

Decision 13-11-023 November 14, 2013

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Gas Company (U904G) to Amend its Certificate of Public Convenience and Necessity for the Aliso Canyon Gas Storage Facility.

Application 09-09-020
(Filed September 30, 2009)

DECISION ADDRESSING APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY TO AMEND ITS CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE ALISO CANYON GAS STORAGE FACILITY

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Attachment A - Porter Ranch Settlement Agreement

DECISION ADDRESSING APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY TO AMEND ITS CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE ALISO CANYON GAS STORAGE FACILITY

Summary

This decision grants Southern California Gas Company's (SoCalGas's) request to amend its Certificate of Public Convenience and Necessity for construction and operation of the turbine replacement project (Project) at the Aliso Canyon Gas Storage Facility (Facility). Approval of the application will allow SoCalGas to fulfill terms of the settlement agreement approved by Decision 08-12-020, which, among other things, requires SoCalGas to make commercially reasonable efforts to replace obsolete gas turbine compressors in order to expand natural gas injection capacity at the Facility.

This decision also adopts the settlement agreement between SoCalGas and neighboring Porter Ranch residents addressing the safe operation of the Facility in a high fire risk area.

This decision adopts the environmental impact report prepared for the Project pursuant to the California Environmental Quality Act and requires SoCalGas to incorporate into the Project measures to mitigate or avoid the significant effects on the environment.

This decision approves SoCalGas's proposed revenue requirement (subject to a maximum cost of \$200.9 million) rate treatment and regulatory accounting for the Project; approves expansion of an easement necessary for completion of the Project; and confirms the Commission's preemptory authority over conflicting city and county zoning regulations, ordinances, codes, or requirements.

1. The Project

Southern California Gas Company (SoCalGas) provides natural gas to approximately six million customers in southern California. This service includes operation of four underground natural gas storage facilities to help meet peak hourly, daily, and seasonal demands for all its customers.

The Aliso Canyon Storage Field (Storage Field) is SoCalGas's largest underground natural gas storage field and one of the largest in the United States. The Storage Field is located in an unincorporated area of Los Angeles County, an unincorporated area of Ventura County, and northern Los Angeles near Northridge, and encompasses a surface area of approximately 3,600 acres.

Prior to its use as storage for natural gas, the Storage Field was owned and operated as an oil field. In the early 1970s, after the majority of its oil reserves were depleted, the Storage Field was acquired by a former affiliate of SoCalGas from various oil companies, including the Getty Oil Company and Standard Oil Company, and converted to a natural gas storage facility upon the granting of a Certificate of Public Convenience and Necessity (CPCN) in 1972. Currently, the Storage Field is directly owned and operated by SoCalGas.

The Storage Field contains 84 billion cubic feet (Bcf) of working storage inventory, 1.875 billion cubic feet per day (Bcfd) of withdrawal capacity, and a current end-of-cycle injection capacity of 300 million cubic feet per day (MMcfd). Approximately 45% of SoCalGas's total firm injection capacity is located at the Storage Field. The majority of the injection capacity at the Storage Field is provided by three obsolete gas turbine driven centrifugal compressors (TDCs) providing 15,000 International Organization for Standardization horsepower each.

Decision (D.) 08-12-020 in Application (A.) 08-02-001 adopted the settlement agreement between SoCalGas and all of the parties in Phase I of its 2009 Biennial Cost Allocation Proceeding (BCAP Phase 1 Settlement). The BCAP Phase 1 Settlement, among other things, requires SoCalGas to make commercially reasonable efforts to replace the existing three obsolete LM-1500 turbines used to compress up to 300 MMcfd of natural gas for injection into storage at the Facility.

The construction of the Project will expand the Storage Field's natural gas injection capacity from approximately 300 MMcfd to approximately 450 MMcfd. The following components at the Storage Field are included in the construction and operation of the Project:

- Central Compressor Station with three new electric-driven, variable-speed compressors and pipelines to connect the station to existing facilities;
- 12-kilovolt (kV) Plant Power Line to supply the Central Compressor Station with power;
- Office and crew-shift buildings; and
- Guardhouse on a widened segment of the existing entry road into the storage field.

In addition, the existing compressor station and its three gas turbine-driven compressors, and the existing main office and crew-shift buildings will be decommissioned and removed.

New and modified Southern California Edison Company (SCE) electric service facilities are required to provide power for the Project. To provide power to the electric-driven, variable-speed compressors, SCE will construct and operate a 56-megavolt-ampere, 66/12-kV substation (the Natural Substation) on the Storage Field site; and reconductor and replace towers and poles along

segments of SCE's Chatsworth-MacNeil-Newhall-San Fernando 66-kV Subtransmission Line and MacNeil-Newhall-San Fernando 66-kV Subtransmission Line in the Project area. In addition, SCE will install equipment at SCE's Newhall, Chatsworth, and San Fernando Substations; and install new fiber optic telecommunications cable in order to allow for remote monitoring and operation of the electrical facilities. These improvements are considered part of the Project for purposes of the environmental review of the Project required by the California Environmental Quality Act (CEQA).

The total capital cost of the Project is estimated to be \$200.9 million, and SoCalGas includes this cost estimate in support of its revenue requirement estimate.

2. Standard of Review and Governing Law

2.1. Burden of Proof

As the Applicant, SoCalGas must demonstrate a need for the Project for the Commission to issue the CPCN.¹ The applicant has the burden of affirmatively establishing the reasonableness of all aspects of its application. (D.06-05-016 at 7.)

Evidence Code Section 115 defines burden of proof as follows:

“Burden of proof” means the obligation of a party to establish by evidence a requisite degree of belief concerning a fact in the mind of the trier of fact The burden of proof may require a party to raise a reasonable doubt concerning the existence or nonexistence of a fact or that he establish the existence or nonexistence of a fact by a preponderance of the evidence, by clear and convincing proof, or by proof beyond a reasonable doubt.

¹ D.06-11-018 at 22 (“The Commission has long held that the applicant carries the burden of proof in a certification proceeding, and we reiterate those determinations today.”).

Except as otherwise provided by law, the burden of proof requires proof by a preponderance of the evidence.

The preponderance of the evidence is generally the default standard in civil and administrative law cases and we apply that standard in this decision. (California Administrative Hearing Practice, 2d Edition (2005) at 365.)

2.2. Settlements

The Porter Ranch Settlement filed in this proceeding addresses the concerns of residents in the vicinity of the Facility about the safe operation of the Facility in a high fire risk area. In order for the Commission to consider any possible proposed settlement as being in the public interest, the Commission must be convinced that the parties have a sound and thorough understanding of the issues and information included in the record. This level of understanding of the issues and development of an adequate record is necessary to meet our requirements for considering any settlement. The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.²

2.3. The CPCN and the CEQA Processes

Two different regulatory schemes define this Commission's responsibilities in reviewing SoCalGas's request for the approval of A.09-09-020 (Application). First, Public Utilities Code Section 1001 *et seq.*, require that before SoCalGas can construct the Project, the Commission must grant a CPCN on the grounds that the present or future public convenience and necessity require or

² Rule 12.1(d) of Commission's Rules of Practice and Procedure (Rules).

will require construction of the Project.³ Second, Public Resources Code Section 21000 *et seq.*, require that the Commission, as lead agency for the Project, prepare an environmental impact report (EIR) assessing the environmental effects of the Project for the Commission's use in considering the request for a CPCN.⁴ (D.90-09-059, 37 CPUC 2d 413, 421.)

To administer the Commission's dual responsibilities under the Public Utilities Code and Public Resources Code, the proceeding was bifurcated into a review of non-environmental/CPCN issues and an environmental review pursuant to CEQA. This was done to avoid confusion and unnecessary duplication of efforts while ensuring a complete record on all issues germane to the Application.

The environmental and non-environmental parts of the proceeding converged when the final EIR was submitted for certification by the Commission, and, at that time, became part of the proceeding record.

2.3.1. Section 1001 *et seq.*

The Public Utilities Code requires the Commission to determine that a project is necessary before granting a CPCN. Also, before granting a CPCN, the Commission considers the financial impacts of a project on the utility's ratepayers and shareholders. The Commission reviews the expected project costs, and for those projects estimated to cost more than \$50 million the Commission sets the maximum amount that can be spent by the utility on a project without seeking further Commission approval.

³ All statutory references are to the Public Utilities Code unless otherwise indicated.

⁴ The term "EIR" is used generally to refer to the draft EIR and the final EIR. Specific reference is made to each document when necessary.

In addition, § 1002 requires the Commission to consider the following factors in determining whether or not to grant a CPCN: (1) community values; (2) recreational and park areas; (3) historical and aesthetic values, and (4) influence on the environment.

2.3.2. CEQA

CEQA requires the lead agency to prepare an EIR when there is substantial evidence that a project may have a significant effect on the environment. The lead agency is the governmental body with primary authority over a proposed project which, for this application, is this Commission. The lead agency determines whether or not to prepare an EIR, and, as appropriate, prepares and certifies the EIR.

In preparing the EIR, the lead agency must consider alternatives to a project, including the alternative of no project at all (“no project” alternative). The lead agency must identify all significant and potentially significant impacts of a project, must identify the mitigation measures available to lessen those impacts, and must determine whether those mitigation measures would reduce the impacts to less than significant levels. The lead agency cannot approve a project requiring an EIR until it has certified that the EIR is complete.

If the EIR concludes that a project will have a significant impact on the environment even after all reasonable mitigation measures are applied, any CPCN that is granted must be accompanied by a statement of overriding considerations explaining why the project should still be approved. The authorization that is finally issued must be conditioned on completion of any adopted mitigation measures.

2.3.3. Section 963(b)(3)

Section 963(b)(3) requires the Commission and each gas corporation to make the safety of the public and gas corporation employees their top priority.⁵

In October 2008, a fire caused wide-ranging damage in the Porter Ranch, Twin Lakes, and Indian Hills communities, and burned portions of the Storage Field property (the Sesnon Fire). From October 13 to October 18, the Sesnon Fire burned more than 14,000 acres, resulting in large-scale evacuations in the area. Many structures were damaged, and 15 residences were destroyed. The cause of the fire was attributed to a downed electrical distribution line at the Facility that sparked dry brush.⁶ As discussed below, the protests to the Application filed by Porter Ranch residents Wesley G. Rogers (Rogers) and Marc Herman (Herman), and community member comments at the public participation hearing (PPH) held in this proceeding, raised concerns about fire risks and the safety of the Facility.

The environmental review undertaken in this proceeding is limited to the impacts created by the Project, and treats existing conditions as the “baseline” for measuring those impacts.⁷ The EIR for the Project does not evaluate ongoing

⁵ Section 963(b)(3) states: It is the policy of the state that the commission and each gas corporation place safety of the public and gas corporation employees as the top priority. The commission shall take all reasonable and appropriate actions necessary to carry out the safety priority policy of this paragraph consistent with the principle of just and reasonable cost-based rates.

⁶ Draft EIR at 4.8-11.

⁷ An EIR must include a description of the physical environmental conditions in the vicinity of the project, as they exist at the time the notice of preparation is published, or if no notice of preparation is published, at the time environmental analysis is commenced, from both a local and regional perspective. This environmental setting will normally constitute the baseline physical conditions by which a lead agency determines whether an impact is significant. CEQA Guidelines 15125(a).

(baseline) risks associated with the existing Facility that do not result from the Project or make recommendations to mitigate those risks.⁸ Because the existing fire risks and operational safety concerns raised by Rogers and Herman are not addressed in the EIR, these issues were considered in the CPCN portion of this proceeding.

