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**CALIFORNIA PUBLIC UTILITIES COMMISSION**

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September 25, 2017

Ms. Patricia A. Hoffman
Acting Assistant Secretary
Office of Electricity Delivery and Energy Reliability
U.S. Department of Energy
Washington, D.C. 20585

Dear Ms. Hoffman:

Thank you for your letter of August 21, 2017, addressing the Aliso Canyon underground natural gas storage facility. Understanding that you addressed the letter to Chair Robert B. Weisenmiller due to his request that the California Public Utilities Commission (CPUC) plan for a retirement of the Aliso Canyon facility within the next 10 years, however much of your questions are under jurisdiction of the CPUC. Therefore, we, Chair Weisenmiller of the California Energy Commission and Commissioner Liane Randolph of the CPUC, jointly respond to the matters your letter addresses.

Most broadly, we and our colleagues at the Energy Commission and the CPUC share the same concerns you raise in your letter, namely the resiliency of the natural gas system in California to serve the vital role that it does, in normal and exigent operating conditions. Not only does natural gas serve millions of California users in their homes and businesses, but it also fuels power plants that presently contribute to the operation of the state's electric grid as the proportion of renewable and distributed energy resources climbs.

In response to your specific questions:

1. The number of wells allowed to be used for injection and withdrawal from the Aliso Canyon facility is determined by a statutory provision requiring each well to undergo a comprehensive safety review including passing a battery of tests before they can be placed back into service. Any well that has not been tested or has failed one or more of the tests cannot be used for withdrawals or injections.

The limit on the number of available wells should not impact the ability of the utility to meet gas demand this coming winter. The CPUC has directed Southern California Gas Company (SoCalGas) to maintain sufficient inventory and withdrawal capacity at the utility's other storage facilities to meet demand on most days. The CPUC has further directed SoCalGas to inject sufficient gas into the Aliso Canyon facility to be able to meet demand on the most extreme days, even with the reduced number of wells in operation.

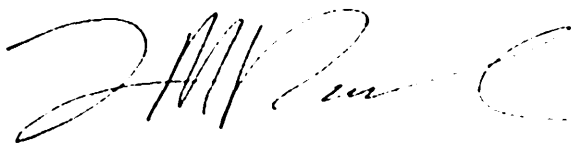
2. California Governor Edmund G. Brown Jr.'s proclamation, as well as Senate Bill 380 (Pavley, Chapter 14, Statutes of 20016), signed into law in 2016, form the statutory and policy basis for the CPUC's active proceeding examining the Aliso Canyon facility. In that investigation (I.17-02-002), the CPUC is undertaking a technical effort in compliance with the SB 380 mandate to determine the "feasibility of minimizing or eliminating use of" the Aliso Canyon facility. (Public Utilities Code Section 714.)
3. To that end, Commissioner Randolph, as the lead Commissioner for that proceeding, recently held a public workshop in Los Angeles to discuss the appropriate scenarios and assumptions to be used in modeling a range of futures for the storage field. Pursuant to the requirements of Public Utilities Code Section 714, it is the CPUC's responsibility to examine scenarios that include full closure of the Aliso Canyon facility as well as scenarios that could involve a phased closure or continued use of the field at reduced capacity.

In examining all of these scenarios, the CPUC must identify any issues that would compromise safe and reliable service and impact reasonable rates for customers of the utilities that rely on the field. As your letter notes, part of that assessment must examine the price impacts that result from more variable gas prices consumers will face if the Aliso Canyon facility, with the physical and economic hedging it allows, is no longer part of the gas system in California. The CPUC's investigation will include this type of economic assessment.

4. As noted above, the CPUC will be conducting extensive modeling to identify and examine economic and reliability implications of the studied scenarios. To the extent the results of that modeling identifies impacts on other western states, the CPUC will seek their input.

Again, thank you for your letter and continuing interest in the future of the Aliso Canyon facility in California.

With best regards,



Liane Randolph
Commissioner
California Public Utilities Commission



Robert B. Weisenmiller
Chair
California Energy Commission

cc: Mr. Michael Picker, President, CPUC
Mr. Robert P. Oglesby, Executive Director, Energy Commission