to switch from gas to electric appliances, such as electric heat pumps. (R.13-11-005)
- **San Joaquin Valley Pilots:** Pursuant to AB 2672, the CPUC recently approved \$50 million in pilot programs to provide heat pumps and other technologies to residents of 11 disadvantaged communities in the Central Valley who lack access to natural gas. (R.15-03-010)
- **Aliso OII and the Energy Commission Integrated Energy Proceeding Report (IEPR) Load Forecast Assumptions:** Our Aliso OII studies incorporate the aggregate effects of these load reduction strategies by using the Energy Commission’s vetted and approved long-range demand forecasts. That forecast includes the growing trends for energy efficiency, rooftop solar, electric vehicles, demand response, and other load-reducing programs over time in California – again informing our modeling of the need for the Aliso Canyon storage field in the future.

The Aliso OII modeling takes into account anticipated reduced gas demand as we analyze a potential wind-down of the field. We understand that the facility has impacted the community, and SB 380 sets forth a process to reevaluate and plan for a future without this infrastructure. We will soon complete our work to understand the functioning of the system. That careful modeling work will inform possible alternatives, including planning consistent with the July 2017 letter from the California Energy Commission to former CPUC President Michael Picker.

Response to Senator Stern and Assemblymember Smith

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Thank you for your interest in the CPUC's work on this matter and we are happy to answer further questions.

Sincerely,

Handwritten signature of Marybel Batjer in blue ink.

President Marybel Batjer

Handwritten signature of Liane M. Randolph in blue ink.

Commissioner Liane M. Randolph