
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**
Senator Ben Hueso, Chair
2021 - 2022 Regular

Bill No: SB 1486 **Hearing Date:** 4/26/2022
Author: Stern
Version: 4/7/2022 Amended
Urgency: No **Fiscal:** Yes
Consultant: Nidia Bautista

SUBJECT: Natural gas: Aliso Canyon natural gas storage facility: reliability

DIGEST: This bill proposes restrictions on the use of Aliso Canyon natural gas underground storage facility, as well as, numerous requirements to reduce supply and demand of natural gas within the Los Angeles Basin.

ANALYSIS:

Existing law:

- 1) Establishes the California Public Utilities Commission (CPUC) has regulatory authority over public utilities, including electrical and gas corporations. (Article XII of the California Constitution)
- 2) Required, until January 1, 2021, the CPUC, no later than July 1, 2017, to open a proceeding to determine the feasibility of minimizing or eliminating use of the Aliso Canyon natural gas storage facility located in the County of Los Angeles while still maintaining energy and electric reliability for the region. As part of that ongoing proceeding, the CPUC has declined to eliminate the use of the Aliso Canyon facility. Under existing law, the CPUC, in the November 2, 2017, Aliso Canyon Withdrawal Protocol, authorized the Southern California Gas Company (SoCalGas) to withdraw gas from the Aliso Canyon facility when all other alternatives have been exhausted, as specified. (Public Utilities Code §714)
- 3) Requires the California Independent System Operator (CAISO) to ensure efficient use and reliable operation of the transmission grid, and to manage the transmission grid and related energy markets in order to ensure the reliability of electrical service and the health and safety of the public. (Public Utilities Code §345)
- 4) Requires a local publicly owned electric utility providing electric service to 250,000 or more customers within the Los Angeles Basin to maximize the use

of demand response, renewable energy resources, and energy efficiency to reduce demand in the area where electrical reliability has been impacted as a result of reductions in gas storage capacity and gas deliverability resulting from the well failure at the Aliso Canyon facility. (Public Utilities Code §9616)

- 5) Requires each local publicly owned electric utility serving end-use customers to prudently plan for and procure resources that are adequate to meet its planning reserve margin and peak demand and operating reserves, sufficient to provide reliable electric service to its customers. (Public Utilities Code §9620)

This bill:

- 1) Requires that the Aliso Canyon Withdrawal Protocol remain in effect until the CPUC, no later than an unspecified date in 2027, closes all natural gas operations at the Aliso Canyon facility pursuant to the ongoing proceeding.
- 2) Prohibits using the Aliso Canyon facility for purposes of a well or geologic storage, except as provided in the Aliso Canyon Withdrawal Protocol, and would prohibit additional use of the Playa del Rey natural gas storage facility located in the County of Los Angeles as a result of a moratorium on natural gas operations at, or the closure of, the Aliso Canyon facility.
- 3) Requires the State Energy Resources Conservation and Development Commission (California Energy Commission (CEC)) to ensure that any jobs or economic activity affected by the cessation of those operations at the Aliso Canyon facility are fully retained, equitably transitioned, or otherwise protected, as specified.
- 4) Requires the CAISO to establish a local reliability plan, taking into consideration 2- to 3-day extreme weather events, to provide modeling, scenarios, and analysis to evaluate the minimum local reliability needs to maintain electrical service to customers served by the Southern California Edison Company (SCE). Requires the Los Angeles Department of Water and Power (LADWP), a local publicly owned electric utility, to similarly establish a local reliability plan applicable to the minimum local reliability needs of its customers and, working with the CAISO, to use resource sharing, building electrification programs, and firm zero-carbon energy resources in the Los Angeles Basin to achieve local reliability. By imposing new requirements on the department, the bill would impose a state-mandated local program.
- 5) Requires the CEC, in consultation with the CAISO, LADWP, SCE, and Gas SoCalGas, on or before June 30, 2023, to prepare a natural gas demand

reduction plan that includes natural gas reduction targets for 2030 and 2035 in the service territories of the LADWP, SCE, and SoCalGas.

Background

Aliso Canyon Natural Gas Storage Facility. On October 23, 2015, a natural gas leak from a gas storage well (“SS-25”) was discovered at the SoCalGas’ Aliso Canyon natural gas storage facility located in northeastern Los Angeles County. The facility is the largest in the western United States. The SS-25 well, originally drilled in 1953 and converted to gas storage service in 1973, is located uphill from and approximately 1-1/4 miles away from homes in the Porter Ranch community.

