

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 2, 2016

Jimmie Cho, Senior Vice President
Southern California Gas Company
Gas Operations and System Integrity
555 W 5th Street, GT21C3
Los Angeles, CA 90013

Re: Aliso Canyon Withdrawals

Dear Mr. Cho:

Southern California Gas Company ("SoCalGas") is authorized to withdraw natural gas from the Aliso Canyon natural gas storage facility ("Aliso Canyon") to minimize the risk of electricity curtailments from occurring this summer in Southern California. This letter does not authorize SoCalGas to inject any natural gas into Aliso Canyon.

On January 21, 2016, I directed SoCalGas to reduce the level of working gas at the Aliso Canyon Storage facility down to 15 billion cubic feet ("bcf") of actual working gas and only withdraw gas as needed to maintain reliability.

By this letter SoCalGas is directed to make withdrawals from the 15 bcf as necessary and in accordance with the attached 2016 Aliso Canyon Summer Withdrawal Protocol ("Protocol"). The Protocol provides for the effective and safe use of the working inventory in order to ensure reliable gas supplies and avoid electric curtailments. SoCalGas must work closely with the Commission, the California Independent System Operator and the Los Angeles Department of Water and Power to carry out the Protocol.

If SoCalGas believes that this order creates, now or in the future, any safety concern or adverse effect to core customers, SoCalGas must consult with the Commission immediately concerning appropriate remedial actions.

Sincerely,

A handwritten signature in blue ink that reads "Timothy Sullivan".

Timothy Sullivan
Executive Director
California Public Utilities Commission
415-703-3808

2016 Aliso Canyon Summer Withdrawal Protocol

Introduction

Based on previous analyses,¹ Southern California Gas Company (SoCalGas) may withdrawal gas from Aliso Canyon consistent with the 2016 Alison Canyon Withdraw Protocol, which implements the following principles:

- Withdrawals will be made in a manner that ensures safety, maintains the integrity of the wells used and the storage facility and consistent with all rules and regulations concerning the safe use of Aliso Canyon;
- The working gas inventory is to be used as necessary during the current period ending October 31, 2016 independent of any anticipated future need;
- The established practice of curtailing electric generation customers first in the event of a curtailment need will be followed; and

If curtailments are required, SoCalGas will consult with the applicable balancing authorities before and during any curtailment.

2016 Aliso Canyon Summer Withdrawal Protocol

1. Use of Aliso Canyon Inventory. Working gas inventory in the Aliso Canyon storage field will be made available and used for withdrawal through October 31, 2016. Such withdrawals will be made when, based on forecast and known conditions, including but not limited to weather, overall gas demand, electric generation gas demand, and the current and anticipated operating condition of the SoCalGas system; and, as appropriate, in coordination with the balancing authorities, i.e. the California Independent System Operator (CAISO) and the Los Angeles Department of Water and Power (LADWP), it is determined that withdrawals are necessary to: (1) maintain reliability overall, (2) respond to the risk to electric system reliability, and (3) avoid or limit curtailments to core and non core customers. Within this context, withdrawals will be made when:

- a) (i) SoCalGas has taken any and all appropriate actions it deems available and necessary to meet demand and avoid electric curtailments and/or gas curtailments of core customers. Such actions include the use of operational

¹ Preliminary Staff Analysis, Analysis of Los Angeles Basin's 2016 Energy Demand and the Role of Aliso Canyon Storage. California Public Utilities Commission, Energy Division, February 2016. Aliso Canyon Action Plan to Preserve Gas and Electric Reliability for the Los Angeles Basin. California Energy Commission, California ISO, California Public Utilities Commission, Los Angeles Department of Water & Power, 2016

and emergency flow orders, curtailments of supply, and coordination with balancing authorities to limit/reduce demand in effected areas; and

(ii)The CAISO and LADWP, in coordination with SoCalGas, have taken all available actions consistent with their emergency action plans and the existing and forecast conditions to avoid electric curtailments; and

(iii)there remains an imminent risk that electric curtailments will occur without additional gas supply otherwise not available; or

- b) Service to core customers is at risk due to emergencies on the gas pipeline system or when supply conditions require additional supply otherwise not available. Such emergencies include pipeline shutdowns or unplanned outages and equipment failures; and
- c) Withdrawals can be made consistent with safe operation of the field and the system and in compliance with any mandated protocols for production from the field.

Other than to avoid curtailments of core customers, withdrawals will not be made that reduce the working inventory in the field below 5 Bcf until injections can be made into the field that would immediately restore the inventory to the level necessary for reliability purposes.

In an emergency condition where reliability to core customers is at risk and a curtailment is imminent as a result of the immediate impact of outages/failures of operating equipment SoCalGas at its sole execute a decision to withdrawal from Aliso Canyon consistent with Section 3217 (i)(1) of the Public Resources Code.

2. Readiness of the Aliso Canyon Field. SoCalGas shall maintain the Aliso Canyon field on a standby basis as forecasted conditions warrant. SoCalGas shall take all actions necessary to allow for and to make timely withdrawals consistent with current and forecast conditions and in response to the risk of curtailments and system reliability. Further, at any time the CAISO declares a Flex Alert, SoCalGas shall coordinate with the CAISO and LADWP to make any preparations necessary to timely respond to the need for a withdrawal to avoid electric load curtailment.

3. Executing A Withdrawal. As operator of the Aliso Storage facility, SoCalGas has the obligation to make and execute an informed decision to withdraw gas from Aliso Canyon under the conditions defined in number 1(a)(i). In addition to and in confirmation of those conditions having been met SoCalGas shall contact the CAISO, LADWP and jointly confirm that the CAISO and LADWP have met the conditions in number 1(a)(ii). For information purposes the CPUC shall be included in such contacts and may participate as appropriate.

Communications may be made using any method acceptable. SoCalGas, the CPUC, LADWP, the CAISO and DOGGR shall make all arrangements necessary consistent with executing a withdrawal for the required communications and confirmations.

4. Noticing and Reporting. SoCalGas shall immediately notify the Energy Division of the CPUC anytime a stage 4 or stage 5 Operational Flow Order or an Emergency Flow Order is called; in the event of an emergency that threatens system reliability and may require electric curtailments; and whenever it is notified that the CAISO and/or LADWP has initiated a stage 1 emergency and the initiation of any withdrawals from Aliso Canyon. Such notifications will continue until November 1, 2016.

Within 24 hours following the cessation of a withdrawal from Aliso Canyon, SoCalGas shall provide the Energy Division of the CPUC:

- the amounts withdrawn from the field;
- the number of wells used for making withdrawals;
- the rate(s) (mmcf/hour) at which withdrawals were made over the duration of the withdrawal;
- the post withdrawal Aliso gas inventory;
- information concerning any anomalies experienced during the operation of the field; and
- any repairs or mitigation required as a result of the withdrawal, including the time necessary to make them before another withdrawal could be made.

Within 30 days after a withdrawal, SoCalGas shall provide the Energy Division of the CPUC and the Division of Oil Gas and Geothermal Resources with a full description of the events leading up to the withdrawal, all actions taken prior to the withdrawal, and any observations and/or recommendations concerning future withdrawals. Further, SoCalGas shall provide a statement certifying that they took all actions needed to avoid electric curtailment and/or a curtailment of gas supply to core customers, consistent with this Protocol.

Independently the CAISO and LADWP have agreed to certify that each has taken all necessary and available actions to avoid electric curtailment.