

**DOCKETED**

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**21-IEPR-04 Comments by the Indicated Shippers on the July 8-9,  
2021 Joint Agency Workshop**

*Additional submitted attachment is included below.*

July 23, 2021

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Commissioner Andrew McAllister  
Commissioner Siva Gunda  
California Energy Commission  
1516 9th Street  
Sacramento, CA 95814

**RE: CEC Docket 21-IEPR-04: Summer 2021 Electric and Natural Gas Reliability; Comments by the Indicated Shippers on the July 8-9, 2021 Joint Agency Workshop**

Dear Commissioner McAllister, Commissioner Gunda, and Commission Staff:

The Indicated Shippers<sup>1</sup> appreciate this opportunity to comment on the July 8-9, 2021 Joint Agency Workshops on Summer 2021 Electric and Natural Gas Reliability. These comments focus on the workshops pertaining to natural gas reliability for summer 2021, held on July 9, 2021 (referred to as the July 9 Workshops). The Indicated Shippers urge the Commission to address key issues pertaining to these topics in the upcoming 2021 Integrated Energy Policy Report (2021 IEPR). Specifically, the 2021 IEPR and the critical analytical products for gas planning should consider the following points:

- The importance of the role of storage in minimizing price spikes, the provision of critical balancing services, and the reduction of the risk of curtailments during extreme weather. The role played by storage is especially crucial during times of peak demand and uncertain supply situations.
- Gas planning for reliability in the summer 2021—which is now—must be distinguished from long-term considerations.

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<sup>1</sup> The Indicated Shippers represent the following companies in this proceeding: California Resources Corporation, Chevron U.S.A. Inc., PBF Holding Company, Phillips 66 Company, and Tesoro Refining & Marketing Company LLC.

July 23, 2021

Page 2

- The precarious situation in southern California is exacerbated by the current, interim limit on the maximum storage level at Aliso Canyon, which can and should be raised now. The Indicated Shippers urge the CEC to support its petition for modification in the CPUC's Aliso Canyon proceeding to increase the interim level of Aliso Canyon to address summer 2021 and winter 2021-22 needs.

## **Interim Aliso Canyon Maximum Allowable Capacity**

During the July 9 Workshops, multiple presenters from different agencies affirmed the importance of natural gas storage, especially on the SoCalGas system, to minimize curtailment and stabilize prices for summer 2021 reliability. In this 2021 IEPR, the CEC should continue this important factual analysis in helping plan summer 2021, and also winter 2021-22 reliability.

Relatedly, the Indicated Shippers filed a petition for modification on May 26, 2021 in the CPUC's Aliso Canyon Reduce-or-Eliminate docket to prompt CPUC action to increase the maximum allowable level at Aliso Canyon from 34 Bcf to 54.88 Bcf.<sup>2</sup> The petition for modification seeks an *interim* increase to address both gas and electric reliability concerns for summer 2021 and winter 2021-22. Increasing the Aliso Canyon storage level to 54.88 Bcf would reduce the risk of increased costs to core and noncore customers, curtailment for noncore customers, and tighter balancing requirements.<sup>3</sup> Failing to act to increase the gas system's flexibility and reliability by increasing the interim storage level would potentially lead to significant customer harm. This is especially important in a year with a severe drought and accompanying low hydro conditions, along with the possibility for more extreme weather conditions threatening the reliability of California's intertwined power systems. Southern California Gas Company (SoCalGas), Southern California Edison Company, (SCE), and The Utility Reform Network (TURN)—who represent the operator and other end users of the gas system, and are directly affected by any storage constraints on the SoCalGas system—support the petition.<sup>4</sup> These reliability concerns mirror the presentation themes by the presenters at the July 9 Workshops. The CEC should support the interim increase of the Aliso Canyon maximum levels to address summer 2021 and winter 2021-22 concerns.

As aptly noted by CEC presenter Melissa Jones during her presentation,<sup>5</sup> while peak demand days are rare, the system must consider them, as they have impacts for both gas

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<sup>2</sup> *Petition for Modification of D.20-11-044 by the Indicated Shippers*, May 26, 2021, filed in CPUC docket I.17-02-002.

<sup>3</sup> *Id.* at 3.

<sup>4</sup> *Response of Southern California Gas Company (U 904 G) to the indicated Shipper's Petition for Modification of D.20-11-044, Response of The Utility Reform Network to the Petition for Modification of D.20-11-044 Regarding the Interim Storage Level for Aliso Canyon, and Southern California Edison Company's (U 338-E) Response to the Petition for Modification of D.20-11-044 by the Indicated Shippers*, filed on June 28, 2021 in the CPUC docket I.17-02-002.

