



August 22, 2023

Commissioner Alice Reynolds, President
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

RE: Investigation 17-02-002 Aliso Canyon Natural Gas Storage Facility and the Proposed Decision to Modify Decision 21-11-008, specific to the Withdrawal Protocol.

Dear President Reynolds,

As you know, the future of the Aliso Canyon gas facility in Porter Ranch is of great concern to us and the communities we represent.

We are now past seven years since the Aliso blowout, the worst gas leak in U.S history, which forced 25,000 people and two schools to relocate for months due to the impacts and threats to public health. It is now six years since the opening of the proceeding, and the only two decisions made by the Commission in the proceeding were to raise the maximum volume to 34 Bcf in November 2020 and then to raise it again to 41.16 Bcf in November 2021, despite the call for its closure by former Governor Brown in 2017 and Governor Newsom in 2019.

Thankfully, under your leadership, the staff proposal in September of last year finally defined a path to closure of the field by 2027, and you have given all the parties plenty of opportunities to provide direct, rebuttal, and sur-rebuttal testimonies. The residents of Porter Ranch and the north San Fernando Valley are anxiously awaiting your decision and are counting on you to lead the staff proposal forward.

Despite that progress, we are now extremely disappointed and frustrated over the Administrative Law Judge's July 26, 2023, Proposed Decision, recommending that the Aliso Canyon Natural Gas Storage Facility be allowed to return to maximum capacity. Not only is this unacceptable to the communities in and around Aliso Canyon, who to this day, are still exposed to harmful chemical constituents from the continued operation of the facility, but is also premature considering:

- Investigation 17-02-002, initiated by Senate Bill 380 (Pavley) Natural gas storage: moratorium, Chapter 14, statutes 2016 has not been finalized. This legislation was prompted due to the adverse harmful and sustained health effects caused by the blow-out from October 2015.

- Investigation 23-03-008, the Commission’s recently launched investigation to examine the cause of natural gas price spikes from last December through January, remains open and ongoing.
- Past storage levels and gas prices indicate the unprecedented gas spike of last winter (2023/23) was a result of mismanagement and bad storage and purchasing choices rather than lack of storage (discussed further below).
- There is overwhelming opposition from the surrounding impacted communities that will continue to be threatened the most by this decision.

Those parties supportive of increasing Aliso Canyon’s storage levels assert that the fundamental principles of supply and demand are really the only factors at play. By increasing supply, lower commodity prices will result. However, natural gas markets are inherently volatile, complex and susceptible to market manipulation as acknowledged by Governor Newsom’s [letter](#) to the Federal Energy Regulation Commission, requesting an investigation into California’s energy markets and the factors that resulted in extreme price spikes.

In the weeks leading up to the U.S. [deep freeze](#) that drove up gas commodity prices nationally, California was already paying [five times](#) the national average for gas. Despite SoCalGas storage inventories being at a six-year high and SoCalGas pipeline capacity being at a five-year high [at the start of winter](#), SoCalGas’s ratepayers were exposed to severe price volatility with unclear reasons that deserve answers from the ongoing investigations.

To use a metaphor, “the shelves were still stocked with goods”, SoCalGas still had stored inventory to meet demand, but instead prices spiked irrespective of inventories. This is because in the natural gas markets, storage alone does not provide a suitable hedge against high commodity prices. As an example plotted in the below graph, according to SoCalGas’s storage data, the total storage available to SoCalGas in the winter of 2019 started at a high of 81 Bcf (8.3 Bcf lower than in 2022), and fell to a low of 34.9 Bcf (1.6 Bcf lower than in 2023) with no price spikes. Further, even in the winter following the Aliso Canyon disaster, similar price spikes were nowhere in sight while there was a moratorium on Aliso Canyon withdrawals except for emergency conditions. Finally, prior years, such as 2014 had seen total storage inventories reach below 20 Bcf. There was plenty of operational room for SoCalGas in the winter of 2022-23, and the state should not imperil the health and safety of community members with an incorrect assumption that storage levels are the issue.

Research by the nonprofit Consumer Watchdog found that SoCalGas purchased on the spot market during the last week of December driving up the spot market price to record levels, when it could have drawn down existing stored inventories. SoCalGas bought additional natural gas during a period called “bid week,” which sets the price for natural gas for the following month which provided massive profits for its parent company Sempra. While we must let the investigation run its course, on the surface Consumer Watchdog’s research suggests that SoCalGas created an artificial spike in the spot market price.

As price stability is the crux of the petitioners’ arguments, before any decision can be made, we urge you to include in your deliberations a thorough review of past storage levels and the impact on gas prices. We also ask that you require SoCalGas to share its natural gas contracts and market activity in the weeks and days leading up to the sudden and sustained price volatility, as a precondition, before any decisions on storage level increases. It is incumbent for the Commission to understand both the market conditions and the motivations of SoCalGas and its parent company Sempra Energy in this matter.

