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SENT VIA EMAIL

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Edward Randolph
Director, Energy Division
505 Van Ness Avenue
San Francisco, California 94102

Subject: Status of Southern California Gas Company's (SoCalGas) Underground Natural Gas Storage Levels and Use of Aliso Canyon

Mr. Randolph:

SoCalGas is providing this letter to inform the California Public Utilities Commission (CPUC) of the impacts that recent cold weather has had on our underground natural gas storage inventory levels and to provide our plan to withdraw gas from Aliso Canyon to manage storage inventory and preserve withdrawal deliverability at the non-Aliso storage fields, consistent with the CPUC's November 2, 2017 Aliso Canyon Withdrawal Protocol (Protocol).

As Energy Division is aware, preserving storage inventories at the non-Aliso storage fields is critical in meeting forecasted customer daily and hourly demand and mitigating the risk of extensive gas curtailments this winter. Based on the recent week of cooler temperatures, and our current supply and demand forecast for the remainder of the month, the Playa Del Rey and Honor Rancho storage fields are projected to fall below inventory levels we have determined necessary to protect core reliability, unless action is taken.

As was noted in the agencies'¹ October 10, 2018 Aliso Canyon Risk Assessment Technical Report Winter 2018-19 Supplement (Agency Assessment): "The current operating status of the SoCalGas system is mostly unchanged from last winter except for the extra gas stored at Aliso Canyon. The risk of gas service curtailment is largely unchanged. The need for curtailments will depend on the weather and how effectively consumers reduce gas demand if and when requested." Today, however, we are experiencing colder weather than last winter and already have less natural gas in our non-Aliso storage fields than this time last year. Because of these conditions, the risk of curtailments has increased, and actions should be taken to avoid curtailments and protect our customers.

The Agency Assessment also states that: "The greatest risk is from multiple high demand days that draw down storage inventories to a point where there is insufficient withdrawal capacity to meet gas demand

¹ The California Energy Commission (Energy Commission), CPUC, California Independent System Operator (California ISO), and Los Angeles Department of Water and Power (LADWP).

later in the winter.”² Already the recent cold weather event has greatly reduced storage inventory levels in both Playa Del Rey and Honor Rancho. From 12/26/18 to 1/4/19, SoCalGas withdrew approximately 6.3 billion cubic feet (Bcf) from the non-Aliso storage fields. This 6.3 Bcf reduction in non-Aliso storage inventory reduced the non-Aliso field’s withdrawal deliverability from 1036 to 915 million cubic feet per day (MMcfd).³ Subsequent withdrawals have further reduced the non-Aliso field’s withdrawal deliverability to 880 MMcfd. These reductions make the system less able to reliably serve our customers when customer demand exceeds flowing pipeline supplies. To illustrate, on January 2, 2019, flowing pipeline supplies were approximately 2.3 Bcf and customer demand was approximately 3.5 Bcf, which means 1.2 Bcf was withdrawn from storage. Continued reductions to withdrawal deliverability will make it increasingly difficult to meet customer demand on future colder weather days.

In the coming winter months, SoCalGas is forecasting customer demand to continue to exceed flowing pipeline supplies. As such, SoCalGas will need to continue to withdraw gas from storage to meet demand. SoCalGas has forecasted demand for the remainder of January, assuming December’s average demand of 2.8 Bcfd⁴, and determined that SoCalGas will fall below the minimum storage inventory levels in the SoCalGas Winter 2018-19 Technical Assessment (Technical Assessment). Without greater use of Aliso Canyon to manage inventory levels at the non-Aliso fields, SoCalGas expects further reductions in inventory and withdrawal capacity at the non-Aliso storage fields. Because the non-Aliso storage fields are typically required to be on maximum withdrawal during peak cold weather hours, reductions in withdrawal deliverability reduces the ability for the fields to meet this reliability need. As a result, if Southern California experiences persistent cold weather conditions or the onset of cold weather late in the season, our storage assets will not be positioned to respond, unless we act now.