In particular, this proceeding considered whether rules adopted in Rulemaking (R.) 08-11-005 are adequate to ensure the safe operation of the Facility that is located in a Very High fire hazard severity zone, and whether any requirements (in addition to any mitigation measures that may be recommended in the EIR) should be imposed in order to improve the safety of the Facility's operations and to reduce existing fire risks.

3. Parties' Positions

The BCAP Phase 1 Settlement Parties⁹ filed a joint response recommending expeditious approval of the Application because, according to them, replacing

⁸ The revised draft EIR states that the Facility is located entirely within a Very High fire hazard severity zone. Appendix A, Revised Draft EIR at 4.8-15:21. The draft EIR further states the operation of the Project components is not likely to substantially change the existing exposure of persons or structures to wildland fire risk because project operations would be similar in nature and scope to the existing operations at the Facility and the existing transmission lines and substations. Appendix A, Revised Draft EIR at 4.8-49:39-42.

⁹ The signatories to the Joint Response are the San Diego Gas & Electric Company (SDG&E), SoCalGas, the Division of Ratepayer Advocates (DRA, now the Office of Ratepayer Advocates), SCE, the Indicated Producers, Southern California Generation Coalition, the City of Long Beach, Southwest Gas Corporation, Watson Cogeneration Company, California Cogeneration Council, and the California Manufacturers and Technology Association. The signatories are parties to A.08-02-001 that reached an agreement resolving all of the issues in Phase 1 of SoCalGas' Biennial Cost Allocation Proceeding (BCAP Phase 1 Settlement), and are referred to jointly as the "BCAP Phase 1 Settlement Parties."

the Aliso Canyon compressor station and adding storage injection capacity to meet increased demand during peak periods is consistent with SoCalGas's obligation to serve its customers, increases reliability of the SoCalGas transportation system, and helps to reduce natural gas commodity cost volatility.

The Rogers and Herman protests point to the Facility as the source of the 2008 Sesnon Fire and request, among other things, that conditions be imposed on SoCalGas's operation of the Facility to improve safety and reduce fire risks. Rogers recommends that a third-party expert be retained to determine the appropriate safety protocols that should be implemented by SoCalGas prior to construction of the Project and during the subsequent operation of the Facility, and that SoCalGas be required to implement a vegetation clearance program consistent with Los Angeles Fire Department regulations for transmission and distribution lines serving the Facility.¹⁰

In addition, Rogers recommends that SoCalGas, in conjunction with the neighborhood councils of the Chatsworth, Granada Hills, and Porter Ranch communities adjacent to the Facility arrange for public oversight of the safety program for the Facility, including disclosure of SoCalGas's annual safety and management budget for the Facility, the Facility's safety and maintenance plan, and all ongoing safety audits, inspections, and maintenance activity logs.

SoCalGas responds that the Facility already has adequate fire safety measures in place, pursuant to the requirements adopted in R.08-11-005. According to SoCalGas, these recently adopted requirements and those in General Orders (GOs) 95 and 165 are sufficient to ensure the safety of the Facility.

¹⁰ The BCAP Phase 1 Settlement Parties

4. Procedural History

On September 30, 2009, SoCalGas filed the Application requesting that the Commission amend its CPCN in order to authorize replacement of three obsolete TDCs and associated equipment with a new electric compressor station and construction of other improvements at the Aliso Canyon Storage Field.¹¹

SoCalGas also requests approval of its proposed revenue requirement, rate treatment, and regulatory accounting for the Project; grant approval related to the expansion of an easement necessary for completion of the Project pursuant to § 851; adopt a Mitigated Negative Declaration and issue a Notice of Determination pursuant to CEQA¹²; and confirm that the Commission has preemptory authority over conflicting city and county zoning regulations, ordinances, codes, or requirements.

Notice of the Application appeared in the Commission's October 1, 2009 Daily Calendar.

Protests to the Application were filed by Porter Ranch residents Rogers and Herman on October 28, and October 29, 2009, respectively.¹³ The Utility Reform Network (TURN) protested the Application on November 3, 2009 but

¹¹ The Project includes only those non-electrical improvements and activities proposed within the Storage Field. However, for purposes of CEQA, the Project includes improvements and activities related to electric system modifications for which SCE will seek separate authorization from the Commission.

¹² On March 24, 2010, the Commission's Energy Division notified SoCalGas that the Application has been deemed complete for purposes of Rule 2.4, and that an environmental impact report is required for the Project.

¹³ Porter Ranch residents Allen Starczyk, Nancy Starczyk, and Warlito and Angelica Bagasao also submitted protests identical to the Rogers and Herman protests. However, these protests had defects and were rejected by the Commission's Docket Office. The defects were not corrected and, as a result, these Porter Ranch residents have been placed on the Information Only portion of the service list.

subsequently informed the Commission that it would not actively participate in the proceeding, effectively withdrawing its protest.¹⁴ On November 2, 2009, the BCAP Phase 1 Settlement filed a joint response in support of the Application. On November 12, 2009, SoCalGas filed its reply to the protests of TURN and Rogers.¹⁵

Prehearing conference (PHC) statements were filed and served by SoCalGas and Rogers, pursuant to the March 19, 2010 Administrative Law Judge (ALJ) ruling. The April 27, 2010 ALJ ruling delayed the PHC until after the issuance of the draft EIR for the Project, at which time it would be known if the draft EIR addressed the fire safety concerns raised by Rogers and Herman. The draft EIR was published on April 4, 2012.¹⁶

A PHC was held in Northridge on August 14, 2012, in the vicinity of the Project, where Rogers, Herman, and representatives of SoCalGas, SCE, and Southern California Generation Coalition were in attendance. In addition, a PPH was held in Northridge on August 14, 2012, in the vicinity of the Project, where approximately 30 members of the public were in attendance.

On October 16, 2012, the Scoping Memo and Ruling of Assigned Commissioner and ALJ (Scoping Memo) was issued. The Scoping Memo confirmed the Commission's preliminary finding in Resolution ALJ 176-3242, issued on October 15, 2009, that the category for this proceeding is ratesetting, and that evidentiary hearings (EHs) were necessary. The scoping memo

¹⁴ TURN initially protested the proposed revenue requirement and cost allocation for the Project.

¹⁵ SoCalGas did not reply to the Herman protest. However, the Herman protest is identical to the Rogers protest.

¹⁶ The Energy Division accepted comments on the draft EIR until May 22, 2012.

determined that EHs were needed on whether the rules adopted in R.08-11-005¹⁷ are adequate to ensure the safe operation of the Facility, and if requirements (in addition to any mitigation measures recommended in the EIR) should be imposed on any CPCN that may be granted in order to improve the safety of the Facility's operations and to reduce existing fire risks.

The scoping Memo scheduled EHs to begin on December 19, 2012, and the November 2, 2012 ALJ ruling denied Rogers' and Herman's request for a delay in EHs.¹⁸ On November 16, 2012, SoCalGas served its direct testimony. No other party served direct testimony and no party served reply testimony.

On November 27, 2012, SoCalGas, Rogers, and Herman filed and served a motion for adoption of settlement agreement and suspension of hearing and briefing schedule. The November 29, 2012 ALJ ruling amended the proceeding schedule to suspend EHs and post-hearing briefs.

No comments were filed on the proposed settlement between SoCalGas and Porter Ranch residents (Porter Ranch Settlement Agreement Agreement). The January 3, 2013 ALJ ruling directed SoCalGas, Rogers, and Herman to clarify portions of the Porter Ranch Settlement Agreement, and on January 14, 2013, SoCalGas, Rogers, and Herman filed a response.

¹⁷ Rulemaking to Revise and Clarify Commission Regulations Relating to the Safety of Electric Utility and Communications Infrastructure Provider Facilities. D.09-08-029 and D.12-01-032 adopted regulations to reduce the fire hazards associated with overhead power lines and aerial communication facilities located in close proximity to power lines.

¹⁸ On October 19, 2012, Rogers requested, on behalf of himself and Herman, that EHs be postponed until the conclusion of the trial concerning the Brown Canyon homeowner's group lawsuits in connection with the 2008 Sesnon fire. On October 22, 2012, SoCalGas opposed the request.

On July 22, 2013, the Energy Division published notice of availability of the final EIR. The July 24, 2013 ALJ ruling admitted the final EIR into the record as Reference Exhibit A. In addition, the July 24 Ruling canceled EHs, established the schedule for the filing of briefs and reply briefs, and provided the schedule for receiving objections to or admittance of the prepared testimony of Rodger Schwecke into the record.

SoCalGas's prepared testimony of Rodger Schwecke was admitted into the record on August 5, 2013, without objection. No party filed opening briefs or reply briefs, and this proceeding was submitted for decision by the Commission on August 19, 2013.

5. Consideration of § 1001 Factors

Pursuant to § 1001, a CPCN applicant must demonstrate that the present or future public convenience and necessity require or will require construction and operation of a proposed project. To decide if public convenience and necessity require the construction of this Project, the Commission assesses the need for gas storage facilities, considers if SoCalGas has the financial resources and technical expertise to construct and operate a gas storage facility, and considers if the Project will be constructed and operated in a way that protects the safety of workers, the public, and the environment. We first consider need for the Project.

5.1. Need for Project

As discussed below, the Project is needed to expand overall injection capacity at the Facility to the extent feasible by approximately 145 MMcfd to fulfill the terms of the BCAP Phase 1 Settlement adopted by D.08-12-020, to improve the reliability and affordability of natural gas supply, and to gain efficiencies that benefit SoCalGas's overall gas storage system to help keep rates

affordable and protect ratepayers from price spikes. Need for the Project is uncontested.

The Aliso Canyon Storage Facility plays a critical role in SoCalGas's gas storage and distribution system, which generally withdraws gas from storage during the winter months (when prices are typically higher) and injects gas into storage during the spring and summer months (when prices are typically lower). Approximately 45% of SoCalGas's total firm injection capacity is located at the Storage Field.

The majority of the injection capacity at the Storage Field is provided by three obsolete TDCs providing 15,000 International Organization for Standardization horsepower each. These units were developed in the late 1960s as a derivative of aircraft turbines. The industrial version (LM 1500) is not completely interchangeable with the aircraft turbine versions and less than 20 LM 1500s exist in the United States today.

Since several parts are not interchangeable with the aircraft engines and there are few in existence, Original Equipment Manufacturer (OEM) parts are not produced. Parts must either be reworked or custom-built per OEM specifications. The only OEM repair facility is in Fort St. John, Canada. The scarcity of parts is making repairs more costly and time consuming.

Continued use of the obsolete TDCs is inconsistent with southern California's need for a reliable and efficient natural gas supply to support power generation and serve heating, cooking, and other energy needs of residential, commercial, and industrial users. The reliability and affordability of natural gas supply are directly related to the ability to purchase gas supplies during periods of low cost/low demand and to store it for withdrawal during high demand/high cost periods. This allows gas suppliers and customers to avoid

having to make market purchases at typically higher prices and to ensure gas is available at times of peak demand.

The BCAP Phase 1 Settlement provides that SoCalGas must, during the replacement of the existing turbines, expand overall injection capacity at the Facility to the extent feasible by approximately 145 MMcfd, and that the replacement of turbines and expansion of injection capacity at the Facility must be undertaken as soon as possible. D.08-12-020 found that the BCAP Phase 1 Settlement was reasonable, in the public interest, and consistent with the law.¹⁹

Approval of the Application provides SoCalGas with the authority it needs to meet its obligations under the BCAP Phase 1 Settlement by installing a new, more dependable, and cleaner compressor system at a reasonable cost and with mitigable impacts on the environment. Avoiding potential interruptions in the ability to inject purchased gas (e.g., due to breakdowns of equipment such as the obsolete TDC units) and increasing the ability to rapidly inject purchased gas (e.g., through increasing the injection capacity) represent efficiencies that provide significant benefits to SoCalGas's overall gas storage system, which in turn help keep rates affordable and protect ratepayers from price spikes. The Project is necessary to promote the safety, health, comfort, and convenience of the public.

