California Public
Utilities Commission

CPUC Proposed Decision to Protect Against Natural Gas Price Spikes in Southern California (I.17-02-002)

The Proposed Decision allows additional storage at SoCalGas' Aliso Canyon Natural Gas Storage Facility in preparation for winter 2023-24

July 28, 2023

Today the California Public Utilities Commission (CPUC) issued a Proposed Decision that increases the maximum storage level allowed at the Aliso Canyon Natural Gas Storage Facility from 41.16 billion cubic feet (Bcf) to 68.6 Bcf on an interim basis to help secure energy reliability and protect against high natural gas and electric prices. The proposal will be on the CPUC's August 31 Voting Meeting agenda.

In light of information provided by parties to the proceeding regarding high natural gas prices in winter 2022-23, the Proposed Decision finds that it is necessary to modify the maximum storage level to protect natural gas and electricity customers from reliability and economic impacts during winter 2023-24, as requested by Southern California Gas Company (SoCalGas) and San Diego Gas & Electric (SDG&E).

The Proposed Decision is part of the Aliso Canyon Investigation (I.17-02-002), which was opened to determine the feasibility of reducing or eliminating use of the facility while preserving energy reliability and just and reasonable rates. The Proposed Decision will not impact progress in the proceeding towards phasing out the need for Aliso Canyon. The Staff Proposal issued in September 2022 in this proceeding—which proposes an approach to phase out the need for Aliso Canyon by increasing available electricity generation, battery storage, building electrification, and energy efficiency—is still pending. Stakeholder testimony and briefing in the proceeding on the Staff Proposal is ongoing.

Proposed Decision

- On April 19, 2023, SoCalGas and SDG&E (Sempra) submitted a Joint Petition for Modification (Petition) requesting that the maximum working natural gas storage level at Aliso Canyon be increased to 68.6 Bcf.
    - The Petition states that the resulting increase in natural gas storage will be used for the Unbundled Storage Program, which allows large natural gas customers such as power plants, large commercial and industrial facilities, and natural gas marketers to purchase storage.
    - The Petition is supported by the Southern California Edison, Indicated Shippers, and ratepayer advocacy organizations Cal Advocates and TURN.

- The Proposed Decision:
  - Adopts an interim allowed storage maximum of 68.6 Bcf until further modified by the CPUC. The rationale for doing so is:
    - An interim storage capacity of 68.6 Bcf would allow the Unbundled Storage Program to be re-started, making 27 Bcf of additional capacity available to the market—and particularly to large customers like electric generators who haven't had access to storage in Southern California in recent years. Wholesale natural gas prices throughout the West from November 2022 to March 2023 were historically high, and the Proposed Decision states that this additional capacity could dampen natural gas and electric price volatility in the future. See the Background section for more details.
    - Sempra estimates, and TURN concurs, that an additional 27 Bcf in storage could have lowered natural gas costs in Southern California by:
      - $307 million during winter 2022-2023, reflecting gas stored in summer for winter use and
      - $200-$450 million during winter 2023-2024, reflecting lower gas costs marketwide in response to increased Aliso availability.
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    - The core reliability and load balancing functions of natural gas storage, which are nearly fulfilled by the current storage level, would continue to be supported.
    - Reducing scarcity in the market helps reduce price volatility, which benefits all customers, large and small.
  - Makes clarifying changes to enable the reopening of the Unbundled Storage Program.

Background

- Natural gas storage is typically filled during lower-demand, lower-price times of the year and used when demand and prices are high. As such, storage serves as insurance against high or volatile natural gas prices.
- In previous decisions, the CPUC has set limits on the amount of working natural gas stored in Aliso Canyon.
  - In 2020, the Aliso Canyon maximum inventory was set at 34 Bcf.
  - In 2021, the CPUC increased the storage limit at Aliso Canyon to 41.16 Bcf. CPUC Decision 21-11-008 (pages 14-15) explained that outages on Line 3000 and Line 4000 restricted the amount of natural gas that could be injected into the storage fields, and it was unlikely SoCalGas could increase the inventory at Aliso Canyon beyond 41.16 Bcf before winter.
- The California Geologic Energy Management Division (CalGEM) sets a maximum safe pressure for each natural gas storage field in California, which corresponds to a maximum storage level of 68.6 Bcf for Aliso Canyon. After the Aliso Canyon leak, CalGEM reduced the Aliso Canyon safe inventory limit from 86 Bcf to 68.6 Bcf.

- Large natural gas customers in Northern California are able to purchase natural gas storage for their own winter use, at their discretion, from Independent Storage Providers (ISPs).
- While there are no ISPs in Southern California, prior to the Aliso Canyon leak, Sempra sold natural gas storage to large customers through the Unbundled Storage Program.
- The Unbundled Storage Program has been suspended since the Aliso Canyon leak because all the current natural gas storage capacity is dedicated to supporting residential and other core customers and the balancing function, which supports the system's overall reliability.
    - At an interim storage capacity of 68.6 Bcf there would be 27 Bcf available for the Unbundled Storage Program.
    - Sempra states that this additional capacity would increase the storage capacity available to the market and dampen price volatility.
- Wholesale natural gas prices throughout the West from November 2022 to March 2023 were historically high.
    - For example, SoCalGas and SDG&E gas customer bills were three times more in January 2023 when compared to the average January bill from 2017 to 2022.
    - High natural gas prices contributed to high electricity prices because natural gas-fired electric generators often set the price in electricity markets. SCE spent 115 percent more on electricity procurement in December 2022 than it forecasted, which led to undercollection of costs from customers. SCE is recovering undercollection from customers, which increases bundled customer generation rates by 3.4 percent (or $454 million), to be implemented in rates over a 12-month period starting in June 2023
    - The CPUC discussed the causes of these prices and their impacts at its February 2023 En Banc on high natural gas and electric prices.
    - Following up on the En Banc, the CPUC opened a new investigation, I.23-03-008, to examine actions the CPUC can take to avoid similar price spikes in the future and mitigate the impact of any price spikes that do occur.

Next Steps:

- Comments on the Proposed Decision are due by August 17 and reply comments by August 22, 2023.
- The CPUC is scheduled to vote on the Proposed Decision on August 31, 2023.