As a prudent operator and consistent with the Protocol, SoCalGas plans to withdraw gas from Aliso Canyon during the remaining winter months to support inventory and deliverability at Playa Del Rey and Honor Rancho and ensure reliable service to our customers throughout the winter season. The Protocol permits withdrawals from Aliso Canyon when “it is determined that withdrawals are necessary to maintain reliability overall, to respond to a risk to electric system reliability, and/or to avoid or to limit curtailments to core and noncore customers.”⁵ Energy Division has subsequently provided clarification as to the application of the Protocol, and, with regard to maintaining adequate withdrawal capabilities, Energy Division stated that “ SoCalGas should manage its system as a prudent operator.”⁶

Last winter, SoCalGas, in a limited amount, used Aliso Canyon to “to manage gas storage inventory and preserve withdrawal deliverability at SoCalGas’ non-Aliso storage fields.”⁷ Energy Division determined

² Available at: <https://efiling.energy.ca.gov/GetDocument.aspx?tn=224939&DocumentContentId=55539>.

³ SoCalGas saw a similar heavy withdrawal event in late February of 2018, when 6.1 Bcf was withdrawn from the non-Aliso storage fields over several days. This event occurred late in the winter and followed milder conditions in December and January. This year, cold weather has occurred earlier in the winter season and as of January 4, 2019, the total inventory available at the non-Aliso storage fields is 33.3 Bcf as compared to 39.9 Bcf on the same day last year.

⁴ SoCalGas used the December average temperature, consistent with our Technical Assessment, which consists of a forecast average January demand of 2.8 Bcfd. Even under these warmer winter conditions, the non-Aliso storage field inventories are projected to reach critical levels by the end of January. For reference, the 2018 California Gas Report forecasts average demand in January 2019 of approximately 3.3 Bcfd under a cold temperature condition.

⁵ Protocol at 1.

⁶ See September 5, 2018 Energy Division Letter and Attachments Regarding Aliso Canyon Withdrawal Protocol.

⁷ See March 2, 2018, SoCalGas Letter Re: Southern California Gas Company Underground Natural Gas Storage and System Reliability Assessment for the Week of March 5.

that this use was “consistent with the protocols.”⁸ This winter, SoCalGas noted in its Technical Assessment that it “plans to prudently manage the inventory levels across all the storage fields to maintain withdrawal capacity targets, which could include implementation of noncore curtailments and withdrawals from Aliso Canyon.”⁹

SoCalGas plans to withdraw from Aliso Canyon to maintain inventory at the non-Aliso fields and to maintain a month-end inventory level at least equal to the Technical Assessment’s minimum requirements. In an effort to reach these month-end levels, SoCalGas may withdraw gas from Aliso Canyon to (1) meet immediate high customer demands; (2) limit withdrawals at Honor Rancho to an average of 90 MMcfd per day for the remainder of the month of January; and (3) restore Playa Del Rey inventory.¹⁰ These steps will continue to provide reliable service while helping preserve storage inventories at the non-Aliso storage fields. These steps are critical in meeting customer demand now and for the remainder of the winter, maintaining overall system reliability for core and noncore customers, and limiting curtailments to only voluntary curtailments of electric generation.

In addition to the above, SoCalGas will continue to take other steps to support system reliability. SoCalGas has been working with the California Independent System Operator and Los Angeles Department of Water and Power to reduce electric generation demand through voluntarily curtailments. SoCalGas will also continue the Energy Conservation campaigns, as available, to conserve natural gas and promote reductions in natural gas consumption.

We thank you for your continued engagement on these important reliability matters. Should you require any further information please let me know.

Sincerely,



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Senior Vice President
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cc: Dan Skopec, Southern California Gas Company
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⁸ See March 3, 2018 Energy Division Letter Re: Southern California Gas Company Underground Natural Gas Storage and System Reliability Assessment for the Week of March 5, 2018; see also December 6, 2018 Winter 2017-18 SoCalGas Conditions and Operations Report at 13-14.

⁹ Technical Assessment at 2, Footnote 4.

¹⁰ At the current inventory level and with an available injection rate of 50 MMcfd, SoCalGas estimates that this will require approximately six days to accomplish. If further withdrawals are necessary, SoCalGas will need to inject additional gas in to this field, increasing the number of days Aliso Canyon will be needed to support core reliability.