Over the course of several attempts to “kill” the well, the SS-25 leak became a blowout. Almost four months later, the leak was declared stopped on February 18, 2016 following a successful kill attempt using a newly-drilled relief well. The California Air Resources Board’s (CARB’s) estimated that 109,000 metric tons of methane, a potent greenhouse gas (GHG), were emitted to the atmosphere from the leak. The leak received local, national and international news coverage. The SS-25 leak caused severe disruption in the surrounding communities. Over 8,000 households relocated at some point during the leak, and thousands of health and odor complaints were received by regulators. Since the SS-25 leak was stopped and despite clean-up efforts, public health complaints have continued in the surrounding community.

SB 380 (Pavley, Chapter 14, Statutes of 2016). SB 380, among other provisions, required the CPUC to open a proceeding no later than July 1, 2017, to determine the feasibility of minimizing or eliminating the use of SoCalGas’ Aliso Canyon Natural storage facility. SB 380 requires the CPUC to consult with the CEC, the CAISO, the local publicly owned utilities that rely on natural gas for electricity generation, the Division of Oil Gas and Geothermal Resources in the Department of Conservation (DOGGR), and relevant government entities, and others in making its determination.

CPUC proceeding on feasibility of minimizing or eliminating the use of Aliso Canyon. On February 9, 2017, the CPUC opened the proceeding (I.17-02-002) to determine the feasibility of minimizing or eliminating the use of SoCalGas’ Aliso Canyon Natural Gas Storage Facility while still maintaining energy and electric reliability for the Los Angeles region. The purpose of the proceeding is to examine the long-term viability of the Aliso Canyon gas storage facility. The scope of the proceeding does not include the question of whether the facility should be reopened for injections, but rather the long-term feasibility of minimizing or eliminating the use of the facility while still maintaining energy and electric

reliability for the Los Angeles region, consistent with maintaining just and reasonable rates.

Lack of gas storage impacts customer costs. The proceeding was divided into three phases. In Phase 2, CPUC staff modeled and published reports on the findings which was entered into the record in March 2021. The Modeling Report finds that SoCalGas customers paid roughly \$102 million more per year in gas commodity costs from 2016 to 2018 and that the electric customers paid about \$916 million in excess power costs in 2018 due to the combination of reduced access to Aliso Canyon and extended transmission pipeline outages. Additionally, the report shows that winter peak day demand cannot be met consistently without Aliso Canyon. The report noted that increased pipeline capacity means less gas needed to be stored at Aliso.

Governor Newsom requests CPUC engage third-party expert. In November 2019, Governor Newsom sent a letter requesting the CPUC engage a third-party expert to “identify viable alternatives to the facility and scenarios that can inform a shorter path to closure.” The CPUC engaged FTI Consulting, Inc. to assess infrastructure investment options to retire Aliso Canyon by 2027 or 2035. FTI released its Phase 3 report in January of this year. CPUC will be considering the report in development of its final decision.

CPUC actions. In addition, SB 380 (Pavley, Chapter 14, Statutes of 2016) also added Public Utilities Code §715, which required the CPUC open a proceeding to issue a report on, among other things, the range of working gas necessary at the facility to ensure safety and reliability and just and reasonable rates in California. Attached to the July 18 report, there was a letter from the then-CPUC Executive Director ordering SoCalGas to maintain the working gas inventory at the Aliso Canyon facility between zero billion cubic feet (Bcf) and 34 Bcf. The letter explained the 34 Bcf was needed to mitigate against declining inventory levels and other concerns.

On November 19, 2020, the CPUC issued Decision 20-11-044, setting an interim range of working gas at the Aliso Canyon facility after January 1, 2021. The range was kept at the same level as had been established in the July 2018 Public Utilities Code §715 Report - zero to 34 Bcf. The decision determined that the interim zero to 34 Bcf level was appropriate until another level is set based on the additional analysis considered in the Aliso Canyon proceeding. Then, a year later in November 2021, the CPUC issued D. 21-11-008 which increased the maximum allowed Aliso Canyon capacity to 41.16 Bcf “*until the completion of Phase 2 and Phase 3 of this proceeding.*” The capacity was increased for electric and gas

service reliability purposes and to protect these customers from high gas and electric costs during the winter 2021-2022.

The CPUC, along with input from the CEC, CAISO, and LADWP, also developed the Aliso Canyon Withdrawal Protocol. The withdrawal protocol has been updated several times with the latest version issued in July 2019. The protocol describes the process that must be followed before a gas withdrawal is made from the Aliso Canyon facility. The CPUC also has the authority to enforce the storage limits set in D.21-11-008 and the withdrawal protocols.