5.2. Financial and Technical Qualifications of Applicant

We also consider whether an applicant for a CPCN has the financial resources and technical expertise to construct and operate a gas storage facility, and conclude that SoCalGas does.

SoCalGas is a public utility corporation organized and existing under the laws of the State of California, and is presently certificated by the Commission to

¹⁹ Conclusions of Law 1 and 2.

provide natural gas services. SoCalGas currently serves 20 million end-use customers and transports natural gas to approximately 1,300 noncore customers in the state.

SoCalGas has the technical expertise to construct and operate a gas storage facility. In addition, SoCalGas's financial statement demonstrates that it has the financial resources to construct and operate a gas storage facility.²⁰

6. Consideration of § 1002 Factors

As stated above, § 1002 requires the Commission to consider the following factors in determining whether to grant a CPCN:

- (1) Community values;
- (2) Recreational and park areas;
- (3) Historical and aesthetic values; and
- (4) Influence on the environment.

6.1. Consistency with Community Values

We give considerable weight to the views of the local community when assessing whether a project is compatible with community values. Each community member that spoke at the August 14, 2012 PPH expressed concerns about the safe operation of the Facility in a high fire risk area, similar to concerns raised in the Rogers and Herman protests.²¹ In addition, in their comments on the draft EIR, the Chatsworth Neighborhood Council (Chatsworth) recommended that the City and/or County of Los Angeles Fire Departments regularly inspect the Facility and power lines for hazardous conditions. The

²⁰ SoCalGas's financial statement is contained in Appendix D to the Application.

²¹ Approximately 30 members of the public attended the PPH and three people spoke. TR 7:13 - 20:17.

County of Los Angeles and the Santa Susana Mountain Park Association (Santa Susana) also recommended an inspection and brush clearance program. Chatsworth and Santa Susana recommended the creation of a fire safety officer to ensure fire prevention practices are followed.

The Porter Ranch Settlement Agreement adopted in this proceeding and the rules adopted in R.08-11-005 address the local community's fire safety concerns and will ensure that the Project is consistent with community values. As discussed below, the Porter Ranch Settlement Agreement requires SoCalGas to involve the local community through quarterly community meetings and an annual community informational event to discuss activities at the Facility and answer questions from the community. Pursuant to the Porter Ranch Settlement Agreement, SoCalGas will also employ a fulltime electrical professional at the Facility to oversee Facility safety and regulatory compliance for the Aliso Canyon electric systems, and establish the Aliso Canyon Employee Safety Committee and a site-specific safety plan. In addition, SoCalGas will develop and maintain a publically accessible website page dedicated to Facility operations, and include the Aliso Canyon Safety Plan, brush clearing schedule, project updates, annual GO 95 and GO 165 reports to the Commission, Safety Audit Reports, notices of overhead electrical distribution facility shut-downs and related information, links to SoCalGas's safety website, and safety audits and inspections status conducted by public agencies or management personnel within 30 days of inspection.

The Project will have a favorable socio-economic impact on the broader community, including the City of Los Angeles, City of Santa Clarita, community of Newhall and Los Angeles County, by creating temporary construction-related jobs over a 30-month period. During the construction of the Project, the local

economy will likely experience an increase in retail and sales tax revenue from the workforce employed during the construction period.

The Project will also reduce the potential for natural gas service interruptions and improve service reliability, and help protect ratepayers from price spikes. As conditioned by this decision, the Project is consistent with community values.

6.2. Recreational and Park Areas

The Project is consistent with recreational and park uses. The EIR determined that construction and operation of the Project will result in less than significant impact on recreation resources because the Project will not pose a substantial demand on existing recreational facilities and will not involve the construction or expansion of recreational facilities.²²

Construction of the Project components will occur in incorporated and unincorporated areas of Los Angeles County and Ventura County. The Santa Susana Mountains surround the Storage Field, and include many open space and recreation areas in close proximity to the Storage Field. In particular, the northeastern side of the Storage Field overlaps a small portion of the 480-acre Michael D. Antonovich Open Space Preserve, the western side of the Storage Field is in close proximity to the 2,326-acre Michael D. Antonovich Regional Park at Joughin Ranch, the eastern side of the Storage Field borders the 672-acre O'Melveny Park, and several City of Los Angeles community parks are located on the southern edge of the Storage Field. However, no recreational or park land will be disturbed or otherwise affected by the Project.

²² Final EIR, Section 4.14.

In addition, the Chatsworth Substation and portions of the subtransmission and telecommunications routes are in proximity to parks and recreation areas. According to the EIR, the telecommunications routes would be located within one mile of approximately 30 recreation areas and would traverse several parks.²³

6.3. Historical and Aesthetic Values

The Project is consistent with the historical and aesthetic values of the area. The Facility has been used to store natural gas since the early 1970's. Prior to its use as a natural gas storage facility, it was owned and operated as an oil field. After the oil reserves were depleted, the storage field was acquired by a former affiliate of SoCalGas from various oil companies, including the Getty Oil Company and Standard Oil Company, and converted to a natural gas storage facility upon the granting of a CPCN by the Commission in 1972.²⁴

The EIR states that impacts on visual resources associated with construction will be temporary, and will be less than significant.²⁵ Components

²³ Telecommunications Route No. 1 would be located near Vista Valencia Golf Course, Old Orchard Park, Ed Davis Park, East and Rice Canyon, and Pico Canyon County Park. Telecommunications Route No. 2 would traverse Sage Ranch Park, Corriganville Regional Park, Santa Susana Pass State Historic Park, Michael D. Antonovich Regional Park at Joughin Ranch, and Brown's Creek Park.

In addition, Santa Susan Park, Chatsworth Natural Preserve, Chatsworth Park South, Chatsworth Park North, Garden of the Gods, Stony Point Park, Indian Springs Open Space, and Chatsworth Oaks Park are located near the proposed fiber optic route. Telecommunications Route #3 would be located near Brand Park, Carey Ranch Park, Layne Park, Las Palmas Park, an unnamed park on Park Avenue and First Street in the City of San Fernando, Glen Oaks Park, Pioneer Park, Sylmar Recreation Center, El Cariso Golf Course, and El Cariso Regional Park.

²⁴ Decision 79751, issued February 23, 1972, granted a CPCN to construct and operate the Facility.

²⁵ EIR, Appendix A (Revisions to Draft EIR), 4.1-22 to 4.1-33.

of the Project will permanently change existing visual characteristics but will not significantly impact scenic vistas. This is because many of these components are obscured from view by topography, vegetation, and development or are located in areas that are not considered scenic.²⁶ The Project is consistent with the aesthetic values of the area.

6.4. Influence on the Environment

In addition to its CEQA obligations, pursuant to § 1002, the Commission has a responsibility independent of CEQA to include, among other things, “influence on the environment” in our consideration of a request for a CPCN. (D.90-09-059, 37 CPUC 2d at 453.) Influence on the environment is a factor under § 1002 but is primarily considered in the EIR process, so that the parties would not duplicate their efforts on this Public Utilities Code requirement that overlaps with CEQA requirements. Following is a summary of the environmental review of the Project that was conducted in accordance with GO 131-D and CEQA.

7. The Environmental Review Process

Pursuant to GO 131-D, SoCalGas included the Proponent’s Environmental Assessment (PEA) with the Application. The Energy Division and its consultants reviewed the PEA, and, in March 2010, determined that the Application required an EIR. As a result, the Energy Division initiated an EIR scoping process. The scoping process for the EIR included (1) publication of a Notice of Preparation (NOP) and Notice of Public Scoping Meetings, (2) public scoping meetings and meetings with agencies to solicit comments from affected public agencies and members of the public, and (3) preparation of a Scoping Report to summarize scoping comments.

²⁶ *Ibid.*

On October 21, 2010, the Commission published the NOP for the EIR for a 30-day review period.²⁷ Public notification of the NOP for the Project and scoping meetings included a newspaper announcement²⁸ and the mailing of the NOP and public notices. The distribution and contents of the NOP are detailed in Section 2 of the EIR.

The content of the EIR reflects input by government officials, agencies, non-governmental organizations, and concerned members of the public during the EIR scoping period following the Commission's publication of the NOP. Responses from these agencies and individuals helped to determine relevant environmental issues associated with the Project. Section 2.2 of the EIR summarizes the activities occurring during the public review process.

On April 4, 2012, the Energy Division released the draft EIR and Notice of Availability. The Energy Division accepted written comments on the draft EIR through May 22, 2012. Comment letters on the draft EIR were received from seven public agencies and officials; three community groups, non-profit organizations, and private organizations; five individuals; SCE and SoCalGas. Comments and the responses to those comments are contained in Reference Exhibit A, Section 3.

On May 2 and 3, 2012, the Energy Division held public meetings on the draft EIR to (1) provide individuals an opportunity to learn about the draft EIR and the status of the Project, (2) make Energy Division staff available to answer

²⁷ The NOP provided a general description of the Project and a summary of the main regulations and permit conditions applicable to its development and operation.

²⁸ Notice for the public scoping meeting was published on October 21 and 28, 2010, in the Santa Clarita Valley Signal and the Los Angeles Daily News.

questions prior to the close of the draft EIR comment period, and (3) permit the public to comment on the draft EIR in lieu of submitting written comments.

On July 22, 2013, the Energy Division mailed a Notice of Availability of the final EIR. The final EIR is comprised of an introduction; summary of public participation; responses to comments on the draft EIR; project overview and environmental impacts; the Mitigation, Monitoring, Compliance, and Reporting Program (MMCRP), and Appendices A through E. Appendix A contains the draft EIR as revised in response to comments. On July 24, 2013, the final EIR was received into the record as Reference Exhibit A (Ref. Exh. A).²⁹

7.1. The EIR

The EIR informs the Commission and the public, in general, of the environmental impacts of the Project and alternatives.³⁰ The EIR evaluates the environmental impacts that would be expected to result from the construction and operation of the Project, and provides recommended mitigation measures that, if adopted, would avoid or minimize the identified significant environmental impacts. The EIR also identifies alternatives to the Project that could avoid or minimize significant environmental impacts associated with the Project, including the “no project” alternative, evaluates the environmental impacts associated with these alternatives, and determines the environmentally superior alternative.

²⁹ Pursuant to the Scoping Memo, parties were permitted in briefs to challenge the conclusions or recommendations in the EIR, the adequacy of the EIR, or the EIR’s compliance with CEQA.

³⁰ The information in an EIR may constitute substantial evidence in the record to support the agency’s action on the project if its decision is later challenged in court.

CEQA requires that, prior to approving a project or a project alternative, the lead agency certify that (1) the EIR was completed in compliance with CEQA; (2) the lead agency reviewed and considered the EIR prior to approving the project or a project alternative; and (3) the EIR reflects the lead agency's independent judgment.