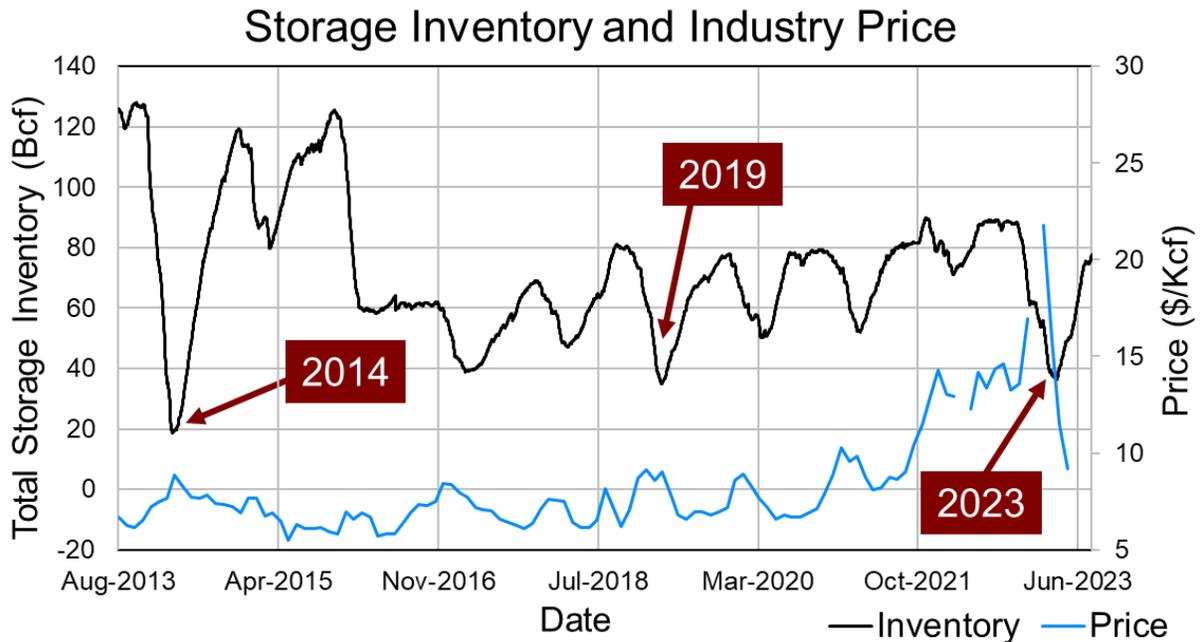


Figure 1: Total storage inventory in Billion Cubic Feet (Bcf) of SoCalGas and California natural gas industry price in dollars per thousand cubic feet (\$/Kcf) as a function of time. Inventory data from SoCalGas ENVOY® (<https://www.socalgasenvoy.com/index.jsp#nav=/Public/ViewExternal.showHome>). Price data from U.S. Energy Information Administration (<https://www.eia.gov/dnav/ng/hist/n3035ca3m.htm>)

Finally, the Proposed Decision flies in the face of California’s climate and energy goals. While the state has forward facing policies to decarbonize its energy supply and reduce greenhouse gas emissions, having a top state energy agency recommending increasing natural gas storage sends the wrong signal. This is compounded by the recent decision by the California Energy Commission to extend the use of natural gas power plants in Southern California, which continues to pollute nearby communities and impact public health.

We urge you to reject the Proposed Decision until the Commission has received and reviewed relevant market data, contracts, and effects of bidding into a natural gas market when natural gas supplies were actually available, we must also urge the Commission to postpone the August vote. With the dangerous history of this gas storage facility, including ongoing health impacts in the community, we cannot put our community at further risk when there are still so many unanswered questions and unclear benefits.

In closing, we stand united with our community in strong opposition to increasing storage at the Aliso Canyon Storage facility because is it premature due to outstanding investigations, it’s based on a false premise that more storage would’ve prevented last winter’s price spike when all evidence from past winters does not support that, and it takes us in the opposite direction that leader and the CPUC have been working toward to close Aliso Canyon permanently. We appreciate your thoughtful consideration and deliberation and respectfully request a no vote at your August 31 meeting.

Sincerely,



Henry Stern, Senator District 27



Pilar Schiavo, Assemblymember District 40



Lena Gonzalez, Senator District 33



Laura Friedman, Assemblymember District 44



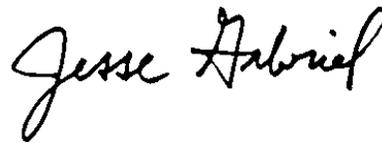
Scott Wiener, Senator District 11



Luz Rivas, Assemblymember District 44



Ben Allen, Senator District 24



Jesse Gabriel, Assemblymember District 46



Monique Limón, Senator District 19



Ai Muratsuchi, Assemblymember District 66



Josh Lowenthal, Assemblymember District 69

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