

## DOCKETED

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## CALIFORNIA ENERGY COMMISSION

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May 20, 2016

The Honorable Fran Pavley  
California State Senate  
State Capitol, Room 5108  
Sacramento, CA 95814  
*Via senator.pavley@senate.ca.gov*

Dear Senator Pavley:

Congratulations on the passage of Senate Bill 380, (Pavley, Natural gas storage: moratorium 2016). I would like to thank you for your continued engagement as we collectively seek a path forward to enforcing strict safety standards at Aliso Canyon and the state's other storage facilities while ensuring continued energy reliability for California.

I have received your letter, dated April 22, 2016, and it has been docketed as part of the public record. Your letter has been distributed to all members on the dais at the Joint Agency Workshop on April 8, 2016. The agencies are engaged in preparing many of the valuable tools that you identify in your letter as a call to action. I also appreciate you holding the meeting on May 13 to allow for an ample opportunity to discuss the actions taking place. The California Public Utilities Commission (CPUC), California Energy Commission, California Independent System Operator (CAISO), and the Los Angeles Department of Water and Power (LADWP) have a public responsibility to analyze and prepare for the risks associated with the anticipated gas curtailments resulting from Aliso Canyon. We are doing our part to identify potential risks, partner with local utilities to minimize those risks, and mobilize customers to do what they can to save energy this summer. We are actively tracking all of the mitigation measures and the steps needed to complete each task. A summary of this is included in the *Aliso Canyon Action Plan* update.

The *Aliso Canyon Action Plan*, presented at the workshop, was developed by an interagency team comprised of these same agencies. The *Action Plan* focuses on the immediate reliability concerns for summer 2016. The *Action Plan* identifies 18 mitigation measures that will mitigate, but not eliminate, the risks to natural gas and electricity service during the time that Aliso Canyon operations are constrained. Based on comments received after the workshop, the agencies added three new mitigation measures, to expand and accelerate battery electricity storage, to explore dual fuel capability for three LADWP generators, and to protect California ratepayers. The agencies plan to release an update very soon to the Action Plan that will include these new mitigation measures and an attachment with comments and response to comments. Many of these mitigation measures are already underway, which the agencies are closely

monitoring to ensure timely implementation. I address them here in terms of your three major concerns: mobilizing the state's resources; ensuring transparency; and limiting consumers' exposure to more costs. Specific efforts are described in these three categories.

#### Mobilizing the state's resources

19 of the 21 mitigation measures do not involve the use of Aliso Canyon. They focus instead on reducing overall electric and gas demand, better coordination on how gas is used, and changes in rules about how non-core customers ship gas. In fact, the purpose of the *Action Plan* was not to justify the continued operation of Aliso Canyon, but to assess the electrical reliability risk without it and recommend measures to mitigate that risk this summer. The *Action Plan* makes no determination on the long term need for or viability of the Aliso Canyon facility.

The *Action Plan* recommends three key initiatives for deployment in summer 2016: weatherization funding targeting low income residents; solar thermal water heaters; air conditioning cycling; and rebates on consumer purchases of smart thermostats. Expanding gas and electric efficiency programs targeted at low income customers is already underway. The CPUC issued an Assigned Commissioner's Ruling on March 14, 2016, directing Southern California Gas (SoCalGas) and Southern California Edison (SCE) to prioritize and target Energy Savings Assistance program efforts in low-income communities affected by Aliso, and recently re-allocated \$140 million to low-income programs.

The CPUC also recently authorized up to \$6 million for SoCalGas energy conservation messaging campaign plus \$5 million for Flex Alert paid media in 2016, a program which we have considerable experience with and which has proven very valuable in the past. An advisory group comprised of LADWP, SoCalGas, SCE, San Diego Gas & Electric, Southern California Public Power Authority, City of Burbank, City of Glendale, and City of Los Angeles was created to plan a gas conservation messaging campaign around the Aliso Canyon situation.

LADWP's fiscal year budget for energy efficiency programs is \$178 million. In addition to existing programs, new programs to be available by summer include residential and commercial air conditioning tune-ups, residential light emitting diode lamp replacement and rebates to reduce home lighting load, and behavior-based energy conservation programs.

