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SoCalGas Comments - CEC IEPR- Winter Reliability 09.09.16

Additional submitted attachment is included below.



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September 9, 2016

California Energy Commission
Dockets Office, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

Subject: Joint Agency Workshop on Aliso Canyon Action Plan for Local Energy Reliability for Winter of 2016 and 2017, Docket Number: 16-IEPR-02

Dear Chairman Weisenmiller and fellow Commissioners:

Southern California Gas Company (SoCalGas) thanks the California Energy Commission (CEC) for conducting the August 26, 2016 Joint Agency Workshop, as part of the *2016 Integrated Energy Policy Report (IEPR) Update* proceeding (Docket Number: 16-IEPR-02).

On August 23, 2016, the CEC, California Public Utilities Commission (CPUC), California Independent System Operator, and Los Angeles Department of Water and Power (LADWP) (collectively the Joint Agencies), issued the *Aliso Canyon Winter Risk Assessment Technical Report* (Technical Report), *Aliso Canyon Gas and Electric Reliability Winter Action Plan* (Action Plan), and *Independent Review of Hydraulic Modeling for Aliso Canyon Risk Assessment* (Independent Review), (collectively the Reliability Reports).

SoCalGas appreciates the Joint Agencies' leadership in developing the Reliability Reports and for the opportunity to be a part of the Gas Supply and Delivery Representatives panel during the Joint Agency Workshop.

The Aliso Canyon natural gas storage facility (Aliso Canyon) plays a critical role in providing reliable energy service to Southern California, and we appreciate the continued efforts from the Governor, Joint Agencies, and other parties to help minimize the possibility of natural gas service interruptions as we work to meet new regulatory requirements in order to restore full injection and full withdrawal operations at Aliso Canyon. And we believe that the Reliability Reports generally represent a further positive step in this direction. SoCalGas disagrees with certain portions of the Reliability Reports, however, as well as certain presentations at the August 26 Joint Agency Workshop.

Concerns about the Action Plan

Certain conclusions in the Action Plan are not supported by the Technical Report.¹ In particular, the Action Plan presents an optimistic winter reliability situation that is not supported by the Technical Report. For example, the Action Plan relies primarily upon a simple mass balance analysis to project system reliability and ability to serve customer loads. While this type of analysis can serve as a rough indicator of operational issues resulting from a supply imbalance, it does not take into account the hourly changes and dynamic system behavior that the hydraulic analysis provides, as explained in both the Technical Report and the Independent Review.² Likewise, the gas balance results summary in the Action Plan implies that the only reliability concerns would occur under a winter peak day condition with very limited use of Aliso Canyon.³ However, as stressed in the Technical Report, only hydraulic modeling can assess the capacity of the system to meet peak hour demand and manage system pressures.

The Action Plan also assumes that that service to core customers is not at risk this winter, which is not entirely consistent with the Technical Report. The Action Plan focuses on the system having enough capacity to meet the standard core reliability planning criteria: “Customers at homes and small businesses do not appear to be at risk unless their demand exceeds the 4.5 Bcf per day. This will not occur under the winter peak day planning criterion which includes a 1-in- 35-year core demand.”⁴ That demand is in the range of 3.0 to 3.1 Bcf per day. This statement in the Action Plan does not take into account the following discussion from the Technical Report, which points out that the 1-in-35 core planning criteria is not the only reliability factor to consider this winter: “Although the system has sufficient capacity to serve the 1-in-35-year peak day demand, core customers may still be susceptible to a loss of service. Cold conditions are not typically limited to one region of the country, and other regions are all competing for limited gas supplies. Well freeze-offs further limit available gas supply, and noncore noncompliance to curtailment orders further jeopardizes core reliability.”⁵

Further, the Action Plan is based upon an overly optimistic level of pipeline supplies available to southern California in the winter season. The Technical Report determined the maximum capacity the system can accommodate, which necessarily assumes 100% utilization of its receipt capacity for interstate supplies. This maximum capacity is not a

¹ The Technical Report was developed by the Aliso Canyon Technical Assessment Group, which is made up of various technical experts (including SoCalGas), and the Technical Report was verified by an independent review team made up of experts from Los Alamos National Laboratory (Los Alamos) and Walker & Associates.

² Technical Report, 19.