Comments

SB 1486. This bill proposes restrictions on the use of Aliso Canyon natural gas underground storage facility, as well as, numerous requirements to reduce supply and demand of natural gas within the Los Angeles Basin.

Outdated protocol. As drafted, this bill would require a previously used, now outdated, 2017 protocol to establish a moratorium on natural gas operations at the facility. The 2017 protocol envisioned the use of the facility as an asset of last resort. Using the facility in the restricted manner contributed to a series of gas and electric prices spikes in the summer 2018 and winter 2018-19 and reliability issues. Specifically, the CPUC noted that 24 days of voluntary electric generation curtailment and five days of mandatory curtailments in winter 2018-19. In summer 2018, high gas prices, due in part to restrictions at Aliso Canyon, contributed to \$825 million in revenue shortfall. The Phase 2 report further found that pipeline outages and restrictions Aliso Canyon, led to \$916 million in excess power costs statewide in 2018. As a result, the CPUC updated the protocol given that the analysis identified the need to ensure customer gas and electricity costs and reliability were mitigated. This bill would limit any additional activities at the storage facility and prohibit increase in use of the Playa del Rey facility. Given the local community concerns stemming from the leak at the Aliso Canyon facility, some in the community would like to see the facility permanently shut down. However, as analyzed by the CPUC, there is a need for the updated protocol in order to ensure system reliability and the need to hedge against increased fuel costs. In conversations with the author's office, the proponents wish to require the 2017 protocol.

Duplicative and unnecessary provisions. Section 4 of this bill is intended to support the transition of the workforce away from jobs at Aliso. However, utility policy via customer bills (and ratepayer funds) are perhaps a less desirable approach to mitigating the loss of jobs and employment. *The author and committee may wish to delete section 4 of this bill.* Section 5 requires a local reliability plan

for electricity. However, the CAISO, CPUC, and CEC already engage in ongoing assessments regarding reliability (including summer and winter reliability). Therefore, *the author and committee may wish to delete section 5 of this bill.* As currently drafted, Section 6 of this bill would require natural gas demand reduction plan with targets for 2030 and 2035. However, such an approach is a departure from the efforts to conduct economywide GHG emissions reductions. Given that consumers and local land use decision largely affect natural gas usage, *the author and committee may wish to amend this bill to delete this provision.*

Additional amendments needed. The author and committee may wish to amend this bill to correct some of the statements in the findings and declarations.

Prior/Related Legislation

SB 57 (Stern, 2017) would have prohibited injection of natural gas into the Aliso Canyon prior to the completion and public release of a third-party root cause analysis of the massive 2015 Aliso Canyon gas leak, unless the Governor orders incremental injections to avoid or respond to an emergency situation, as specified. The bill died on the Senate Floor.

SB 801 (Stern, Chapter 814, Statutes of 2017) made several requirements of energy utilities serving ratepayers in the Los Angeles Basin to support energy reliability where it has been affected by reductions in storage gas capacity and gas deliverability resulting for the 2015 leak at the Aliso Canyon storage facility, operated by SoCalGas.

SB 380 (Pavley, Chapter 14, Statutes of 2016) established Aliso Canyon natural gas storage facility-specific law governing testing criteria, requirements to be met prior to re-starting injections at the facility and required a CPUC proceeding to examine the feasibility of shutting down or minimizing the use of the facility due to the 2015 gas leak.

SB 887 (Pavley, Chapter 673, Statutes of 2016) provided a statutory framework for revised natural gas storage well regulation by DOGGR including, among other things, leak monitoring, new well testing requirements and that a single point of failure does not pose an immediate threat for a loss of control of well fluids.

SB 888 (Allen, Chapter 536, Statutes of 2016) directed how penalty funds assessed for the Aliso Canyon gas leak be expended, and required climate change impacts from gas storage facility leaks be fully offset.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT:

