



A  Sempra Energy utility

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October 30, 2017

Mike Bardee, Director, Office of Electric Reliability  
Joe McClelland, Director, Office of Energy Infrastructure Security  
Anna Cochrane, Director, Office of Energy Market Regulation  
Larry Parkinson, Director, Office of Enforcement  
Janel Burdick, Director, Division of Energy Market Oversight  
James Danly, General Counsel

Re: Docket Nos. AD06-3-000 and AD16-24-000

Mr. Bardee, Mr. McClelland, Ms. Cochrane, Mr. Parkinson, Ms. Burdick, and Mr. Danly:

The Federal Energy Regulatory Commission (FERC) recently released its “Winter 2017-18 Energy Market Assessment.” In this report, FERC highlights concerns for the Southern California region due to limitations at the Aliso Canyon natural gas storage facility and recent planned and unplanned outages on parts of our pipeline system. The report states, “[i]t is conceivable . . . that limitations at Aliso Canyon during periods of the highest winter demand could challenge regional stability and increase natural gas and electricity prices.”

We share your concerns. As you are aware, state regulators determined that the Aliso Canyon gas storage facility was safe to resume injection operations in July of this year. The same regulators, however, placed severe limitations on our ability to withdraw gas from the facility. We can only use Aliso for withdrawal purposes as “an asset of last resort.” This term is defined in a draft document released last week by the California Public Utilities Commission titled; “Aliso Canyon Withdrawal Protocol” (see attached). As the withdrawal protocol states, withdrawals will only be made after all other alternatives – including noncore curtailments (e.g., curtailment of electric generators, refineries, and other large commercial and industrial consumers) – have been exhausted. To place gas and electric reliability at risk by withholding what state regulators have also stated is probably the most tested and one of the safest storage fields in the country is puzzling.

We have already seen sharp price differentials during the localized heat wave Southern California experienced last week. On October 23, we observed SoCal natural gas border prices that were approximately \$4/MMBtu, but SoCal “citygate” prices were trading at approximately \$14/MMBtu. This may be an early sign of the types of price differentials and volatility we could see this winter. While there may be those that claim that the price differentials and volatility are due to pipeline outages and not limitations on the use of Aliso Canyon, the two cannot be

separated. As FERC knows, planned and unplanned outages happen, and prudent planning dictates the full utilization of any and all resources that are safe to operate.

We highlight our concerns to you as the federal agency responsible for energy reliability and market oversight. The state-imposed limitations on the use of Aliso Canyon are not based upon a safety, engineering or technical foundation. The state agencies responsible for oversight have determined the field is safe and have allowed injection of gas into the field. This being the case, the state's policy decision to severely limit how and when the storage field is used for gas withdrawal, when its operation would be the most effective mitigation measure to address reliability concerns and dampen market price volatility is very concerning.

As the winter demand season starts, we felt it important and prudent to notify you of our concerns. If you have any questions or would like to discuss this more in person, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Bret Lane". The signature is fluid and cursive, with the first letter "B" being particularly large and stylized.

Bret Lane

President and Chief Operating Officer

Enclosure

cc: Neil Chatterjee, Chairman  
Cheryl LaFleur, Commissioner  
Rob Powelson, Commissioner

**DRAFT**  
**Aliso Canyon Withdrawal Protocol**

10.18.17

**Introduction**

Southern California Gas Company (SoCalGas) may withdraw gas from the Aliso Canyon natural gas storage facility (Aliso Canyon) consistent with the protocol defined below. The protocol implements the following principles:

- Aliso Canyon will be treated as the “asset of last resort” used for withdrawals after all other alternatives have been exhausted as defined by the protocol;
- The established practice of curtailing electric generation first in the event of a need for curtailment will be followed;
- If curtailments are required, SoCalGas shall consult with the applicable Balancing Authorities (the California Independent System Operator [CAISO] and the Los Angeles Department of Water and Power [LADWP]) before and during any curtailment; and
- Withdrawals will be made in a manner that ensures safety, maintains the integrity of the wells and storage facility, and is consistent with all rules and regulations concerning the safe use of Aliso Canyon.