³ Action Plan, Appendix C.

⁴ Action Plan, page 5.

⁵ Technical Report, page 30. The referenced core demand is in the range of 3.0 to 3.1 Bcf per day.

reasonable basis for the assessment of energy risk and reliability, and the Technical Report expressly acknowledges this risk: “SoCalGas and SDG&E cannot forecast what level of supply may be delivered under the new balancing rules, it will likely be higher than what has been historically experienced, assuming that gas supplies are available for purchase and are not impacted by well freeze-offs or cold demand in other parts of the country competing for those supplies.”⁶

In addition, SoCalGas is concerned that Mitigation Measure #5 could be read to imply that SoCalGas has not acted with urgency to restore Line 3000 to service.⁷ SoCalGas is already “doing everything possible” to restore this pipeline to full service, but must do so safely, and within the constraints imposed by detailed federal and state safety requirements. Much of the Line 3000 timeline is associated with evaluating and interpreting data for over 100 miles of pipeline from multiple in-line-inspection runs. The data from these inspection runs are then analyzed by outside vendors and confirmed by SoCalGas engineers, who then plan any necessary remediation. This includes acquiring pipe and material for repair, and permits for construction, which also take time to do. SoCalGas is working expeditiously to safely restore Line 3000 to full service.

SCGC’s Statements at the Joint Agency Workshop Regarding Core Customer Balancing were Not Accurate

During the August 23 Joint Agency Workshop, a representative for the Southern California Generation Coalition (SCGC),⁸ made a proposal for core to balance daily against actual load as noncore customers are required to do.⁹ This proposal inaccurately presents the current situation—core customer supplies are in fact already subject to balancing rules—and it does not reflect the fact that the current balancing regime represents a delicate balancing of interests between core customers (residential customers and small businesses) and large noncore customers such as the electric generators represented by SCGC. Perhaps even more importantly, SCGC’s proposal does not reflect the fact that it is not physically possible for core customers to balance to real-time usage in the near-term, and that it would require in excess of \$90 million in additional annual expenditures to develop this capability in the long term.

SoCalGas’ Gas Acquisition group is responsible for the procurement of natural gas for approximately six million SoCalGas and San Diego Gas and Electric (SDG&E) core customers. Pursuant to CPUC decisions, our core customers balance to a same-day forecast rather than actual usage. Additionally, SoCalGas and SDG&E have made substantial

⁶ Technical Report, page 29.

⁷ Mitigation Measure #5 is described as “Submit Meaningful Reports Describing Rapid Progress on Restoring Pipeline Service During Maintenance Outages.” See Action Plan, page 21.

⁸ SCGC represents certain electricity generators in the SoCalGas service territory, including panel member LADWP.

⁹ See Joint Agency Workshop Transcript, page 122.

advances in building out their Advanced Metering Infrastructure (AMI) systems.¹⁰ But it is incorrect to assume that these core AMI systems are capable of providing the same information as the automated measurement technology available to all noncore customers. The AMI systems installed by SoCalGas and SDG&E to serve their core customers are focused on eliminating the need for manual meter reading, providing enhanced leak detection, and providing relevant prior-day usage information to individual core customers—not aggregating usage information from millions of core customers on a real-time hourly or daily basis in order to facilitate the desire of certain noncore customers for equivalent balancing protocols.

Neither SoCalGas nor SDG&E currently have systems capable of converting daily core reads into daily measurement quantities that can be allocated and aggregated to the respective core balancing agents for the purpose of calculating OFO noncompliance charges. As a result, it would not be possible under the current AMI configuration for Gas Acquisition and other core balancing agents to receive meaningful real-time core usage information. Any usage information Gas Acquisition and other core balancing agents would receive would be *after* the relevant flow day, which would completely defeat the supposed purpose of requiring core customers to balance to actual usage rather than a same-day forecast. System reliability would not be enhanced by requiring core customers to balance to a usage figure that is only known *after* the relevant flow day. Rather, core customers would simply be subjected to penalties that they would have no ability to mitigate.