1000 Grandmothers for Future Generations
 350 Conejo/San Fernando Valley
 350 Humboldt: Grass Roots Climate Action
 350 Silicon Valley
 350 South Bay Los Angeles
 350 Southland Legislative Alliance
 350 Ventura County Climate Hub
 Active San Gabriel Valley
 Aliso Moms Alliance
 American Indian Movement SoCal
 Ballona Wetlands Institute
 Breast Cancer Action
 California Climate Voters
 California Environmental Justice Alliance
 California Environmental Voters
 California Interfaith Power & Light
 CA Nurses for Environmental Health & Justice
 Center for Biological Diversity
 Center on Race, Poverty & the Environment
 Citizens' Climate Lobby-LA West Chapter
 Climate First: Replacing Oil & Gas
 Climate Hawks Vote
 Coastal Lands Action Network
 Communities for a Better Environment
 Conejo Climate Coalition
 Consumer Watchdog
 Divest LA
 Earth Day LA
 East Valley Indivisibles
 East Yard Communities for Environmental Justice
 Elders Climate Action, NorCal Chapter
 Elders Climate Action, SoCal Chapter
 Environmental Health Research, Inc.
 Environmental Working Group
 Extinction Rebellion Los Angeles
 Feel the Bern – SFV Democratic Club
 Food & Water Watch
 Fossil Free California
 Glendale Environmental Coalition
 Ground Game LA
 Healthcare For All – Los Angeles
 Hunger Action Los Angeles Inc.
 Indivisible South Bay LA
 Indivisible Ventura
 LA Forward
 Long Beach Alliance for Clean Energy
 Los Angeles Neighborhood Land Trust
 Manos Unidas por la Avenida
 Mothers Out Front
 NELA Climate Collective
 Northridge Indivisible
 Oil & Gas Action Network
 Pacific Environment
 Patagonia Inc.
 Physicians for Social Responsibility – LA
 Porter Ranch Neighborhood Council
 Presente.org
 Progressive Democrats for America
 Protect Playa Now!
 Revolution LA
 San Diego 350
 San Fernando Valley Young Democrats
 San Francisco Bay Physicians for Social
 Responsibility
 Santa Barbara Standing Rock Coalition
 Santa Susana Mountain Park Association
 Save Porter Ranch
 Sierra Club California
 Single-Minded for Single-Payer
 SoCal350 Climate Action
 SoCal350 San Fernando Valley Hub
 Social Eco Education
 Stand Strong LA Indivisible
 Stand.earth
 Stop Fracking Long Beach
 Strategic Actions for a Just Economy
 Sunflower Alliance
 Sunrise Claremont Colleges
 The Climate Center
 The Climate Reality Project, San Fernando Valley
 The River Project
 Topanga Peace Alliance
 Wellstone Democratic Renewal Club
 Westside Activists
 Westside Clean Air Coalition
 Westside Community Council
 Youth Climate Strike Los Angeles
 Five Individuals

OPPOSITION:

Southern California Gas Company
 Utility Workers Union of America, Local 132
 Utility Workers Union of America, Local 483
 Utility Workers Union of America, Local 522

ARGUMENTS IN SUPPORT: According to the author:

We are experiencing a climate emergency that necessitates the state take every action possible to reduce its dependence on fossil fuels as a source of energy. On November 4, 2021, The PUC adopted a Decision that runs contrary to that goal by authorizing a 20% increase in natural gas storage at the Aliso Canyon Natural Gas Storage Facility, where on October 23, 2015, a gas blowout started from well SS-25, becoming the largest known blowout of methane in our country's history by the time the well was controlled in February 2016. Because of this event, as well as, mitigating the effects of climate change, every effort should be made to minimize the use of this facility to the point of complete shutdown. Existing law already requires the PUC to investigate that very outcome, but apparently the PUC can run an investigation examining the feasibility of shutting down or minimizing the use of the facility, while at the same time, increasing its storage levels. I represent the Aliso Canyon storage facility, my constituents and many others, suffered serious health effects from the blowout, many thousands still do. They deserve better, and we can do better by ensuring steps are taken that result in the shutdown of the Aliso Canyon facility, while also taking necessary steps towards creating natural gas demand reductions plans that help the state achieve its greenhouse gas emission reduction goals.

ARGUMENTS IN OPPOSITION: In opposition to this bill, the Utility Workers Union of America Locals 132, 143, and 522 state they believe the push to eliminate natural gas storage is short-sighted given current and projected energy needs. They oppose this bill, including the "vague language about the transition of the workforce."

SoCalGas opposes this bill stating that Aliso Canyon is a critical part of the Southern California region's energy infrastructure. They state that Aliso serves more than 11 million customers and that more than 90 percent of Southern Californians depend on gas for heat and hot water. They also note that the CPUC has determined the facility is needed to maintain system reliability. SoCalGas states that Aliso Canyon is safe because they have completed safety measures that exceed or meet current legal and regulatory requirements.

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