**Aliso Canyon Withdrawal Protocol**

**1. Withdrawals from Aliso Canyon.** Withdrawals from Aliso Canyon will be based on forecasted 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. Withdrawals will be made when, in coordination with the Balancing Authorities, it is determined that withdrawals are necessary to maintain reliability overall, to respond to the risk to electric system reliability, and to avoid or to limit curtailments to core and noncore customers. In all cases, withdrawals may only be made consistent with safe operation of the field and the system and in compliance with any mandated protocols for production from the field.

Within this context, withdrawals will be made if the circumstances described in A or B, below, occur:

A. The following three conditions exist:

- (1) SoCalGas has taken all appropriate actions it deems available and necessary to meet demand and to avoid electric curtailments and/or gas curtailments to core customers. Such actions include the use of operational and emergency flow orders, curtailments of supply, and

coordination with Balancing Authorities to limit and/or reduce demand in effected areas; and

- (2) To avoid electric curtailments, the CAISO and/or LADWP, in coordination with SoCalGas, have activated their appropriate capacity emergency plans based on the existing and forecast conditions; and
- (3) There remains an imminent risk that electric curtailments will occur without additional gas supply.

B. Service to core customers is at risk due to emergencies on the gas pipeline system or because conditions require additional supply otherwise not available. Such emergencies include pipeline shutdowns, unplanned outages, or equipment failure. Under such circumstances, when reliability to core customers is at risk and curtailment is imminent, SoCalGas may, at its sole discretion, execute a withdrawal from Aliso Canyon.

**2. Readiness of the Aliso Canyon Field.** SoCalGas shall take all actions necessary to allow for timely withdrawals and shall maintain the Aliso Canyon field on a standby basis as warranted by forecasted conditions/ risks to system reliability. Further, if at any time the CAISO declares a Flex Alert, SoCalGas shall coordinate with the CAISO and LADWP and make any preparations necessary to allow for a timely withdrawal.

**3. Executing a Withdrawal.** As operator of the Aliso Canyon storage facility, SoCalGas has the obligation to make an informed decision to withdraw gas from Aliso Canyon under the conditions defined in 1.A., above. In confirmation that those conditions have been met, SoCalGas shall contact the Balancing Authorities and confirm that they (the Balancing Authorities) have met the conditions in number 1.A. For information purposes, the California Public Utilities Commission (CPUC) shall be included in such contacts and may participate as appropriate.

Communications may be made using any method acceptable to SoCalGas, the CPUC and the Balancing Authorities. SoCalGas, the Balancing Authorities, and the CPUC shall make all arrangements for the required communications and confirmations necessary with executing a withdrawal.

**4. Noticing and Reporting.** SoCalGas shall immediately notify the CPUC Energy Division (Energy Division) of the following: issuance of a Stage 4 or 5 Operational Flow Order or an Emergency Flow Order; in the event of an emergency that threatens system reliability and may require electric curtailments; and at the initiation of withdrawals from Aliso Canyon.

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

- the total and hourly withdrawals from the field;

- the number of wells used for making withdrawals and the SoCalGas identifier for each well used;
- the pre- and post-withdrawal Aliso working gas inventory;
- the hourly pipeline receipts for the calendar day(s) on which a withdrawal was made and the day immediately preceding the withdrawal;
- the hourly withdrawals by field from non-Aliso storage facilities for the calendar day(s) on which a withdrawal was made and the day immediately preceding the withdrawal;
- 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 and the impact on the field's injection and withdrawal capacity.

Within 30 days after a withdrawal, SoCalGas shall provide the Energy Division with a full description of the events and conditions leading up to the withdrawal, all actions taken prior to the withdrawal, and any observations and/or recommendations concerning the execution of future withdrawals. Further, SoCalGas shall identify and describe any steps or actions not taken that could have diminished or eliminated the need for a withdrawal and make comments and/or recommendations for future consideration.

If a withdrawal from Aliso Canyon was due to an activation of the CAISO or LADWP emergency plans as described in Section 1.A., the Balancing Authorities agree to submit a description of the event that includes forecast demand, operating reserve requirements, and anticipated capacity deficiencies based on the requested gas curtailments for the impacted hours. The CAISO and/or LADWP may also:

- a) identify and describe any steps or actions not taken that could have diminished or eliminated the need for a withdrawal, and
- b) make comments and/or recommendations for future consideration.

**5. Effective Date.** This protocol shall become effective November 1, 2017. The protocol shall remain in effect through the completion of the CPUC Investigation (I.)17-02-002, or such time as determined based on conditions.