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Comments of Gill Ranch Storage, LLC on Aliso Canyon Winter Risk Assessment Technical Report 2017-18 Supplement, Docket No. 17-IEPR-11

Additional submitted attachment is included below.

GILL RANCH STORAGE®

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SENT VIA U.S. & ELECTRONIC MAIL [docket@energy.ca.gov]

Chair Robert B. Weisenmiller
Lead Commissioner
2017 Integrated Energy Policy Report
California Energy Commission
1516 Ninth Street, MS-31
Sacramento, CA 95814

Re: Comments of Gill Ranch Storage, LLC on *Aliso Canyon Winter Risk Assessment Technical Report 2017-18 Supplement*, Docket No. 17-IEPR-11

Dear Chair Weisenmiller:

Gill Ranch Storage, LLC ("GRS") appreciates the opportunity to provide comments regarding the *Aliso Canyon Winter Risk Assessment Technical Report 2017-2018 Supplement* ("*2017-2018 Supplement*"), prepared by the California Energy Commission, California Public Utilities Commission, California Independent System Operator, and the Los Angeles Department of Water and Power.

GRS is an Oregon limited liability company formed in 2007 for the purpose of developing the Gill Ranch Gas Storage Facility ("Facility"), located primarily in Madera, California. GRS owns a 75% undivided interest in the Facility, and Pacific Gas and Electric Company ("PG&E") owns a 25% undivided interest. The California Public Utilities Commission ("CPUC") granted GRS' and PG&E's consolidated applications for certificates of public convenience and necessity on October 29, 2009, in Decision ("D.") 09-10-035. With that Decision, GRS became the third independent storage provider ("ISP") to enter California's competitive natural gas storage market.[1] GRS is the operator of the Facility, which began commercial operation in October 2010.

GRS has reviewed the *2017-18 Supplement*, and appreciates the careful consideration of changes in the reliability challenges facing Southern California during the winter of 2017-18. GRS agrees with the determination that the region faces new challenges and greater uncertainty compared to last winter, primarily because three natural gas transmission pipelines that Southern California Gas Company ("SoCalGas") relies on to serve its customers are out of operation. An additional

[1] Wild Goose Storage, LLC and Lodi Gas Storage, L.L.C. entered the market before GRS. (D.97-06-091 (WGS) and D.00-05-048 (LGS).) Central Valley Gas Storage, LLC is the fourth ISP to provide natural gas storage service in California. (D.10-10-001.)

factor contributing to the uncertainty is the electricity line maintenance scheduled to begin February 1, 2018. According to the *2017-18 Supplement*, these factors, together with unexpected but possible events, make it likely that the reserves at Aliso Canyon will be needed. Under extreme cold weather events, gas supplies may not be sufficient even with withdrawals from all storage fields in southern California. The *2017-18 Supplement* identifies measures that may reduce the identified challenges and uncertainty, including use of the reserves at Aliso Canyon, customer conservation efforts, scheduling changes, and electricity imports.

GRS agrees that the above topics are important in analyzing the Aliso Canyon risk during winter 2017-18. Over both the near and longer term, GRS recommends that additional relevant factors also be considered. For example, the CPUC is considering whether to reduce or eliminate the use of Aliso Canyon (Investigation No. 17-02-002), which will create challenges over the long term. Additionally, natural gas-fueled generation will continue to play a role in integrating renewables over the foreseeable future, as large-scale storage technologies, and potentially other integration mechanisms, are further developed and refined.[2]

Natural gas storage has played and can continue to play a critical role in ensuring a reliable, accessible, and cost-effective energy supply for Californians. To the extent the use of Aliso Canyon poses reliability risks during winter 2017-18 and over the longer term, the ISP facilities can be deployed to help serve the SoCalGas system and can play a larger role supporting renewables integration and providing continuity and certainty for California gas customers. As noted in the *Draft 2017 Integrated Policy Report,* the ISP facilities have a combined working gas capacity of 106 Bcf. In order to make the best use of the existing ISP facilities, which are located in northern California, the existing interconnection between the PG&E and the SoCalGas pipelines located at Wheeler Ridge would have to be expanded or a new interconnection would need to be developed between the interstate system serving SoCalGas and the PG&E system. An improved interconnection between PG&E and SoCalGas would have the additional benefit of increasing system diversity. Importantly, given the close proximity of the PG&E and SoCalGas systems at Wheeler Ridge, this expansion could be achieved at minimal cost and without developing a new long-haul transmission pipeline.

The Gill Ranch Facility is a good example of the reliability benefits the ISP facilities can provide. For example, the Gill Ranch Facility is located on the Baja path, so it can physically provide pressure support to move gas on to the SoCalGas system. Additionally, it is not subject to Redwood path constraints. Gill Ranch also has experience being run as a utility storage facility to manage system needs on a more real time basis, due to PG&E's 25% ownership interest.

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[2] *See Draft 2017 Integrated Energy Policy Report*, pp. 101-105 (discussing the use of natural gas generation to integrate renewables).

Maximizing the use of the ISP facilities will also help mitigate the effect of the proposed new Division of Oil, Gas, and Geothermal Resources ("DOGGR") regulations. Under the draft DOGGR regulations in their current form, storage operators may withdraw gas only through a well's inner tubing, instead of through tubing plus the well casing, thereby resulting in a decrease in deliverability.

Notably, the ISP gas storage facilities do not raise the same safety issues as Aliso Canyon or other older investor owned utility facilities. The ISP facilities are located in rural areas. The ISP wells were specifically designed for natural gas storage use, and do not inject and withdraw through any older, repurposed production wells. ISP storage wells were all drilled recently (between 1999 and 2012) and thus represent the best well technology and design for each ISP storage project's individual geologic and geographic conditions. There is not presently any oil or gas production at ISP facilities that could adversely affect ISP storage wells. Finally, the ISPs, unlike the investor owned utilities, do not have captive rate bases for cost recovery; project owners are 100% at risk, and ISP rates are market-based.

GRS appreciates the CEC's consideration of these comments and respectfully requests that the *2017-2018 Supplement* be modified to include discussion of the potential for an expanded role for the ISPs in supporting reliability in southern California, generally and by backstopping any reduced use of the Aliso Canyon facility. This expanded ISP role would include an expansion of the PG&E/SoCalGas interconnection.

Sincerely,

David A. Weber
President & CEO

cc: Lana Wong [Lana.Wong@energy.ca.gov]