As discussed below, the EIR does not identify any significant unmitigable or unavoidable environmental impacts that would result from the construction or operation of the Project, and does not identify any mitigation measures or project alternatives that are infeasible.³¹

7.2. Environmentally Superior Alternative

Eleven alternatives were identified, and three alternatives were evaluated: the No Project Alternative, the Design Alternative, and Routing Alternative A. However, Routing Alternative A was eliminated from consideration in the final EIR.³²

³¹ In its comments on the ALJ's proposed decision, SCE asserts for the first time that Mitigation Measure BR-5 is infeasible. Mitigation Measure BR-5, among other things, requires maintenance of an exclusionary buffer of at least 50 feet from the delineated extent of all jurisdictional wetland features during project construction. SCE did not raise any concerns about this mitigation measure in its May 22, 2012 comments on the draft EIR, and there is nothing in the record of this proceeding to support SCE's assertion of infeasibility.

³² Under Routing Alternative A, Telecommunications Route #3 would be routed from the Sylmar Substation to the San Fernando Substation. According to the Draft EIR, Routing Alternative A was proposed by SCE in response to a request by Commission staff during the EIR preparation process for more specific information about the telecommunications line routes. SCE later submitted Telecommunications Route #3 (San Fernando Substation to Fiber Optic Connection Point) as the proposed route, and the Commission staff chose to consider the originally proposed route as an alternative. Both the proposed and alternative routes would require the installation of new fiber optic cable primarily overhead on existing SCE and Los Angeles Department of Water and Power electrical distribution line structures. The proposed route would be

Under the No Project Alternative, the existing TDCs would not be replaced and the basic objectives of the Project would not be achieved. In particular, the Storage Field's injection capacity would not be increased and, as a result, the terms of the BCAP Phase 1 Settlement adopted by D.08-12-020 could not be met (Objective No. 1). In addition, replacement parts for the existing gas turbine-driven compressors are extremely limited because production of the gas turbines was halted by the manufacturer in the late 1970s. As a result, the reliability and efficiency of storage facility operations would not be maintained or improved (Objective No. 2) because maintenance requiring compressor replacement parts would take longer to address and the current level of compressor reliability experienced at the storage field would decrease. Therefore, the No Project Alternative is rejected.

The Design Alternative would replace the existing obsolete gas-driven turbine compressors with new gas-driven turbine compressors. This alternative eliminates the need for the new proposed substation, line reconductoring and telecommunications line installations, and avoids or reduces long-term impacts on certain biological resources and some construction impacts. However, negative air quality and greenhouse gas (GHG) emission impacts would be long-term and widespread. This alternative is not adopted.

According to the EIR, long-term impacts on coastal California gnatcatcher habitat and other biological resources would be avoided under the Design Alternative, and some short-term construction impacts would be avoided or

27,018 feet long (5.1 miles) and require approximately 1,200 feet of new underground conduit. The alternative route would be 25,560 feet long (4.8 miles) and require approximately 1,300 feet of new underground conduit. The location of both routes would be identical for the final 1.25 miles into San Fernando Substation.

reduced but the alternative's air quality and GHG emissions impacts would be both long-term and widespread, impacting resources in addition to those located in proximity to the components of the Design Alternative. While offsets can be purchased for air quality impacts, and offsets may be negotiated for GHG impacts, mitigation through the purchase of offsets is indirect. Direct mitigation for air pollutant and GHG emissions can be difficult to implement and, in some cases, cannot sufficiently reduce impacts. Therefore, because the Project, during operations, would avoid or reduce long-term impacts from air pollutant emissions and result in a net reduction of GHG emissions in comparison to the Design Alternative, the Project is the environmentally superior alternative.

7.3. Environmental Impacts of the Project

No significant unmitigable or unavoidable adverse environmental impacts have been identified that would result from construction or operation of the proposed project. All of the impacts identified are either less than significant or, with mitigation, would be reduced to less than significant levels.

The EIR states that construction and operation of the Project will have no significant environmental impact in the areas of agriculture and forestry resources, land use and planning, population and housing, and recreation.³³ In addition, the EIR identifies no significant cumulative impacts and other CEQA considerations.³⁴

The EIR further states that, with mitigation incorporated, construction and operation of the Project will result in less than significant impacts in the areas of aesthetics; air quality; biological resources; cultural resources; geology, soils and

³³ Ref. Exh. A, Volume 2 (revised draft EIR), Sections 4.2, 4.10, 4.12 and 4.14.

³⁴ Ref. Exh. A, Volume 2 (revised draft EIR), Section 6.1.

mineral resources; hazards and hazardous materials; hydrology and water quality; noise; public services and utilities; and transportation and traffic.³⁵

7.4. The EIR Was Completed in Compliance with CEQA

Pursuant to the Scoping Memo, the July 24, 2013 ALJ ruling, among other things, permitted parties to file briefs on issues that are within the scope of this proceeding, including, challenges to the conduct of the CEQA process and the completion of the EIR in compliance with it. No party filed briefs and no party challenges the conduct of the CEQA process or the completion of the EIR in compliance with it.

7.5. Mitigation Monitoring, Compliance and Reporting Program

Public Resources Code Section 21081(a)(1) requires the Commission as Lead Agency under CEQA to find, among things, that the “changes or alterations ... which mitigate or avoid the [Project’s] significant effects on the environment” are required or incorporated into the EIR. Public Resources Code Section 21081.6(b) further requires that avoidance and mitigation measures “are fully enforceable through permit conditions, agreements, or other measures.” Accordingly, the Commission requires that all avoidance and mitigation measures identified in the EIR are complied with, whether the activities and impacts are caused by SoCalGas, SCE, or their agents. SoCalGas and SCE shall be responsible for avoiding or mitigating the impacts caused by their respective actions, or by agreement, determine which party is responsible for fulfilling the required mitigation measures. SoCal Gas is the applicant and project proponent, and ultimately, where SCE or its

³⁵ Ref. Exh. A, Volume 2 (revised draft EIR), Sections 4.1, 4.3 through 4.6, 4.7 through 4.9, 4.11, 4.13, and 4.15.

agents do not cause an impact or undertake the required mitigation, SoCalGas is responsible for mitigating the impacts caused by the Project.

As required by CEQA, the Commission adopts the MMCRP included as Section 5 of the EIR. The MMCRP describes the required mitigation measures, specifically details how each mitigation measure will be implemented, and includes information on the timing of implementation and monitoring requirements. The Commission uses the MMCRP as a guide and record of monitoring the utility's compliance with its provisions. SoCalGas and SCE have agreed to and must comply with each measure and provision of the MMCRP.

The Energy Division must supervise and oversee the construction of the Project insofar as it relates to monitoring and enforcement of the mitigation measures described in the EIR. The Energy Division may designate outside staff to perform on-site monitoring tasks, with all associated costs to be paid by SoCalGas. Upon review of SoCalGas's and SCE's compliance with the MMCRP, the Energy Division will provide SoCalGas and SCE with Notices to Proceed with Construction during various phases of the project as applicable under the MMCRP.

The Commission project manager (Energy Division, Environmental Projects Unit) will have the authority to issue a Stop Work Order on the entire project, or portions thereof, for the purpose of ensuring compliance with the mitigation measures described in the EIR. Construction must not resume without a Notice to Proceed issued by the Energy Division.

8. Certification of the EIR and CEQA Findings

The Commission hereby certifies the Southern California Gas Company Aliso Canyon Turbine Replacement Project EIR, State Clearinghouse No. 2010101075.³⁶

CEQA Guidelines § 15120 through § 15132 require the EIR to contain specific information. The various elements of the EIR satisfy these CEQA requirements.

Volume 1 of the EIR contains the comments and recommendations received on the draft EIR, individual responses to these comments, and a list of persons, organizations, and public agencies commenting on the draft EIR. Volume 2 of the EIR consists of the draft EIR, revised in response to comments and other information received.

In accordance with CEQA Guidelines § 15090, the Commission, as lead agency for the Project, certifies that:

- (1) The EIR has been completed in compliance with CEQA;
- (2) The EIR was presented to the Commission, and the Commission has received, reviewed, and considered the information contained in the EIR and hearing documents prior to approving the Project; and
- (3) The EIR reflects the Commission's independent judgment and analysis.

The Commission finds that the EIR is a comprehensive, detailed, and complete document that discusses clearly the advantages and disadvantages of the environmentally superior alternatives, the Project, and other alternatives. The Commission finds that the EIR is a competent and comprehensive informational tool, as CEQA requires it to be. The quality of the information in

³⁶ The EIR consists of the draft EIR and the Final EIR.

the EIR is such that the Commission is confident of its accuracy. The Commission has considered the information in the EIR in approving the Project. Accordingly, the Commission certifies and adopts the EIR in its entirety, and incorporate it by reference in this decision.

For the reasons discussed in Section 5 above, the Project is necessary to promote the safety, health, comfort, and convenience of the public. In granting the Application, the Commission recognizes that significant impacts will result from implementation of the Project but finds that these impacts are less than significant with the adopted mitigation measures.

Pursuant to Public Resources Code Section 21080 and CEQA Guidelines § 15091(a), the Commission may not approve or carry out a project for which an EIR has been certified which identifies one or more significant effects on the environment that would occur if the project is approved or carried out unless the Commission makes one or more of the following findings with respect to each significant effect:

- (i) Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant effects on the environment;
- (ii) Those changes or alterations are within the responsibility and jurisdiction of another public agency and have been, or can and should be, adopted by that other agency; or
- (iii) Specific economic, legal, social, technological, or other considerations, including considerations for the provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or alternatives identified in the environmental impact report.

With respect to each significant effect identified in the EIR, the changes and alterations identified in the MMCRP that the Commission requires be

incorporated into the Project will mitigate or avoid the significant effects on the environment.

9. Project Authorization

The Project is necessary to promote the safety, health, comfort, and convenience of the public. For the reasons discussed in Section 5 above, granting the CPCN is in the public interest and SoCalGas's request for a CPCN should be approved. After considering the need for and the benefits of the Project pursuant to § 1001, the criteria set forth in § 1002, and the outcome of the EIR, we approve SoCalGas's Application for a CPCN as further defined and conditioned in this decision. Our order today adopts the final EIR (which incorporates the draft EIR), subject to the conditions therein, and authorizes work to begin.

The conditions we impose on the CPCN, including compliance with the MMCRP we adopt as part of our approval of the Project and the terms of the uncontested Porter Ranch Settlement Agreement approved by this decision, will ensure that the Project can be constructed and operated in a way that protects the safety of workers and the general public. In addition, SoCalGas must comply with GO 112-E,³⁷ and SoCalGas is subject to any applicable rules that issue from R.11-02-019 addressing safety regulations for gas transmission and distribution.

10. Maximum Reasonable Costs

Section 1005.5 requires the Commission to specify a maximum cost deemed to be reasonable and prudent for projects whose estimated costs are over

³⁷ GO 112-E specifies minimum requirements for the design, construction, quality of materials, locations, testing, operations and maintenance of facilities used in the gathering, transmission and distribution of gas and in liquefied natural gas facilities to safeguard life or limb, health, property and public welfare and to provide that adequate service will be maintained by gas utilities operating under the jurisdiction of the Commission.

\$50 million.³⁸ The purpose of § 1005.5 is to limit cost recovery from ratepayers under a cost-of-service rate-of-return ratemaking.

We adopt a maximum cost of \$200.9 million for the Project, SoCalGas's estimated total capital costs.³⁹ SoCalGas is authorized cost recovery of the Project's actual costs up to \$200.9 million beginning when the assets are placed in service. Costs exceeding this amount that SoCalGas seeks to recover must be recorded in a memorandum account. If Project costs exceed \$200.9 million, a review of the reasonableness of all costs and consideration of increasing the maximum reasonable cost of the Project will be conducted in SoCalGas' general rate case (GRC) following project completion.⁴⁰

11. The Porter Ranch Settlement Agreement

On November 27, 2012, SoCalGas, Rogers, and Herman (Settling Parties) filed and served a motion for adoption of settlement agreement (Porter Ranch Settlement Agreement) and suspension of hearing and briefing schedule. No party filed comments on the Settlement.

