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County Comments on Docket No. 16-IEPR-02

Additional submitted attachment is included below.



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June 5, 2017

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Dr. Robert B. Weisenmiller
Chair, California Energy Commission
1516 Ninth Street Sacramento, California 95814

Re: Docket No. 16-IEPR-02

Dear Dr. Weisenmiller and Members of the Commission:

The County of Los Angeles ("County") is pleased to provide these comments on the current and projected state of natural gas and electricity system reliability in Southern California, as they relate to the ongoing moratorium on resuming natural gas injections into the Aliso Canyon natural gas storage field. The County has retained the services of EES Consulting of Kirkland, Washington and Energy and Environmental Economics, Inc. ("E3") of San Francisco, California to provide technical assistance and has incorporated information from EES and E3 into these comments.

The County has closely monitored communication between Southern California Gas Company ("SoCalGas") and the California state agencies over the past several months regarding the status of the natural gas system, and participated in the May 22, 2017, Joint Agency Workshop. The County maintains that injections should not be resumed at Aliso Canyon until the root cause analysis has been completed.

This letter provides four key points that summarize the County's understanding of the state of the SoCalGas storage system, effects of mitigation measures implemented to address the availability of less system-wide storage and PUC technical assessments of reliability analyses going into the summer of 2017, and provides recommendations to the Agencies to maintain electricity and natural gas system reliability without resuming injection at Aliso Canyon.

1. It is unlikely that withdrawals from Aliso Canyon are needed to meet minimum electric reliability requirements and summer peak natural gas demand.

The hydraulic modeling conducted by SoCalGas for the 2017 Summer Assessment concludes that the maximum demand that can be supported without Aliso Canyon is 3.638 Bcf/day; this remains above a projected summer peak demand of 3.301 Bcf/day for 2017. Under four scenarios where pipeline receipts and demand assumptions are varied, the study analyzed 3.185 Bcf/day pipeline receipts and storage withdrawal of 1.4 Bcf/day and concluded that gas delivery is sufficient to avoid electric generation curtailment with minimum electric reliability operations. Curtailment of electric generators occurs only under a scenario in which both flowing gas supply and electricity transmission import utilization are at least 10% below maximum capabilities. This risk is not sufficient to warrant new injections at Aliso Canyon.

2. The agencies must continue to take steps to ensure that SoCalGas can maximize storage injections and increase inventory levels at non-Aliso Canyon storage sites.

Without Aliso Canyon, natural gas system reliability in Southern California depends, in part, on maintaining maximum inventory at non-Aliso Canyon storage facilities. In a system reliability directive, the CPUC recognized the importance of SoCalGas maximizing storage injections to increase inventory levels at these facilities. SoCalGas filed a storage injection plan to support summer system reliability on May 19, 2017. In it, planned non-Aliso Canyon system injections can support corresponding minimum withdrawal rates of 2.0 Bcf/day by June 1, 2017 and 2.43 Bcf/day by October 1, 2017. The Agencies must take steps to minimize any regulatory or other barriers to SoCalGas' achievement of these inventory levels.

3. The agencies should take steps to ensure that SoCalGas can maximize available linepack in order to address potential intra-day imbalances.

Intraday imbalances can result in storage withdrawals to maintain operating pressures. Gas balancing rule revisions have been implemented as a mitigation measure. Tighter gas balancing rules allow SoCalGas to call and utilize Operational Flow Orders ("OFOs") under a wider range of conditions. The rule changes have resulted in fewer supply and demand mismatches and improved reliability due to non-core customers modifying their behavior to more closely match deliveries with usage even on days when no OFOs are called.

In addition to withdrawals from underground storage, intraday imbalances can be managed by maintaining sufficient linepack to accommodate higher withdrawals during some hours. The Agencies should take steps to minimize regulatory, cost-recovery, or other barriers that might prevent SoCalGas from maximizing linepack to the extent possible in order to help address intra-day demand fluctuations.

4. The agencies should continue to investigate mitigation measures, as well as thoroughly investigate the January 24 and 25, 2017 withdrawals at Aliso Canyon, in advance of the Winter 2017-2018 season.

While it appears that gas deliveries will be adequate in Summer 2017, presenters at the May 22, 2017 workshop expressed some uncertainty about whether deliveries will be adequate during the coming winter peak season. It remains the County's position that injections should not be resumed at Aliso Canyon until the root cause analysis has been completed. It is therefore critical that the Agencies continue to investigate and implement mitigation measures and other steps to minimize the need for gas storage.

In particular, the County urges the CPUC to thoroughly investigate the circumstances of January 24th and 25th, 2017 which resulted in SoCalGas' withdrawal of a minimal amount of gas from Aliso Canyon. A thorough and transparent investigation is necessary to restore public trust in the regulatory Agencies and ensure confidence in SoCalGas' management of the natural gas system. There are far too many unusual circumstances surrounding the January 24 and 25 withdrawals that suggest mismanagement; indeed, some have alleged possible manipulation. It is critical to understand the conditions that led to these withdrawals, whether there are any steps SoCalGas might have taken to avoid the need for the withdrawals, and whether there are any additional mitigation measures that could reduce the likelihood of such a scenario in the future. This is particularly important because tighter gas balancing rules were already in effect by January of 2017 in order to encourage non-core customers to better align their gas supply deliveries with actual usage. This investigation should yield valuable insight that would be applicable to the 2017-18 Winter peak season. The results of the results of the investigation, and supporting documents, should be made publicly available as soon as possible.

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The County thanks the Agencies for the opportunity to provide these comments.

Very truly yours,

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