

Email from Edward Randolph, Director, Energy Division, California Public Utilities Commission

To: Devin Zornizer, Southern California Gas Company

Date: 12/21/2017

CC: Rodger Schwecke, SoCalGas; Brian Prusnek, SoCalGas; Kari Kloberdanz, SoCalGas; Lana Wong, CEC; Catherine Elder, Aspen Environmental Group; Nancy Traweek, CAISO; Donald Sievertson, LADWP; Dorothy Duda, CPUC; Franz Cheng, CPUC; Jean Spencer, CPUC; Robert Peterson, CPUC; Jonathan Bromson, CPUC; Simon Baker, CPUC; Abishek Hundiwale, CAISO; Majed Ibrahim, CPUC; Brad Packer, LADWP; Dennis Peters, CAISO; Mark Rothleder, CAISO; Dede Subakti, CAISO; Brad Bouillon, CAISO;

Devin,

In your email of November 29, 2017, (which is below this email) you asked Jean Spencer for clarification of the Aliso Canyon Withdrawal Protocol. Here is the response to your inquiry.

Minimum Generation

First, Energy Division would like to address a statement made in the opening of the email that was not framed as a question. Your email stated:

“As a reminder, the Balancing Authorities have defined “min-generation” requirements in their winter reliability assessment and, to support system reliability, SoCalGas will hold them to those volumes if our system is in stress.”

Energy Division is concerned by SoCalGas’ statement that it will “hold” the Balancing Authorities to the minimum generation levels defined in the “Aliso Canyon Winter Risk Assessment Technical Report 2017-18 Supplement” (2017-18 Winter Technical Assessment). As was stated clearly in the 2017-18 Winter Technical Assessment, the minimum generation levels represent a best-case scenario and are only possible if all transmission lines are in service, electricity is available for purchase, and the Balancing Authorities receive sufficient notice from SoCalGas to reallocate electric generation. While it is true that under Rule 23 SoCalGas has the authority to curtail electric generators down to zero in a crisis, the Withdrawal Protocol *does not* require the Balancing Authorities to go to minimum generation before gas can be withdrawn from Aliso.

Withdrawal Protocol Step 1(A)

Question: How should SoCalGas effectuate curtailments to reduce demand to “min-generation” in light of Rule 23’s requirement to begin curtailing other noncore customers once noncore - EG customers have been curtailed to 60% of their forecasted burns?

Answer: In the event that insufficient gas is forecast to be available to support system demand, Step 1(A) requires SoCalGas to request that the Balancing Authorities reduce their gas demand by the amount needed. The Balancing Authorities will voluntarily attempt to shift electric generation outside the SoCalGas service territory and will inform SoCalGas of the amount by which they are able to reduce their gas demand. The Balancing Authorities may reduce their demand to the minimum generation level identified in the 2017-18 Winter Technical Assessment, but they are not required to do so. The amount by which the Balancing Authorities are able to reduce their demand will depend on the conditions and constraints in effect when SoCalGas’ request is received. If the amount by which the Balancing Authorities are able to reduce their demand is insufficient to resolve the shortage of natural gas, SoCalGas may withdraw gas from Aliso Canyon.

Any voluntary reduction in demand by the Balancing Authorities compared to what is forecast will count toward their maximum curtailment requirements under Rule 23 should curtailments be required despite withdrawals from Aliso Canyon. The following are two simplified hypothetical examples.

1. A Balancing Authority (e.g., California Independent System Operator (CAISO)) forecasts that it will need 1000 MMcfd of natural gas. SoCalGas requests that the Balancing Authority reduce its demand to 300 MMcfd, and the Balancing Authority complies. After withdrawing gas from Aliso, there is still insufficient supply to meet demand, so SoCalGas begins curtailments under Rule 23. Since the Balancing Authority has already voluntarily curtailed by 70%, that curtailment would count toward its portion of the 60% of Dispatched Electric Generation load as specified under Step 2 of Rule 23 (Part C, Section 1, Effectuation of Curtailment). SoCalGas would then continue with curtailments per Rule 23 and move to Step 3 as specified in the Rule. If there is still insufficient gas after going to Step 3, up to 100% of electric generation can be curtailed in Step 4 of Rule 23.
2. A Balancing Authority forecasts that it will need 1000 MMcfd of natural gas. SoCalGas requests that the Balancing Authority reduce its demand to 300 MMcfd. The Balancing Authority replies that it can only reduce demand to 700

MMcfd. After withdrawing gas from Aliso, there is still insufficient supply to meet demand, so SoCalGas begins curtailment under Rule 23. Since the Balancing Authority only voluntarily curtailed by 30%, SoCalGas can now work with the Balancing Authority to effectuate curtailment up to 60%, reducing demand to 400 MMcfd. The curtailment order would then continue as specified in Rule 23.

Comments on SoCalGas' Understanding of Energy Division's Answers at November 13, 2017 Meeting

1. Confirmed.
- 2(a) and (b) Confirmed.
- 2(c) Clarification provided above
3. Confirmed.
4. Confirmed.
5. Confirmed.
- 6(a) The targets were required for the summer and fall to handle summer demand and to prepare for the beginning of winter.
- 6(b) Confirmed.
- 6(c) SoCalGas should manage its system as a prudent operator.
- 6(d) Confirmed.
- 6(e) Provided.

I hope this answers your questions from your November 29th email. Do not hesitate to contact me or my staff who are cc'd on this email if you have further questions.

Sincerely,

Edward Randolph