

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Investigation pursuant to Senate Bill 380 to determine the feasibility of minimizing or eliminating the use of the Aliso Canyon natural gas storage facility located in the County of Los Angeles while still maintaining energy and electric reliability for the region.

Investigation 17-02-002

(Filed February 9, 2017)

**INFORMAL COMMENTS BY THE INDICATED SHIPPERS
ON THE RESULTS AND SELECTION OF SCENARIOS PRESENTED AT
THE NOVEMBER 17, 2020, PHASE 3 WORKSHOP**

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These informal comments by the Indicated Shippers¹ are served on the service list pursuant to the October 21, 2020, *Administrative Law Judge's Ruling Noticing November 17, 2020 Workshop*, as amended by the November 18, 2020, *E-Mail Ruling Extending Deadline to Submit Informal Comments*.

I. INTRODUCTION

The Indicated Shippers appreciate the effort and analysis undertaken by the California Public Utilities Commission (Commission), FTI, and Gas Supply Consulting, and for the presentation at the initial November 17, 2020, Phase 3 Workshop (Initial Phase 3 Workshop).

These informal comments emphasize the following important points:

- ❖ The FTI Consulting model should include an additional year, 2030, for analysis, as it aligns with the current Integrated Resource Planning needs over the next ten-year cycle.

¹ The Indicated Shippers represent the following companies in this proceeding: California Resources Corporation, Chevron U.S.A. Inc., PBF Holding Company, Phillips 66 Company, and Tesoro Refining & Marketing Company LLC.

- ❖ The Resource Adequacy proposed decision, expected in May 2021,² should be analyzed, and the final decision, expected in June 2021, should also be taken into consideration.
- ❖ Additional opportunities should be provided for party input, including (1) reply comments to other parties' informal comments, (2) a mid-stream workshop and comments well ahead of the issuance of a draft report, and (3) comments on the final report. FTI's proposed preliminary investment portfolios are thoughtful and creative, but difficult to evaluate without cost information that is being developed in Workstream 2.

II. RESPONSE TO FTI QUESTIONS

These comments respond to the following selected questions from FTI, presented at the Phase 3 Workshop.

A. Question #3. Is our selection of 2027 and 2035 as the years to analyze reasonable? If not, is there a preferred option?

No; there is a preferred option. The Indicated Shippers suggest that FTI include 2030 as an additional reasonable point of analysis. While the 2027 date remains somewhat arbitrary,³ the Indicated Shippers understand that significant analysis has already been performed on that date, and that it provides a near-term forecasting date.

Analyzing 2030, in addition to 2027 and 2035, is reasonable because 2030 aligns with the current Integrated Resource Plan (IRP) process. Senate Bill 100 directs load serving entities (LSEs) to procure at least 60 percent eligible renewable energy resources by December 31,

² *Administrative Law Judge's Ruling Modifying Track 3.B. Schedule*, Sept. 23, 2020, at 4, in docket R.19-11-009.

³ *See, Comments of Indicated Shippers on The Assigned Commissioner's Phase 3 Modeling Process*, Jan. 31, 2020, at 3 ("While the 2045 horizon has a rational basis—the year targeted to meet the policy goal for 100 percent of electricity retail sales to be supplied by eligible renewable and zero-carbon resources —2027 does not. As the Ruling explains: "[t]he year 2027 marks 10 years following delivery of the letter from then Energy Commission Chair Robert Weisenmiller to then-Commission President Michael Picker, requesting planning for closing the facility within 10 years." Choosing a critical planning goal based solely on the date of a letter written nearly three years ago has no rational basis in policy or planning.") (internal citations omitted).

2030.⁴ In addition, development of certain technologies, such as the commercialization of Renewable Natural Gas (RNG), carbon capture, and carbon sequestration, are all expected to increase over the next decade. It would be reasonable to provide an additional year for analysis from the next decade on the impacts of reducing or eliminating Aliso Canyon.

B. Question #4. Is our exclusion of impacts in 2027 and 2035 attributable to potential changes to Resource Adequacy rules reasonable?

No. Potential changes from the new Resource Adequacy (RA) rules are significant, and whether a generation resource complies with final RA capacity requirements will impact the future of the mix of electric resources. Track 3 of docket R.19-11-009 encompasses “more complex and somewhat less time-sensitive structural changes and refinements to the RA program.”⁵ These structural changes include examination of the broader RA capacity structure, to address energy attributes and hourly capacity requirements.⁶ The proposed decision in the Resource Adequacy docket of R.19-11-009, Track 3B, will be issued in May 2021, with a final decision in June 2021.⁷ In light of this consequential decision, as well as the recommendation to provide additional opportunity for party input, the Commission and FTI should consider extending the proposed schedule, shown on Slide 68,⁸ by two months. A proposed schedule is provided below.

⁴ PUB. UTIL. CODE § 399.11(a).

⁵ *Assigned Commissioner’s Scoping Memo and Ruling*, Jan. 22, 2020, at 7, in docket R.19-11-009.