#### Ensuring transparency

Considering whether any gas maintenance tasks can safely be deferred is one of the mitigation measures. Deferring maintenance can be a trade-off between increasing gas supply and creating a stress condition that causes an unplanned outage or system failure. Safety considerations must be a priority. Southern California Gas chose April to conduct planned maintenance on its Honor Rancho storage facility because April's

weather is typically mild, and April follows the winter season when core customer demand is highest and also before the peak electric summer season. This planned maintenance outage event impacts half of the withdrawal capacity at Honor Rancho.

One of the mitigation measures is to increase the close coordination between electric and gas operations. SoCalGas, CAISO, and LADWP operations meet regularly to review upcoming maintenance schedules to incorporate into their operations and planning processes and to minimize any overlap of electric or natural gas system maintenance events. In addition, Southern California Gas will post all maintenance events to Envoy (its electronic bulletin board) when there is certainty about the projects' schedules and durations. It also posts large maintenance outages at least 30 days in advance; the gas operator has the ability to cancel a maintenance project prior to the event.

#### Limit consumers' exposure to more costs

Based on your concern and others, one of the new mitigation measures added is to protect California ratepayers. FERC and CAISO Market Monitoring will be monitoring the electricity and natural gas markets for any signs of market manipulation to ensure well-functioning markets.

The CPUC has a statutory mandate to post an annual report that contains its recommendations for actions that can be undertaken during the succeeding 12 months to limit utility cost and rate increases as they impact customer bills, while advancing the state's energy and environmental goals. The report describes programs to promote safe, reliable, and least-cost electricity strategies and natural gas utility operational costs and rates.

As you note, ongoing integrated resource planning required under SB 350 will operate within a diversified demand and supply resource procurement framework, emphasizing reduced greenhouse gas emissions from the electricity sector. These plans are to be designed to ensure local and system reliability, strengthen resilience of bulk transmission and distribution, and give early priority to reducing localized air pollutants in disadvantaged communities, while minimizing impacts on ratepayers' bills.

#### Next Steps

The energy entities working together on Aliso Canyon mitigation measures plan to continue their interagency team to conduct a risk analysis for winter 2016-2017 and present these results at a workshop scheduled on August 12. The winter reliability plan will focus on the immediate and near-term actions that can be taken to mitigate reliability concerns for electricity and gas customers for the 2016/2017 winter season, but the agencies are mindful of the relationship between reliability and long-term planning. In addition, we will prepare analyses of long-term natural gas storage viability, including how storage fits into our clean energy future. The agencies are planning for and reorganizing staff around increasing system resilience over the long term.

The Energy Commission's *2015 Integrated Energy Resources Report* (IEPR) recommends that the utilities develop strategies for decarbonizing the natural gas system through both long-term plans and actionable strategies. There is adequate evidence that California needs to move forward aggressively to reduce methane emissions.

The *2016 IEPR Update* will continue the assessment of available studies to uncover the best science on methane to reduce the current gaps and uncertainties surrounding the measurement and mitigation methods for methane emissions. Aliso Canyon will be prominently featured in both the *2016 and 2017 IEPR* proceedings. New data collection and forecasting work will enable the Energy Commission to look more specifically at where and how demand is changing in response to increased levels of preferred resources, such as energy efficiency, demand response, and behind-the-meter generation and storage. The natural gas leak at Aliso Canyon underscores the need for an interagency, multi-year assessment of the issues involved in reducing California's reliance on natural gas infrastructure to meet the state's greenhouse gas emission goals and the Governor's Executive Order B-30-15.

Moving forward, we are committed to enforcing strict safety standards at Aliso Canyon and the state's other gas storage facilities while ensuring continued energy reliability for all Californians. We are open to continuing dialogue to identify additional mitigation strategies. With commitments from leaders such as you, we can use this disaster as an opportunity to move toward the clean and reliable energy future that we envision. I cannot stress enough the importance of engaging in these actions and I thank you for your efforts.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert B. Weisenmiller", written in a cursive style.

ROBERT B. WEISENMILLER  
Chair

CC: Steve Berberich, California ISO  
Michael Picker, California Public Utilities Commission  
Marcie Edwards, Los Angeles Department of Water & Power  
Ken Alex, Office of Governor Edmund G. Brown Jr.  
Wade Crowfoot, Office of Governor Edmund G. Brown Jr.