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PGE_SoCal NG Prices

Additional submitted attachment is included below.

Pacific Gas and Electric Company™

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California Energy Commission
Dockets Office, MS-4
Docket No. 18-IEPR-03
1516 Ninth Street
Sacramento, CA 95814-5512

Re: Docket 18-IEPR-03: Pacific Gas and Electric Company Comments on the 2018 Integrated Energy Policy Report Update Joint Agency Workshop on Southern California Natural Gas Prices

Pacific Gas and Electric Company (PG&E) appreciates the productive discussion sponsored by the California Energy Commission (CEC) and California Public Utilities Commission (CPUC) at the January 11, 2019, workshop as part of the 2018 Integrated Energy Policy Report Update (IEPR) proceeding.

PG&E would like to offer the following comments on 1) the usage of operational flow orders (OFOs) and 2) the utilization of Aliso Canyon.

A. Usage of OFOs

OFOs are critical tools needed to maintain gas reliability through noncompliance charges (penalties) for customers who fail to manage gas supplies to meet their loads. At times of limited resources, the cost of noncompliance may need to be very high to incentivize demand reductions and maintain reliability. High natural gas prices in Southern California – driven by SoCalGas's infrastructure constraints and OFOs – have increased the magnitude and volatility of prices across the California Independent System Operator (CAISO) footprint. For this reason, it would be prudent for the CPUC and CAISO to evaluate the use and price levels of SoCalGas's OFOs[1]. Looking at the OFO impact now is particularly important given the potential tightness of the electric market this coming summer. Potential consequences include higher electricity prices in northern California for PG&E's customers.

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[1] PG&E recognizes that there is an ongoing CPUC proceeding that is examining the Stage 4 and 5 OFO noncompliance charges as identified in the petition for modification jointly filed by Southern California Edison and the Southern California Generation Coalition on August 15, 2018.

B. Utilization of Aliso Canyon

PG&E supports the full utilization of Aliso Canyon if it has met all the safety requirements mandated by the CPUC and the Division of Oil, Gas, and Geothermal Resources (DOGGR). As important as it is to examine the frequency and pricing of OFOs, the return to full operation of Aliso Canyon would likely do more to mitigate high and volatile gas prices in the SoCalGas service area than a reduction in OFO charges. A corresponding reduction in the magnitude and volatility of electricity prices in the CAISO Balancing Authority Area should follow.

Accordingly, the CPUC, CEC, and CAISO should evaluate the following:

1. Are the triggers for declaring each of the different stages of OFO penalties appropriate?
2. Is the penalty price of each stage appropriate? What is the impact of a $25/Dth OFO versus $5/Dth OFO on the ability for SoCalGas to control pressure?
3. What are the price impacts of SoCalGas' use of OFOs on electricity markets?
4. Would additional operation of Aliso Canyon substantially lessen the need for high cost OFOs?

PG&E appreciates this opportunity to comment and looks forward to continued participation in this IEPR process.

Sincerely,

/s/

Valerie Winn