⁶ *Id.*, at 7.

⁷ *Administrative Law Judge’s Ruling Modifying Track 3.B. Schedule*, Sept. 23, 2020, at 4, in docket R.19-11-009.

⁸ FTI Research Presentation from the November 17, 2020, Phase 3 Workshop (FTI Presentation), available here: https://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/News_Room/NewsUpdates/2020/FTI%20Research%20Presentation.pdf).

FTI explains that, “we have not embedded any changes to expected reserve margins, resource mixes, or other factors into our planning.”⁹ FTI emphasizes this in its slide describing its objectives and philosophies; FTI states that it is not “[a]ttempting to guess at the specific mix of resources.”¹⁰ Relatedly, FTI observes that it is not “[m]aking decisions that rely on perfect forecasting of precise costs or benefits.”¹¹ This philosophy and perspective is sound. In selecting investment portfolios, FTI observes that it intends to “[f]ocus on solutions that appear to be most plausible.”¹² Evaluating the potential structural changes from the Track 3B Resource Adequacy decision would align with FTI Consulting’s goals and purpose to expressly consider changes to the RA rules, especially for the electric generation forecast and DR/storage mix over the next ten years.

C. Question #14. Should another workshop be held between now and the one currently scheduled for May 2021? If so, when and to discuss what topics?

Yes. The Commission should provide at least one additional workshop and two additional opportunities for party input in comments. FTI’s Phase 3 workshop was thorough and helpful, and offered needed transparency to stakeholders on the decision-making process. These same stakeholders and customers will be directly affected by the Commission’s final Phase 3 decision, which will be heavily influenced by FTI’s analysis. Therefore, the result of FTI’s modeling will have enormous impacts on ratepayers, due to the significant role and importance of Aliso Canyon.¹³ FTI’s proposed preliminary investment portfolios, presented on Slide 64, are

⁹ FTI Presentation, Slide 9.

¹⁰ *Id.*, Slide 61.

¹¹ *Id.*, Slide 61.

¹² *Id.*, Slide 62.

¹³ It has been demonstrated over and over again in this proceeding that Aliso Canyon has significant economic and operational impacts on customers, in the LA Basin and beyond, including

thoughtful and creative, but difficult to evaluate without the ratepayer and infrastructure cost information that is being included in Workstream 2.

In light of the import of the Phase 3 decision, the Commission should provide one additional workshop midstream well ahead of the issuance of FTI's draft report, to provide an update to parties before the report is finalized and difficult to change. Three additional discrete points for intervenor participation and feedback should also be included in the schedule: (1) reply comments due by December 22, 2020, to respond to other parties' informal comments, and (2) a comment opportunity mid-stream in the Workstream 2 modeling process to respond to the mid-stream workshop and draft report, and (3) a comment opportunity in response to the final report.

In addition, as referenced above, FTI Consulting should consider the proposed RA decision which is expected in May 2021, as well as the final decision, which is expected the following month.

The Indicated Shippers suggest the following schedule for the Commission's consideration, which provides increased transparency. Changes from the tentative timelines from FTI's slide 68 are marked with bold/italics.

impacts on gas costs, electricity costs, and operational effects for noncore customers. *See, e.g., Administrative Law Judge's Ruling Entering Into the Record Energy Division's Economic Analysis Report, Requesting Comment, Attachment A, Nov. 2, 2020, at 9 ("an unpredictable, volatile and risky market environment has become common in SoCalGas service territory due to the Aliso Canyon limitation"), and at 14 ("At the most extreme, there was a 5 percent chance that customers could expect increased gas costs equal to 85 percent of the amount they would usually spend on gas.")*.

| Date | Target Completion |
|-------------------------------|---|
| November 17, 2020 | Workstream 1 Workshop |
| December 2020 | Finalize assumptions for Workstream 2 |
| December 22, 2020 | Reply comments to the Dec. 1, 2020, opening comments |
| March 2021 | Midstream workshop by FTI Consulting |
| March 2021 | Opening and reply comments on workshop |
| April 2021 | Complete economic modeling for Workstream 2 |
| June 2021 | Complete financial and regulatory analysis, final recommendations |
| July 2021 | Preliminary draft report distributed internally |
| August 2021 | Issuance of draft report |
| August 2021 | Workstream 2 Workshop |
| August-September 2021 | Opening and reply comments on the draft report and Workstream 2 Workshop |
| October -November 2021 | Final report |
| October-November 2021 | Opening and reply comments on the final report |

FTI Consulting notes that its proposed schedule is “intentionally accelerated” to “revise findings or conduct additional analyses as new information becomes available” ahead of the December 2021 timeline.¹⁴ The modified timeline above provides a reasonable extension that still meets the December 2021 timeline, and permits the opportunity for stakeholder review of significant cost implications.

¹⁴ FTI Presentation, Slide 68.

III. **CONCLUSION**

The Indicated Shippers appreciate this opportunity to provide these informal comments.

Respectfully submitted,

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By:



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December 4, 2020