

December 6, 2016

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Executive Director  
California Public Utilities Commission  
505 Van Ness Ave, San Francisco, CA, 94102

Kenneth Harris  
State Oil and Gas Supervisor  
Division of Oil, Gas, and Geothermal Resources  
801 K St., MS 18-05, Sacramento, CA, 95814

Subject: Aliso Canyon Determinations

Dear Mr. Sullivan and Mr. Harris,

As your agencies review information associated with the natural gas storage statewide and at the Aliso Canyon natural gas storage field, EDF respectfully requests consideration of the points contained herein related to the protection of the public health, environment and overall energy system reliability.

The state legislature and governor, in passing and signing SB 380 signaled a preference for minimizing or eliminating use of the Aliso Canyon natural gas storage facility so long as the region would maintain energy and electric reliability and affordability of energy service. With a series of documented and longstanding problems at the site, coupled with the need to diversify the southern California energy mix, EDF supported SB 380 and continues to support the preference it creates. Accordingly, as So Cal Gas seeks to reopen the facility and requests approval from the state of California to do so, decisions made regarding the Aliso Canyon facility from this point forward should be made with this preference in mind.

If California determines that Aliso Canyon has met all of the SB380 requirements for safety and must be reopened to maintain energy system reliability, to reach the end goal of minimizing or eliminating its use the state should only allow for the temporary and limited re-opening of the facility. Furthermore, the state should only allow operation after at least four important conditions have been met.

**California should require at least four conditions be met before it allows for a temporary and limited re-opening of Aliso Canyon**

First, prior to allowing reinjection and associated withdrawal of gas into and out of the facility, the SB 380 requirements must be met and proven complete. There must be steadfast commitment on the part of the company and the state to ensuring the safety of the public and the environment, with all well inspection and repair documentation available online for public review. DOGGR should furthermore articulate, in its approval documents, how each well's subsurface and surface equipment has been optimized to minimize the likelihood of further accidents, including accidents related to conditions which may arise in the future but which were not part of the cause of the well failure event at the source of the current situation.

Second, prior to allowing reinjection and associated withdrawal, the joint energy agencies, with input from the CAISO, should conduct a newly revised energy reliability analysis to determine the injection volumes and discharge rates necessary for the facility to maintain energy and electric reliability for the region over the peaking gas season (winter and early spring). This modelling, and all assumptions, (including risk-based decision factors) should be made public and should take into account updated meteorological modeling, current and planned progression towards achieving the requirements of the existing winter reliability action plan, and updated forecasts associated with increasing use of clean energy resources that is not otherwise included in the plan.

Third, pursuant to the preference stated in SB 380, the state should permit injections for Aliso Canyon which are no higher than the volume necessary to maintain energy and electric reliability for the region, as forecasted in part 2 above.

Fourth, although the state of California is being petitioned by So Cal Gas to allow for ongoing operation of the facility, there should be no approval at this point to operate the facility on a permanent basis. A new decision should be made at the end of the reliability season about the future of the facility, including whether additional future temporary authorizations should be granted based on newly performed reliability analysis. A temporary and limited authority to operate the facility in this manner would essentially create a trial period for the facility, and a modest step forward at the early stages.

### **Any decision on permanent operation should be delayed**

As SB 380 stated a clear preference for reducing or eliminating the facility, no decision should be made by DOGGR or the CPUC to allow for the permanent operation of the site at this time, and any decision on temporary reopening should be explicit on this point. This should include any decision for long-term cost recovery for repairs, upgrades or operation of the facility in order to prevent lock-in of uneconomic investments. A future decision on whether to allow the facility to operate on a permanent basis should therefore be made only after five additional conditions are met.

### **California should require an additional five conditions be met before making a decision on the long term role of Aliso Canyon.**

First, any decision on the permanent reopening of Aliso Canyon should be deferred until after the completion of key ongoing analyses and rulemaking processes that may have a direct bearing on the operations, repair activities, and long term fate of the facility going forward. Currently, the CPUC, DOGGR and So Cal Gas are engaged in conducting a comprehensive root cause analysis of the event. At the same time, DOGGR is developing permanent rules for well-integrity at storage sites. Presupposing the facility should be allowed to operate before knowing what went wrong, and what health and safety protections the field should be subjected to is risky and premature at best.

Second, the California Council on Science and Technology is conducting a series of studies on the proper role of natural gas storage in California and proper role of Aliso Canyon. Any decision on the permanent reopening of Aliso Canyon, and appropriate operating pressures and volumes as determined by the state, should be deferred until after the completion of this analysis since the outcome may have a direct impact on informing reliability assessments and field pressures.

Third, the CAISO and CPUC are engaging in long-term planning and rule development efforts to facilitate improved deployment of flexible energy resources, including both natural gas and zero carbon resources that can provide the ancillary services necessary to balance variable load and demand to maintain electric reliability. The development of new market instruments for flexibility services at the CAISO and CPUC through the FRACMOO2 and flexible resource adequacy proceedings respectively, and the adoption of Integrated Resource Plans by regulated utilities can maximize the deployment of flexible resources and alleviate the state's presently noncompetitive energy market conditions which default towards natural gas utilization or otherwise perpetuate the operation of low efficiency electric generators. The completion of these processes at the CAISO and CPUC will have the add on effect of reducing the state's intolerance to reduced natural gas availability, thus alleviating price swings and the need for large amounts of storage to arbitrage low gas prices. Accordingly, any decision on the permanent reopening of Aliso Canyon, and appropriate operating pressures and volumes as determined by the state, should be deferred until after the completion of these reforms since their outcome will likely have a direct impact on how much natural gas the state uses for power generation, thus informing any reliability related needs assessment for the facility.

Fourth, since the Aliso Canyon repair plan involves both the return to operation of a certain number of wells at the site, and shutting in of other wells that will not be permanently plugged and abandoned, any long term operation plan must include a risk-based plan that determines the fate of all remaining non-active wells. Any permanent plan of operation at Aliso Canyon must ensure all wells at the site are managed appropriately, not just those in operation.

Finally, as part of the reliability strategy for Southern California, some regional power plants were granted authority to modify their fuel use to burn liquid fuels for power generation instead of natural gas. If this reliability pathway is utilized, the use of these fuels would result in higher amounts of atmospheric pollution per unit of energy output. Thus, a decision to allow Aliso Canyon to operate must be paired with a rescission of that authority on liquid fuels. Although the use of liquid fuels for regional reliability assurance is unlikely, and recognizing the inherent tension that is created by relating one facility's authority to operate to the actions of other generation plants, the people of Los Angeles deserve the assurance they won't be subjected to the double burden of degraded air quality (from liquid fuel combustion) and elevated risk from another Aliso Canyon incident.

Thank you for your attention on this serious matter.



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