



## California Public Utilities Commission

### **Ruling and Staff Proposal Outline Steps to Phase Out the Need for the Aliso Canyon Natural Gas Storage Facility (I.17-02-002)**

September 23, 2022

The California Public Utilities Commission (CPUC) issued a Ruling finding that the Aliso Canyon Natural Gas Storage Facility is currently needed to maintain the reliability of the gas system and help stabilize gas and electric rates until other resources are available to serve the Los Angeles Basin. In the same Ruling, the CPUC seeks comments on a Staff Proposal presenting a framework to eliminate the need for Aliso Canyon by increasing non-gas-fired electricity generation and storage, building electrification, and energy efficiency.

#### **Ruling**

- The Ruling reviews the reliability and economic modeling conducted by the CPUC staff in Phase 2 of the Aliso Canyon Investigation.
- The modeling finds that Aliso Canyon is currently needed to provide reliable natural gas service to customers in the Los Angeles Basin and that the unavailability of Aliso Canyon contributed to gas and electric price spikes in 2016-2018.
- The Ruling concludes that Aliso Canyon cannot be closed under current conditions without severe consequences for millions of Californians who rely on natural gas for essential services.
- The Ruling establishes that the proceeding will focus on identifying a portfolio of replacement resources and demand reduction measures that can lead to reduced use of Aliso Canyon over time.
- The Ruling requires utilities to provide testimony on portfolio selection, amounts, process, and timelines. It requires utilities to provide implementation proposals, including indicating how much additional electric generation and storage, building electrification, and energy efficiency they would expect to implement each year to eliminate the need for Aliso Canyon. Other parties are invited to provide testimony regarding the same topics, including input on the Staff Proposal.

#### **Staff Proposal**

- The Staff Proposal provides a framework to move from current reliance on Aliso Canyon to a future that does not need Aliso Canyon to serve energy demand.

- The Staff Proposal reviews the portfolios of substitute resources assessed by FTI Consulting in the Aliso Canyon Investigation’s Phase 3 Report.
- It finds that non-gas-fired electric generation and storage, building electrification, and energy efficiency are the most feasible of the options available as well as the most consistent with California’s goals. Specific amounts of each resource are not proposed but are to be informed by party testimony.
  - Commercial and industrial demand response may also be considered.
  - New electric transmission within or into the Los Angeles Basin may also be needed to support these activities.
- The staff proposal identifies the amount of natural gas demand or electricity capacity that currently depends on supply from Aliso Canyon. This approach estimates that, starting in 2023, an annual reduction of 214 million metric cubic feet per day (MMcfd) in forecast peak gas demand, or an annual increase of 1,084 megawatts of non-gas-fired electric generation capacity, or some combination of both, will be necessary to reliably serve all energy demand in 2027 without the use of Aliso Canyon.
- The Staff Proposal states that every two years, CPUC staff, jointly with CEC staff, will conduct hydraulic modeling and a gas balance analysis to determine how much natural gas is needed to serve demand and how much progress has been made towards the current targets. Based on this analysis, CPUC would consider updating the targets to reflect current conditions and reducing the maximum amount of gas allowed to be stored at Aliso Canyon.
  - The Staff Proposal specifies many of the inputs to be used in this analysis. This biennial process would begin in 2024 and continue until Aliso Canyon is phased out.

**Background:**

- Senate Bill 380 (Pavley, Chapter 14, Statutes of 2016) tasked the Commission with determining “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 reliability for the region.”
- In this proceeding, the CPUC has established and implemented protocols to control the use of the facility, conducted extensive modeling of the gas system to determine the effect of minimizing or eliminating the use of the facility, and compared scenarios for alternatives.

**Next Steps:**

- The utilities’ and other parties’ testimony in response to the Staff Proposal and Ruling will be due on October 21, 2022.