In response to the January 3, 2013 ALJ ruling directing the Settling Parties to clarify the Porter Ranch Settlement Agreement, the Settling Parties state that, if the Commission approves the Porter Ranch Settlement Agreement, and if the

³⁸ Section 1005.5(a) provides that "Whenever the commission issues to an electrical or gas corporation a certificate authorizing the new construction of any addition to or extension of the corporation's plant estimated to cost greater than fifty million dollars (\$50,000,000), the commission shall specify in the certificate a maximum cost determined to be reasonable and prudent for the facility."

³⁹ Capital costs are stated in nominal dollars using a base year of 2009. The Project Schedule anticipated Project approval by 2010 and Project completion by 2012. See Application, Appendix A at 11 and 24.

⁴⁰ See § 1005.5(b).

Settling Parties should subsequently make any material change to the Porter Ranch Settlement Agreement, the Settling Parties will seek to modify the Porter Ranch Settlement Agreement by filing a petition for modification of the decision approving the Porter Ranch Settlement Agreement. In addition, the Settling Parties state that they will consult with the Presiding ALJ and/or the Commission's Energy Division to resolve any disputes arising in connection with the Porter Ranch Settlement Agreement that cannot be resolved by the Settling Parties.

The Porter Ranch Settlement Agreement provides that SoCalGas will accept the following conditions on its CPCN and Rogers and Herman will withdraw their protests. The Porter Ranch Settlement Agreement addresses and resolves the only contested issue in this proceeding and, as a result of the settlement, the Application is uncontested.

11.1. Community Involvement

Beginning six months after a final decision in this proceeding, SoCalGas will host quarterly community meetings to brief local residents on the Project's developments and key milestones. Beginning in 2013, SoCalGas will host an annual community informational event to discuss activities at the field and answer questions from the community.

11.2. Aliso Canyon Safety Plan

Three months after a final decision in this proceeding, SoCalGas will establish a site-specific safety plan that will detail each of the safety-related regulatory requirements, and the general actions and activities that SoCalGas undertakes to meet the requirements consistent with SoCalGas's overall Safety Plan. The site-specific safety plan will also specify Facility safety, management commitment and responsibilities, regulatory requirements, compliance and

recordkeeping requirements, employee education and training overviews, inspections/audits/corrective actions procedures, and management as they pertain to safety.

The Settling Parties state that Rogers and Herman will have an opportunity to review the safety plan prior to it being finalized.

11.3. Facility Electrical Professional

Three months after a final decision in this proceeding, SoCalGas will employ a full-time electrical professional at the Facility to oversee Facility safety and regulatory compliance for the Facility's electric systems.⁴¹ At a minimum, the electrical professional will possess a Bachelor of Science degree in electrical engineering, have at least five years of electrical experience, be registered in the State of California as a Professional Engineer in Electrical Engineering (or significant progress towards registration), and have a good working knowledge of GOs 95, 128, and 165.

The electrical professional will manage the implementation of the Aliso Canyon Safety Plan related to the overhead, underground, and plant electrical systems; ensure compliance with company standards, codes, and regulations; and maintain documentation concerning the Facility's compliance with the Aliso Canyon Safety Plan and GOs 95, 128, and 165. The electrical professional will plan the work, hire electrical maintenance and/or construction contractors, and will be responsible for the inspection, maintenance, and modifications of the electrical systems at the Facility. Among other things, the electrical professional

⁴¹ The fully loaded cost for the electrical professional is estimated to be between \$150,000 and \$175,000 per year. This cost is included in the project costs during the project duration and will be included in the next GRC thereafter. The cost of the electrical professional incurred in connection with the construction of the Project is an item subject to the \$200.9 million maximum reasonable cost cap.

will coordinate and direct small projects, including developing work scope, budget, and schedule; and will direct and assist other employees and outside contractors in completing their work.

11.4. Employee Safety Committee

Beginning one month after a final decision in this proceeding, SoCalGas will establish the Aliso Canyon Employee Safety Committee (Safety Committee).⁴² The Safety Committee will be comprised of employees performing safety, environmental, operations, maintenance, engineering functions, and an office representative. The electrical professional will be the engineering representative on the Safety Committee.

11.5. Facility Information Website

Three months after a final decision in this proceeding, SoCalGas will develop and maintain a publicly accessible website page dedicated to Facility operations, and include the Aliso Canyon Safety Plan, brush clearing schedule, project updates, annual GO 95 and GO 165 reports to the Commission, Safety Audit Reports, notices of overhead electrical distribution facility shut-downs and related information, links to SoCalGas's safety website, and safety audits and inspections status conducted by public agencies or management personnel within 30 days of inspection.

12. Adoption of the Porter Ranch Settlement Agreement

The Commission has specific tests for granting a motion for approval of a settlement. In particular, Rule 12.1(d) provides that the Commission will not approve a settlement, whether contested or uncontested, unless it is reasonable

⁴² The Aliso Canyon Safety Plan, among other things, will identify the function, authority, roles and responsibilities of the Employee Safety Committee.

in light of the whole record, consistent with law, and in the public interest. As discussed below, the Porter Ranch Settlement Agreement satisfies Rule 12.1(d) and the Commission's other requirements specified in Rule 12.1 for approval of formal settlements.

Prior to adopting a settlement, the Commission must be satisfied that the parties have a sound and thorough understanding of the issues and information included in the record. This level of understanding of the application and development of an adequate record is necessary to consider a settlement as required by Article 12 of the Commission's Rules.

The Porter Ranch Settlement Agreement explains the differences in final litigation positions of the parties and the agreed-upon compromises. The Porter Ranch Settlement Agreement includes sufficient information to determine what SoCalGas is obliged to do. As discussed below, the Porter Ranch Settlement Agreement meets the tests for Commission adoption because it does not contravene or compromise any statutory provision or prior Commission decision and is consistent with the law, is reasonable, and in the public interest.

The protests, PHC statements, and PHC transcript explain in detail Rogers' and Herman's position concerning fire risks and their concerns about the safety of the Facility operating in a high fire risk area. The Scoping Memo scheduled EHS on whether any requirements should be imposed on the amended CPCN, in addition to any mitigation measures adopted through the CEQA process, to improve safety at the Facility. SoCalGas served testimony explaining in detail its position concerning the adequacy of the rules established in R.08-11-005, and other requirements that help to reduce the risk of fire at the Facility. SoCalGas's testimony also described additional measures in place at the Facility to reduce

the risk of fire that are not required by the State, the Commission or local requirements.

Based upon our review of the protests, prehearing conference statements, PHC transcript, and prepared testimony, the Settling Parties demonstrate a thorough understanding of the issues and information contained in the record. Therefore, the proposals resolving the disputed issues in this proceeding are offered by competent parties that are able and well-prepared to make informed choices in the settlement process.

The Settling Parties have complied with Rule 12.1(a) by making the appropriate filings and noticing a settlement conference.⁴³ The Motion and Porter Ranch Settlement Agreement contain a statement of the factual and legal considerations adequate to advise the Commission of the scope of the Porter Ranch Settlement Agreement and of the grounds for its adoption, and is limited to the issues in this proceeding.

The issue resolved by the Porter Ranch Settlement Agreement was addressed by evidence of record. The Settling Parties have balanced a variety of issues important to them and have agreed to the proposals put forth in the Porter Ranch Settlement Agreement as a reasonable means by which to finally resolve the disputed issue in this proceeding. The proposal put forth in the Porter Ranch Settlement Agreement reflects compromises made by the Settling Parties from their competing litigation positions, is the result of arms-length negotiations, and is uncontested.

⁴³ Notice of the telephonic settlement conference was served on November 19, 2012. The Motion states that a settlement conference was convened on November 26, 2012, in accordance with Rule 12.1(b) of the Commission's Rules of Practice and Procedure (Rules).

The Porter Ranch Settlement Agreement is reasonable in light of the whole record, because the Settling Parties fairly reflect the affected interests, these parties actively participated in this proceeding, and the proposals put forth in the Porter Ranch Settlement Agreement fairly and reasonably resolve the issues raised by the parties.

The Commission could have resolved the issues in this proceeding in favor of any of the parties. Accordingly, the Settling Parties have balanced a variety of issues of importance to them and have agreed to the proposal put forth in the Porter Ranch Settlement Agreement as a reasonable means by which to resolve the disputed issue. The active parties in this proceeding support or do not oppose the proposals presented in the Porter Ranch Settlement Agreement. Thus, for the reasons discussed above, and taken as a whole, the Porter Ranch Settlement Agreement is reasonable in light of the whole record.

The Settling Parties dispute factual and legal issues, but set aside their disputes and propose to resolve issues that they contend are within the Commission's jurisdiction and which do not contravene or compromise any statutory provision or prior Commission decision. The Porter Ranch Settlement Agreement does not contravene or compromise any statutory provision or prior Commission decision.

There is a public policy favoring the settlement of disputes to avoid costly and protracted litigation.⁴⁴ The Porter Ranch Settlement Agreement satisfies this public policy preference for the following reasons. The sponsors of the Porter Ranch Settlement Agreement represent the interests of the Applicant and the residents living in proximity to the Facility. The proposals put forth in the

⁴⁴ D.88-12-083, 30 CPUC 2d 189, 221.

Porter Ranch Settlement Agreement serve the public interest by resolving competing concerns in a collaborative and cooperative manner. By reaching agreement, the parties avoid the costs of further litigation in this proceeding, and eliminate the possible litigation costs for rehearing and appeal.

Approval of the Porter Ranch Settlement Agreement provides speedy and complete resolution of the contested issue between the parties and facilitates prompt approval of the Application. Thus, the Porter Ranch Settlement Agreement meets the applicable settlement standards of Rule 12.1(d) and therefore should be accorded the same deference the Commission accords settlements generally. Because the proposals put forth in the Porter Ranch Settlement Agreement are presented as an integrated package of revenue requirement and rate recommendations, all of the proposals put forth in the Porter Ranch Settlement Agreement should be approved.

Adoption of the Porter Ranch Settlement Agreement is binding on all parties to the proceeding. However, pursuant to Rule 12.5, the Porter Ranch Settlement Agreement does not bind or otherwise impose a precedent in this or any future proceeding.

13. The Rules Adopted in R.08-11-005 Will Reduce the Risk of Fire Hazards

R.08-11-005 was initiated to consider revising and clarifying the Commission's regulations designed to protect the public from potential hazards, including fires, from electric utility transmission or distribution lines or communications infrastructure providers' facilities in proximity to the electric overhead transmission or distribution lines. In particular, R.08-11-005 sought to identify potential problems involving the practices and facilities of electric utilities or Communications Infrastructure Providers and to adopt additional

requirements and clarifications in order to further reduce the risk of hazards, including fires.

At the time that R.08-11-005 was initiated, the Commission's GOs 95, 128, and 165 were already designed to promote the safe operation of electric utility and communications infrastructure facilities, and provided minimum safety requirements. However, GOs 95, 128, and 165 did not at that time apply to gas utilities such as SoCalGas. D.09-08-029, issued in Phase 1 of R.08-11-005, implemented several measures intended to reduce fire hazards from electric lines. Importantly, for the first time, D.09-08-029 made the requirements of GO 95 applicable to non-electric utilities, including SoCalGas.⁴⁵ At the time of the Sesnon Fire in 2008, GO 95 did not apply to gas utilities such as SoCalGas.