With enough time and enough money, our AMI systems might be able to be reconfigured to provide Gas Acquisition and other core balancing agents with core usage that is real-time, or at least reasonably close to real-time. But any such changes would take a substantial amount of time to implement, and require substantial additional expenditures. Information Technology changes are never quick, and the large-scale changes that would be required to change our AMI systems in the manner contemplated by SCGC cannot be completed in time for this winter season. Moreover, any changes to our AMI systems will be complex, owing at least in part to the fact that we are dealing with highly sensitive customer information and because we are dealing with many millions of customer meters, not to mention the complexity involved in the management of the data exchange and connections to our billing systems.

SoCalGas and SDG&E have not attempted to come up with a time or dollar estimate for what would be involved for us to meet the core balancing demands of SCGC. Software upgrades are certain to be expensive, and there are undoubtedly many related costs. But one obvious cost is the additional battery replacement cost if we switch transmittals from the individual meters from every six hours to every hour. A quick, back-of-the-envelope

¹⁰ SoCalGas has deployed an Advanced Meter technology; whereas, SDG&E deployed a Smart Meter. Each has different technological capabilities. However, for purposes of these comments, the AMI system refers to SoCalGas' and SDG&E's respective technology networks.

estimate is that such a change would reduce meter battery life from approximately 20 years to approximately 7 years—with an associated additional annual cost in excess of \$90 million. SoCalGas and SDG&E do not believe the limited system reliability benefits that might be gained from requiring core customers to balance to actual usage would be worth anything close to \$90 million a year, let alone the even greater all-in cost that would result from software upgrades and other related changes and reconfigurations. Bottom line, requiring core customers to balance to actual usage is not possible in the short-term, and it likely does not make sense financially in the longer-term.

SoCalGas is Evaluating the Viability of Natural Gas Demand Response Programs

While SoCalGas appreciates the intention of applying electric-style demand response practices to help support gas system reliability, there are challenges associated with implementing natural gas demand response programs, including the systemic differences between the electric grid and the natural gas system. As noted in the Action Plan, natural gas demand response programs do not exist across the United States for a variety of reasons, including the aforementioned. The effects of natural gas demand response programs, if any, would likely not result in a meaningful impact to gas system reliability this winter. However, SoCalGas is actively engaging with Energy Division to develop a set of pilot programs to test the feasibility of natural gas demand response programs.

SoCalGas remains committed to advancing demand-side management programs and is actively working to intensify low income energy efficiency offerings, and accelerate and enhance energy efficiency offerings for commercial and industrial customers.

The Injection Capability of Aliso Canyon Needs to be Restored

Restoring injections at Aliso Canyon to support energy reliability for the winter heating season is critical. Without Aliso Canyon, our ability to meet this demand is reduced, increasing the risk of natural gas curtailments for the entire region and potentially affecting all customers. Merely “hoping” for normal winter weather conditions, and relying on upstream pipeline companies for supplies is not a prudent way to operate a pipeline system that provides natural gas to over 21 million consumers.

Cold weather outside of California that limited natural gas supply availability resulted in local service curtailments on December 5, 2013, December 7-11, 2013, and February 6-10, 2014. These curtailments were due to the fact that 90% of the natural gas used in Southern California is produced outside the state. Cold weather in out-of-state supply basins can cause gas wells and associated production facilities to freeze up and limit supply. Likewise, cold weather back East and in the Midwest can result in gas supply flowing east of California to meet rising demand, rather than west to Southern California, also increasing the potential for curtailments.

SoCalGas' customers rely heavily on Aliso Canyon storage during the winter. Between 2012 and 2015, natural gas withdrawals from Aliso Canyon were needed on 84% of winter days. Simply put, our system was designed to serve our customers through a network of pipelines *and* storage fields. Aliso Canyon is critical to protecting against supply shortages and mitigating the risk of service interruptions to allow for energy independence.

We appreciate the opportunity to participate in the August 23 Joint Agency Workshop, and continuing efforts of the CEC and others to help minimize the possibility of natural gas service interruptions this winter. SoCalGas will continue to work diligently to provide safe, reliable, and affordable natural gas service.

If you have additional questions, please contact Yvonne Mejia, ymejia@semprautilities.com, or Tim Carmichael, tcarmichael@semprautilities.com.

Sincerely,

A handwritten signature in blue ink that reads "Rodger R. Schwecke". The signature is fluid and cursive, with the first name "Rodger" being more prominent than the last name "Schwecke".

Rodger R. Schwecke
Vice President
Gas Transmission and Storage