<sup>5</sup> *See*, July 9, 2021 Presentation by CEC titled *Overview on California Gas Reliability Issues*.

customers and electric customers. Adequate storage on the SoCalGas system is a key tool for managing peak demand days.

## **Realistic Assumptions for Long-Term Planning**

The Indicated Shippers also agree with the CPUC's Eileen Hlavka's comment regarding the need for more realistic analysis from the CPUC's consultant, FTI Consulting, in modeling shortfalls in the event that Aliso Canyon is closed by certain timelines.<sup>6</sup> Specifically, FTI Consulting's analysis should include more realistic and lower levels of gas in non-Aliso storage fields during peak demand days, to reflect more accurate assumptions. During the Workshop #4 roundtable discussion, SCE commented that, if the gas system adopted FTI Consulting's assumptions from their current analysis, it would not result in a reliable gas system. The Indicated Shippers agree.

## **Critical Role of Storage in Both Northern and Southern California**

As shown in multiple July 9 Workshop presentations, natural gas storage plays a crucial role in alleviating supply issues, which neither the CPUC, SoCalGas, nor utility customers have control over. This was clearly demonstrated during the February 2021 Polar Vortex storms. First, the CPUC's presentation by Jean Spencer modeled the differences between PG&E and SoCalGas during the Polar Vortex, and demonstrated that PG&E prices spiked at approximately \$11/MMBtu, while SoCalGas's prices spiked to approximately \$140/MMBtu.<sup>7</sup> SoCalGas's prices remained astronomically high for several days.<sup>8</sup> Due to the storms, supply from the Permian Basin was disrupted to the SoCalGas system,<sup>9</sup> which likely contributed to the price spike differences between PG&E and SoCalGas. (PG&E receives more supply from Canada, and SoCalGas receives more supply from Texas.)<sup>10</sup>

However, importantly, noncore customers have access to storage in PG&E's system, but do not have access to storage on SoCalGas's system. SoCalGas's noncore customers are more exposed to peak prices and curtailments as a result of the limited storage in comparison to PG&E's system. In an August 2020 "lookback," SoCalGas demonstrated that pipeline receipts were not sufficient to manage the large swings in peaks; rather, SoCalGas relied on storage withdrawals to manage them.<sup>11</sup> The Indicated Shippers urge the CEC to incorporate practical analysis on day-to-day reliability concerns in creating its analytical products for gas planning, especially in regard to near-term reliability needs.

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<sup>6</sup> July 9, 2021 Presentation by the CPUC titled *Assessing Aliso Canyon Natural Gas Facility Closure Options in CPUC Proceeding I.17-02-002*, at slide 4.

<sup>7</sup> July 9, 2021 Presentation by SoCalGas titled *SoCalGas/SDG&E System Overview*, at slides 4-6.

<sup>8</sup> Id. at slides 4-6.

<sup>9</sup> See id. and July 9, 2021 Presentation by the CPUC titled *Impact of the Polar Vortex on California*, at slides 4-5.

<sup>10</sup> July 9, 2021 Presentation by the CPUC titled *Impact of the Polar Vortex on California*, at slide 5.

<sup>11</sup> July 9, 2021 Presentation by SoCalGas titled *SoCalGas/SDG&E System Overview*, at 12.

July 23, 2021

Page 4

## **Summer 2021 Reliability Needs Are Distinctly Urgent**

The Indicated Shippers emphasize that, while topics discussed during the July 9, 2021 roundtable presentation are important topics for long-term considerations, they do not necessarily materially improve current summer 2021 reliability.

For example, recommendations for hydrogen or biofuels as the potential lowest-cost peak resource for longer-duration (i.e., over 4 hours, as shorter durations are primarily covered by lithium-ion batteries), remain important long-term considerations. The CEC and other agencies should consider long-term alternatives for Aliso Canyon, including options for renewable natural gas (RNG), which could act as a practical and low cost drop-in fuel. Yet, it is important to distinguish long-term considerations from gas planning analysis for short-term needs for summer 2021.

The Indicated Shippers support the CEC's evaluation of gas planning in its consideration of summer 2021 reliability. The interdependencies of the electric and gas systems are clear, and the gas policy and planning research being undertaken in this 2021 IEPR is needed to help inform California's policy goals and implementation.

Respectfully submitted,

BUCHALTER  
A Professional Corporation



Nora Sheriff  
Counsel for the Indicated Shippers