GO 95 sets forth requirements for the construction of electric lines, together with maintenance and vegetation management requirements. Among other things, GO 95 sets forth specific requirements for the construction of electric lines, vegetation management around electric poles, and minimum clearances between electric wires and trees. Further, GO 95 requires electric lines to be constructed in a manner that takes into account forces placed on the poles and lines by wind in order to ensure the safe operation of electric lines in places subject to high winds from time to time, such as Aliso Canyon. These requirements currently apply to the Facility's overhead electric distribution system and will to apply to the construction and operation of the Project, including the portions of the Project to be constructed by SCE.

D.09-08-029 modified GO 95 and established other regulations to reduce fire hazards in California, including specific measures applicable to those

⁴⁵ D.12-01-032 in Phase 2 of R.08-11-005 adopted additional regulations to reduce fire hazards associated overhead power lines and communications facilities.

geographic areas in southern California defined as “Extreme and Very High Fire Threat Zones.” Extreme and Very High Fire Threat Zones include Los Angeles County where the Facility is located and Ventura County where parts of the Project will be constructed. Specific measures adopted by D.09-08-029 that are relevant to the safety concerns raised this proceeding include:

- Requiring utilities to establish an auditable maintenance program, provide a framework for notification of safety hazards involving equipment owned by one company and discovered by another company, and prioritize corrective actions for GO 95 violations.⁴⁶ Utilities must give priority to implementing the maintenance plan within the Extreme and Very High Fire Threat Zones in Southern California.
- Increasing the minimum vegetation clearances within the Extreme and Very High Fire Threat Zones in southern California to reduce risks of fires.⁴⁷
- Clarifying existing requirements for conductor separation when designing, constructing, and maintaining facilities in areas subject to high winds.⁴⁸
- Establishing a new rule to address public safety issues related to pole overloading.⁴⁹
- Increasing the frequency of patrol inspections in rural areas within Extreme and Very High Fire Threat Zones.⁵⁰

Pursuant to D.09-08-029, these rules currently apply to SoCalGas and address some of Rogers’, Herman’s, and the neighboring communities’ concerns.

⁴⁶ GO 95, Rule 18.

⁴⁷ GO 95, Rule 37 and Appendix E.

⁴⁸ GO 95, Rule 38 (Table 2).

⁴⁹ GO 95, Rule 44.2.

⁵⁰ GO 165.

In particular, because D.09-08-029 makes non-electric utilities subject to GO 95, SoCalGas must comply with the pole loading, vegetation management and other requirements of GO 95.

In addition, the requirement for utilities to establish an auditable maintenance program addresses, in part, Rogers' recommendation that the Facility's safety and maintenance plan and all ongoing safety audits, inspections, and maintenance activity logs be publicly available. Although D.09-08-029 does not explicitly require information concerning the auditable maintenance program to be publicly disclosed, such information in the Commission's possession may be obtained pursuant to GO 66-C.

D.09-08-029 found that (1) requiring an auditable maintenance program would provide critical evidence to ensure safety hazards are promptly corrected and would improve fire safety in California; (2) the new rule concerning pole loading would help to reduce fire hazards; and (3) increasing the current frequency of patrol inspections in rural areas that lie within Extreme and Very High Fire Threat Zones in southern California would reduce fire hazards.

The rules adopted in R.08-11-005 will help to ensure the safe operation of the Facility. However, the additional requirements of the Porter Ranch Settlement Agreement provide the communities adjacent to the Facility further assurance that the Facility will be operated safely.

14. Revenue Requirement, Rate Treatment, and Regulatory Accounting for the Project

This proceeding considered SoCalGas's proposed revenue requirement, rate treatment, and regulatory accounting for the Project. No party contests SoCalGas's proposals. We adopt SoCalGas' proposed revenue requirement subject to the maximum reasonable cost cap of \$200.9 million, and have modified

SoCalGas' proposed rate treatment, and regulatory accounting for the Project, accordingly.

14.1. Revenue Requirement, Memorandum Account, and Reasonableness Review

The revenue requirement associated with the Project will be incorporated into rates when it is completed and placed in service. The revenue requirement for the subsequent years will be included in rates in connection with SoCalGas' Consolidated Rate Filing, as described below. This process will continue until addressed in SoCalGas' next GRC or other applicable proceeding. If Project costs exceed \$200.9 million, a review of the reasonableness of all costs will be conducted in the GRC following project completion.

SoCalGas based the revenue requirement associated with the Project on the estimated capitalized costs of the new electric compressor station, other related facilities, and estimates for capital benefits related to the replacement of the old gas compressor station. These estimated costs total \$200.9 million, which is the amount of the maximum reasonable cost cap adopted in this decision. The revenue requirement includes cost savings associated with eliminating capitalized maintenance costs related to the old gas compressors, and reflects operations and maintenance (O&M) costs and benefits associated with increased charges from third parties, reduction in internal labor costs, and other associated fees, including net savings to ratepayers of \$443 thousand per year.

The estimated revenue requirement separated the capitalized compressor station costs into two specific cost categories that correspond to specific Federal Energy Regulatory Commission property accounts, book depreciable lives, and negative salvage components. The accounts include Compressor Station Equipment (Account 354) with a depreciable life of 40 years and negative salvage

component of 5%, and Structures and Improvements for Underground Storage (Account. 351) with a depreciable life of 37 years and negative salvage component of 30%. The component for negative salvage represents additional costs included in the revenue requirement associated with future decommissioning, cost of removal and abandonment. The depreciation lives and negative salvage components used in the revenue requirement reflect the rates authorized by the Commission in D.08-07-046 (SoCalGas' GRC decision).

SoCalGas will retire and recover the undepreciated remaining book value of the old compressors consistent with current ratemaking treatment adopted by the Commission, using the normal straight-line remaining life depreciation method. In addition, the revenue requirement prepared in this Application uses the weighted average cost of capital structure authorized by D.08-07-046, which includes a rate of return (ROR) of 8.68% and an authorized return on equity (ROE) of 10.82%. After the Application was filed, D.12-12-034 was issued changing SoCalGas' authorized ROR to 8.2% and ROE to 10.10%.

The revenue requirement associated with the new electric compressor will be reduced by the revenue requirement of annual capitalized maintenance costs of \$0.5 million related to the old gas compressor. SoCalGas should reduce the revenue requirement for the Project accordingly, until the reduction in capital maintenance costs are incorporated in SoCalGas' next GRC.

SoCalGas estimates a net O&M savings of approximately \$0.4 million per year, based on the cost of added facilities charges that are offset by reduced third-party labor costs, reduced internal labor costs, and zero emission fees associated with the use of electric-driven compressors. SoCalGas should reduce the revenue requirement for the Project accordingly, until the O&M savings are incorporated in SoCalGas' next GRC.

Estimated O&M costs and savings are summarized in Table 1 of the Application, and reproduced below.

TABLE 1					
Summary of O&M Costs/(Savings) - \$ thousands					
	2013	2014	2015	2016	2017
3rd Party Labor Savings					
Old Compressor - 3rd Party Charges	575	575	575	575	575
New Compressor - 3rd Party Charges	200	200	200	200	200
Labor Savings - 3rd Party Charges	(375)	(375)	(375)	(375)	(375)
Internal Labor Savings					
FTE reduction related to New Compressor	(220)	(220)	(220)	(220)	(220)
Emission Fees Savings					
Reduction in Emission Fees	(114)	(114)	(114)	(114)	(114)
New Facility Charges					
SCE Charges for New Facilities	266	<u>266</u>	<u>266</u>	<u>266</u>	<u>266</u>
Total Net O&M Costs/(Savings)	(443)	(443)	(443)	(443)	(443)

The revenue requirements associated with the estimated capitalized compressor station and related facilities costs are shown in Table 2 of the Application and reproduced below. The revenue requirements reflect reductions for the estimated O&M savings and capital benefits.

TABLE 2					
Revenue Requirement (\$ thousands)					
	2013	2014	2015	2016	2017
Capital benefits - net	(59)	(156)	(299)	(299)	(367)
O&M benefits - net	(443)	(443)	(443)	(443)	(443)
Property Taxes	1,695	2,300	2,185	2,077	1,976
Preferred Equity Interest	432	587	557	530	504
Interest Expense	4,447	6,033	5,732	5,450	5,185
Depreciation Expense	3,978	5,304	5,304	5,304	5,304
Federal Tax Expense	4,674	5,642	5,549	5,271	5,020
State Tax Expense	757	493	576	632	682
Return on Equity	7,275	9,871	9,379	8,917	8,483
Revenue Requirement	<u>22,756</u>	<u>29,630</u>	<u>28,611</u>	<u>27,439</u>	<u>26,344</u>

SoCalGas seeks to place its proposed revenue requirement into rates after the Project is in service. However, we must consider that SoCalGas based its proposed revenue requirement on estimated Project costs and that we adopted a maximum reasonable cost cap of \$200.9 million. When the Project is completed and in service, SoCalGas will know the total costs it incurred in comparison to the maximum reasonable cost cap of \$200.9 million. On this basis, SoCalGas shall observe the following criteria for incorporating the Project's revenue requirement into rates. In the event that Project costs are below \$200.9 million, SoCalGas must use actual Project costs for the revenue requirement. If actual Project costs exceed \$200.9 million, SoCalGas must use the revenue requirement associated with \$200.9 million and not the full cost to complete the Project. SoCalGas must use the ROE and ROR authorized in D.12-12-034 and current Commission depreciation policies for SoCalGas adopted in D.13-05-010 for the revenue requirement it seeks to place into rates. Furthermore, the O&M savings and capital benefits summarized above must be reflected in the revenue requirement, subject to the balancing account treatment discussed below.

Under Public Utilities Code Section 1005.5(b), the Commission may increase the maximum reasonable cost threshold for a project if the present or future public convenience and necessity require construction of the project at the increased cost. If SoCalGas incurs costs above \$200.9 million to complete the Project for which it seeks recovery, SoCalGas must record the excess costs to a memorandum account. We will consider increasing the maximum reasonable cost threshold upon a review of all Project costs, including those recorded in the memorandum account, in SoCalGas' next GRC. Because the cost savings SoCalGas asserted ratepayers will realize from the new electric compressors

were an important factor in approving the Project, we will also review SoCalGas' efforts to maximize these cost savings in this reasonableness review. SoCalGas bears the burden to show that the project costs and cost savings are reasonable. SoCalGas may file its request to establish a memorandum account through a Tier 2 advice letter no later than 30 days from the effective date of this decision.

14.2. Rate Treatment

SoCalGas must file a Tier 2 advice letter within 60 days after the Project assets are placed in service to incorporate the revenue requirements in rates on the first day of the next month following advice letter approval. The revenue requirement must be updated in subsequent years in connection with SoCalGas' Consolidated Rate Filing for rates effective January 1st of the following year.⁵¹ The revenue requirement associated with the Project must be allocated to: (1) the Combined SoCalGas & SDG&E Core Storage, (2) Balancing, and (3) Unbundled Storage based on the total injection capacity after the Project has been completed.

The "post-replacement" injection capacities are shown in Table 3 of the Application and reproduced below.

⁵¹ For example, if the Project is placed in service on March 31, 2014, the revenue requirement in rates must be adjusted for the nine months remaining in 2014; and, on January 1, 2015, the revenue requirement in rates will be adjusted for 12 months of revenue requirements. This process should continue until addressed in SoCalGas' next GRC or other applicable proceeding.

	Current MMcfd	Current %	Proposed MMcfd*	Post Replacement MMcfd	Post Replacement %
Core Storage	369	43.4%	19	388	39.0%
Balancing	200	23.5%	0	200	20.1%
Unbundled Storage	281	33.1%	126	407	40.9%
Total	850	100.0%	145	995	100.0%

* Per D.08-12-020, core will be allocated an additional 4 Bcf of inventory capacity which is an increase of approximately 5%; and 5% of the core's current injection capacity is 19 MMcfd.

Pursuant to D.08-12-020 (the 2009 BCAP Phase 1 decision), incremental storage injection capacity must be allocated to core customers of SoCalGas and SDG&E proportionally to match the growth in core inventory capacity; the balancing function must remain at its current injection capacity; and remaining injection capacity must be allocated to the unbundled storage program. Table 3 shows the allocation of injection capacity.

Applying the allocation of post-replacement injection capacities from Table 3 to the post-replacement storage injection revenue requirement (which includes the amounts from Table 2 as well as existing injection costs) results in the cost increases to Core Storage, Balancing, and Unbundled Storage. The resulting rate impacts reflecting SoCalGas' proposed revenue requirement are shown in Table 4 of the Application and reproduced below.

Year	Revenue Requirement (a)	Core Storage (b)	Load Balancing (b)	Unbundled Storage (b)	Core Rate Impact (c)	NonCore Rate Impact (c)
2013	\$22.8	\$7.8	\$3.8	\$11.2	\$0.00328	\$0.00051
2014	\$29.6	\$10.5	\$5.1	\$14.0	\$0.00331	\$0.00052
2015	\$28.6	\$10.1	\$4.9	\$13.6	\$0.00319	\$0.00050
2016	\$27.4	\$9.7	\$4.7	\$13.1	\$0.00304	\$0.00048
2017	\$26.3	\$9.2	\$4.5	\$12.6	\$0.00291	\$0.00046

(a) Amounts shown exclude FF&U.

(b) Allocation to storage functions based on “post-replacement capacity allocations” from Table 3 applied to the “total post-replacement storage costs.” Amounts shown exclude FF&U.

(c) Amounts shown include FF&U; also, Year 1 Revenue Requirement is adjusted to reflect recovery over 9 months due to estimated in-service date of April 1, 2013.

The costs and rates that SoCalGas must include in its advice letter and updates to those costs and rates must be based on the maximum reasonable cost adopted in this decision. The Core Storage costs must be allocated among SoCalGas’ and SDG&E’s core customer classes based upon the allocation of Core Storage injection capacity that was approved in D.08-12-020. The Balancing costs must be allocated among all customer classes using the Equal Cents per Therm method adopted by D.08-12-020. The Unbundled Storage cost must be increased to reflect higher costs, which, in turn, must be reflected in the storage incentive mechanism approved in D.08-12-020. If D.08-12-020 is superseded at the time of the advice letter filings, SoCalGas must use the then-current decision for the cost allocation and rates. SoCalGas must file the advice letter with the revenue requirement, cost allocation and rates as a Tier 2 advice letter within 60 days after the Project is completed and in service.

14.3. Regulatory Accounting Treatment – Regional Clean Air Incentives Market (RECLAIM) Trading Credits and O&M/Capital Benefits

SoCalGas’s proposed regulatory accounting treatment is reasonable and consistent with D.08-12-020.

The Project will reduce SoCalGas’s demand for RECLAIM Trading Credits (RTCs) to offset the emission of oxides of nitrogen (NO_x) by approximately 200 tons per year. The resulting benefits to storage customers depends on the market value of the RTCs, which is heavily driven by the South Coast Air Quality Management District’s decisions on reducing the total pool of RTCs in

existence. Therefore, the benefits to SoCalGas's storage customers resulting from the turbine replacement would be based on approximately 200 tons per year reduction in RTC demand times the market value of RTCs.

The value of the RTCs is difficult to forecast and SoCalGas has not included a forecast of these benefits in its estimated revenue requirement. In order to flow these RTC benefits through to customers, SoCalGas must establish the Aliso Canyon True-up Tracking Account (ACTTA). SoCalGas must file a Tier 2 advice letter within 30 days of the effective date of this decision to establish the ACTTA. The ACTTA will consist of two subaccounts: the RTC subaccount and the O&M/Capital Benefits subaccount.

The RTC subaccount will record the benefits from the RTCs generated by the Project. The benefits are the projected RTCs generated by the Project (200 tons/year) times a market value of the RTCs. The market value of the RTCs should be determined based on the average price per ton of RTCs that SoCalGas has either bought or sold in the marketplace during the year. Based on historical prices for RTCs bought or sold by SoCalGas over several years, SoCalGas estimates the value of the RTCs recorded to the RTC subaccount could range from \$0.4 million to \$0.9 million per year, assuming a low market value of \$1,924/per ton and a high market value of \$4,472/per ton, respectively.

The O&M/Capital Benefits subaccount will record the difference between the estimated benefits included in the Project revenue requirement and actual O&M and capital benefits realized. The combined balance in the ACTTA will be allocated to Core Storage, Load Balancing and Unbundled Storage, consistent with the "post replacement" injection capacity percentages shown in Table 3, above. The portion allocated to the Unbundled Storage Program must be transferred to the Noncore Storage Balancing Account and used to determine the

allocation of storage earnings between ratepayers and shareholders for the applicable year under the Commission-adopted revenue-sharing mechanism. The remaining balance in the ACTTA must be amortized in the following year's transportation rates in connection with SoCalGas's annual regulatory account balance update filing, similar to the disposition of other regulatory account balances. This ACTTA mechanism must continue until the RTC and O&M/capital benefits are addressed in SoCalGas's next GRC or other applicable proceeding. SoCalGas must file a Tier 2 advice letter with the ACTTA tariffs within 30 days of the effective date of this decision.

14.4. Electric Compressor Costs

Pursuant to D.09-11-006, both core and noncore customers are subject to an in-kind fuel charge designed to recover storage compressor fuel costs. With the installation of the electric-driven compressors, the gas-driven storage compressor fuel costs will be replaced with electricity costs. For purposes of calculating the in-kind fuel rate charged to customers using storage injection, electricity costs must be converted to gas equivalents to determine the overall in-kind fuel rate after the electric motors are put in place. To determine the in-kind fuel rate, equivalent gas compressor fuel volumes⁵² must be added to actual gas compressor fuel used by SoCalGas's other compressors to develop the annually-adjusted total in-kind storage fuel factor. SoCalGas's system operator must sell this "equivalent gas" volume in the marketplace to pay for the electricity costs of the electric motors. The total storage fuel in-kind factor averaged 2.4% from 2005-2007. SoCalGas included an example of this procedure in the Application assuming 9.2 cents/kwh electricity costs and \$6/decatherm natural gas prices at

⁵² Electricity costs divided by Southern California Border gas prices = equivalent gas compressor fuel volume.

the California border, the in-kind fuel factor would increase slightly (3%) to an estimated 2.48% when the current gas turbine units are replaced with the electric motors. We note that the example was based on gas prices that were higher than today's gas prices. In its filings setting new in-kind fuel charges after the Project is completed and in service, SoCalGas must provide: 1) its calculations of the equivalent gas volumes, 2) the amount of revenues it received from the gas sales and, 3) electricity costs incurred operating the new compressors.

15. Approval of the Expansion of an Easement Necessary for Completion of the Project

SoCalGas is authorized to expand the easement between SoCalGas and SCE necessary for completion of the Project. No party contests this issue.

The location of the proposed SCE Natural Substation is on SoCalGas property and adjacent to the site proposed for the new central compressor station. In order to allow SCE to build and operate the proposed SCE Natural Substation equipment, the existing easement between SoCalGas and SCE must be widened from 50 feet to approximately 150 feet for approximately 300 feet in length, and the expansion of an existing easement requires Commission approval, pursuant to § 851. Approval of expansion of the easement is in the public interest as a means to facilitating the construction of a substation necessary to complete the replacement of the old gas compressors with new, more efficient electrical compressors.

16. The Commission has Preemptory Authority over Conflicting City and County Zoning Regulations, Ordinances, Codes, or Requirements

SoCalGas states that it will obtain the necessary ministerial permits to construct and operate the Project (*e.g.*, any applicable ministerial grading or building permits) but requests that the Commission preempt any discretionary

grading or oak tree permits that may be required to implement the Project. No party contests this issue.

SoCalGas is a public utility subject to the Commission's jurisdiction, pursuant to § 216 and § 222, and the Aliso Canyon Facility is a gas plant facility regulated by the Commission, pursuant to § 221. We have previously determined, and the California Supreme Court has confirmed, that the Commission has authority over construction for utility purposes carried out by public utilities subject to its jurisdiction.⁵³

Article XII, § 5 of the California Constitution gives the state Legislature plenary power to confer authority and jurisdiction upon the Commission, and the state Legislature, in turn, has granted broad authority to the Commission to regulate utilities. The Commission is authorized by statute to "do all things . . . which are necessary and convenient in the exercise" of its power.⁵⁴ In particular, the Commission can make orders governing the services, equipment, physical property, and safety devices used by public utilities.⁵⁵ Title XII, § 8 of the California Constitution, and §§ 701, 761, 762, and 768, establish the Commission's preemptory authority over city, county, or other public bodies over matters which the Legislature has granted regulatory power to the Commission, including the construction, maintenance, and operation of utility property.

Because D.08-12-020 found that the Project will ensure that core and noncore customers in southern California will have sufficient storage services, the Aliso Canyon Facility and the Aliso Canyon Turbine Replacement Project are matters of statewide concern. We also find that action requested in this

⁵³ See, D.10-04-034 and D.94-06-014.

⁵⁴ § 701.

⁵⁵ §§ 761, 762, 768.

Application is a matter of statewide concern for the same reasons. As noted above, the Aliso Canyon Storage Facility plays a critical role in SoCalGas's ability to reliably serve approximately six million residential, commercial, and industrial customers in southern California. The Facility is central to SoCalGas's gas storage and distribution system, which generally withdraws gas from storage during the winter months (when prices are typically higher) and injects gas into storage during the spring and summer months (when prices are typically lower). As discussed above, the Project is necessary to ensure a reliable, efficient. Thus, the Aliso Canyon Turbine Replacement Project serves a statewide public interest, and the Commission has preemptory authority over conflicting local zoning regulations, ordinances, codes, or requirements.

The Commission confirms its authority to preempt local regulation of the Storage Field facilities and operations authorized by the CPCN to the extent such local regulations either conflict or interfere with the Commission's plenary jurisdiction to regulate public utilities, or else interfere with a regulated public utilities' ability to comply with a Commission order. In particular, any discretionary local grading or oak tree permits that may be required to implement the project is hereby preempted by this Commission Order. However, SoCalGas must obtain all necessary non-preempted ministerial permits, easement rights, or other applicable legal authority to construct and operate the Aliso Canyon Turbine Replacement Project site prior to commencing construction.

SoCalGas's Applicant Proposed Measure BR-8 (one of the mitigation measures adopted by this decision) provides that, in accordance with City of Santa Clarita/Los Angeles County oak tree ordinance and policy guidelines, SoCalGas and SCE will ensure that loss or impacts to all native oak trees via

trimming or ground disturbance within the drip line (i.e., the outermost extent of the canopy) will be avoided using specific measures and/or agency guidance. If impacts cannot be avoided, the SoCalGas or SCE will submit an Oak Tree Permit Application (including an Oak Tree Report) to Los Angeles County and obtain an Oak Tree Permit prior to construction.

17. Categorization and Need for Hearing

Resolution ALJ 176-3242, issued on October 15, 2009, preliminarily determined that evidentiary hearings are necessary. The Application is uncontested. Given this circumstance, this decision revises the Commission's preliminary determination on the need for hearings. Evidentiary hearings are not needed in this proceeding.

18. Reduced Comment Period

The proposed decision of ALJ Smith in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code. This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code, and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is reduced. Comments were filed by SoCalGas on November 1, 2013, and by SCE on November 5, 2013. No reply comments were filed. The comments have been considered and appropriate changes have been made.

19. Assignment of Proceeding

Mark J. Ferron is the assigned Commissioner and Richard Smith is the assigned ALJ in this proceeding.

Findings of Fact

1. SoCalGas filed A.09-09-020 for a certificate of public convenience and necessity to construct and operate the Aliso Canyon Turbine Replacement Project, including replacement of three obsolete TDCs and associated equipment with a new electric compressor station and construction of other improvements at the Aliso Canyon Storage Field (Project).

2. Notice of the Application appeared in the Commission's October 1, 2009 Daily Calendar.

3. The TURN filed a timely protest to SoCalGas's Application but subsequently withdrew its protest.

4. Porter Ranch residents Wesley G. Rogers and Marc Herman filed timely protests to SoCalGas's Application but subsequently withdrew their protests as a part of the settlement reached with SoCalGas.

5. Concerns about the safe operation of the Facility in a high fire risk area were raised by each community member that spoke at the August 14, 2012 PPH.

6. A joint response in support of the Application was filed by SDG&E, SoCalGas, DRA, SCE, the Indicated Producers, Southern California Generation Coalition, the City of Long Beach, Southwest Gas Corporation, Watson Cogeneration Company, California Cogeneration Council, and the California Manufacturers and Technology Association.

7. SoCalGas is a public utility corporation organized and existing under the laws of the State of California and is presently certificated by the Commission to provide natural gas services.

8. The Aliso Canyon Storage Facility was previously owned and operated as an oil field and has been used to store natural gas since the early 1970's.

9. The Aliso Canyon Storage Field contains 84 Bcf of working storage inventory, 1.875 Bcfd of withdrawal capacity, and a current end-of-cycle injection capacity of 300 MMcfd.

10. The Aliso Canyon Storage Field is SoCalGas's largest underground natural gas storage field and one of the largest in the United States.

11. Approximately 45% of SoCalGas's total firm injection capacity is located at the Storage Field.

12. The majority of the injection capacity at the Aliso Canyon Storage Field is provided by three obsolete TDCs, which were developed in the late 1960s as a derivative of aircraft turbines. The industrial version (LM 1500) is not completely interchangeable with the aircraft turbine versions and less than 20 LM 1500s exist in the United States today.

13. Replacement parts for the existing TDCs are extremely limited because production of the gas turbines was halted by the manufacturer in the late 1970s.

14. Need for the Project is uncontested.

15. The estimated total capital cost of the Project is \$200.9 million in nominal dollars using a base year of 2009.

16. On November 27, 2012, SoCalGas, Rogers, and Herman filed the Porter Ranch Settlement Agreement resolving Rogers' and Herman's protests to the Application. No party filed comments on the settlement.

17. The Energy Division and its consultants determined that the Application required an EIR.

18. The Energy Division released the draft EIR and Notice of Availability on April 4, 2012, and on July 22, 2013, the Energy Division published notice of availability of the final EIR.

19. The content of the EIR reflects input by government officials, agencies, non-governmental organizations, and concerned members of the public during the EIR scoping period following the Commission's publication of the NOP.

20. The EIR is a comprehensive, detailed, and complete document that discusses clearly the advantages and disadvantages of the environmentally superior alternatives, the Project, and other alternatives.

21. Under the "No Project" alternative, the existing TDCs would not be replaced and the basic objectives of the Project would not be achieved.

22. The Design Alternative would replace the existing obsolete TDCs with new gas-driven turbine compressors. This would eliminate the need for the new proposed substation, line reconductoring and telecommunications line installations, and avoids or reduces long-term impacts on certain biological resources and some construction impacts but would result in long-term and wide-spread negative impacts to air quality and greenhouse gas emissions.

23. Based on the analysis of the EIR, and the mitigation measures identified therein and incorporated into the Project, no significant or unavoidable environmental impacts will result from the construction or operation of the Project.

24. No mitigation measures or project alternatives identified in the EIR are infeasible.

25. SoCalGas and SCE have agreed to comply with each measure and provision of the MMCRP included as Section 5 of the EIR.

26. Construction and operation of the Project will result in a less than significant impact on recreation resources.

27. Impacts on visual resources associated with construction will be temporary and less than significant.

28. No recreational or park land will be disturbed or otherwise affected by the Project.

29. At the time of the Sesnon Fire in 2008, GO 95 did not apply to gas utilities such as SoCalGas.

30. GO 95 sets forth specific requirements for the construction of electric lines, vegetation management around electric poles, and minimum clearances between electric wires and trees. GO 95 requires electric lines to be constructed in a manner that takes into account forces placed on the poles and lines by wind in order to ensure the safe operation of electric lines in places subject to high winds from time to time, such as Aliso Canyon. These requirements apply to the Aliso Canyon overhead electric distribution system, and will to apply to the construction and operation of the Project, including the portions of the Project to be constructed by SCE.

31. The Project will reduce SoCalGas's demand for RTCs to offset the emission of oxides of nitrogen by approximately 200 tons per year.

32. With the installation of the electric-driven compressors, the gas-driven storage compressor fuel costs will be replaced with electricity costs. For purposes of calculating the in-kind fuel rate charged to customers using storage injection, electricity costs must be converted to gas equivalents to determine the overall in-kind fuel rate after the electric motors are put in place.

33. In order to allow SCE to build and operate the proposed SCE Natural Substation equipment, the existing easement between SoCalGas and SCE must be widened from 50 feet to approximately 150 feet for approximately 300 feet in length.

Conclusions of Law

1. SoCalGas has the technical expertise and the financial resources to construct and operate a gas storage facility.
2. Pursuant to § 1001, et seq., before SoCalGas can construct the Project, the Commission must grant a CPCN on the grounds that the present or future public convenience and necessity require or will require construction of the Project.
3. The Aliso Canyon Storage Facility plays a critical role in SoCalGas's gas storage and distribution system because approximately 45% of SoCalGas's total firm injection capacity is located at the Storage Field.
4. The BCAP Phase 1 Settlement adopted by D.08-12-020 requires SoCalGas to expand overall injection capacity at the Facility to the extent feasible by approximately 145 MMcfd as soon as possible.
5. Continued use of the obsolete TDCs is inconsistent with southern California's need for a reliable and efficient natural gas supply to support power generation and serve heating, cooking, and other energy needs of residential, commercial, and industrial users.
6. The Project is needed to expand overall injection capacity at the Facility to the extent feasible by approximately 145 MMcfd, pursuant to the terms of the BCAP Phase 1 Settlement adopted by D.08-12-020, and approval of the Application provides SoCalGas with the authority it needs to meet its obligations under the BCAP Phase 1 Settlement.
7. The Project will reduce the potential for natural gas service interruptions, improve service reliability, and help protect ratepayers from price spikes.
8. The Project is necessary to promote the safety, health, comfort, and convenience of the public.

9. Section 963(b)(3) requires the Commission and each gas corporation to place a top priority on the safety of the public and gas corporation employees.

10. GO 95 sets forth specific requirements for the construction of electric lines, vegetation management around electric poles, and minimum clearances between electric wires and trees.

11. GO 95 requires electric lines to be constructed in a manner that takes into account forces placed on the poles and lines by wind in order to ensure the safe operation of electric lines in places subject to high winds. These requirements currently apply to the Aliso Canyon overhead electric distribution system, and will apply to the construction and operation of the Project, including the portions of the Project to be constructed by SCE.

12. D.09-08-029 implemented several measures intended to reduce fire hazards from electric lines and makes the requirements of GO 95 applicable to SoCalGas and other non-electric utilities, including requiring SoCalGas to comply with the pole loading, vegetation management and other requirements of GO 95.

13. The Porter Ranch Settlement Agreement addresses and resolves the only contested issue in this proceeding. As a result, the Application is uncontested.

14. The Settling Parties possess a thorough understanding of the issues and information contained in the record, and are competent, able, and well-prepared to make informed choices in the settlement process.

15. The Porter Ranch Settlement Agreement and the rules adopted by D.09-08-029 address the local community's fire safety concerns. The rules adopted by D.09-08-029 will help to ensure the safe operation of the Facility and the Porter Ranch Settlement Agreement provides the communities adjacent to

the Facility further assurance that the Facility will be operated in a manner that reduces the risks of fire.

16. The Porter Ranch Settlement Agreement is reasonable in light of the whole record because it fairly reflects affected interests, the parties actively participated in the proceeding, and the proposals put forth fairly and reasonably resolve the issues raised by the parties.

17. The Porter Ranch Settlement Agreement does not contravene or compromise any statutory provision or prior Commission decision.

18. The Porter Ranch Settlement Agreement meets the applicable settlement standards of Rule 12.1(d) and should be accorded the same deference the Commission accords settlements generally.

19. The Porter Ranch Settlement Agreement should be adopted.

20. Adoption of the Porter Ranch Settlement Agreement should be binding on all parties to the proceeding but should not bind or otherwise impose a precedent in this or any future proceeding.

21. As conditioned by this decision, the Project is consistent with community values.

22. The Project is consistent with recreational and park uses.

23. The Project is consistent with the historical and aesthetic values of the area.

24. Pursuant to Public Resources Code Sections 21000 et seq., the Commission, as lead agency for the Project, must prepare an EIR assessing the environmental effects of the Project for the Commission's use in considering the request for a CPCN.

25. The No Project Alternative identified for consideration in the final EIR should be rejected.

26. The Design Alternative identified for consideration in the final EIR should not be adopted because it would result in long-term and wide-spread negative impacts to air quality and greenhouse gas emissions.

27. The Project is an environmentally superior alternative to the Design Alternative because the Project, during operations, would avoid or reduce long-term impacts from air pollutant emissions and result in a net reduction of GHG emissions in comparison to the Design Alternative.

28. The EIR is a competent and comprehensive informational tool, and the quality of the information in the EIR is such that the Commission is confident of its accuracy.

29. The EIR was completed in compliance with CEQA, the Commission has reviewed and considered the EIR, and the EIR reflects the Commission's independent judgment. The Commission should certify the EIR.

30. Pursuant to Public Resources Code Section 21081.6(b), avoidance and mitigation measures are fully enforceable through permit conditions, agreements, or other measures.

31. Significant effects identified in the EIR will be mitigated or avoided as a result of the changes and alterations identified in the MMCRP that the Commission incorporates into the Project. The Commission should adopt the MMCRP, and SoCalGas, SCE and their agents should be required to comply with each measure and provision of the MMCRP.

32. The Energy Division should supervise and oversee the construction of the Project as it relates to monitoring and enforcement of the mitigation measures described in the EIR. Upon review of SoCalGas's and SCE's compliance with the MMCRP, the Energy Division should provide SoCalGas and SCE with Notices to

Proceed with Construction during various phases of the Project as applicable under the MMCRP.

33. The Commission's project manager (Energy Division, Environmental Projects Unit) should have the authority to issue a Stop Work Order on the entire Project, or portions thereof, for the purpose of ensuring compliance with the mitigation measures described in the EIR. Construction should not resume without a Notice to Proceed issued by the Energy Division.

34. SoCalGas should be required to pay all associated costs for outside staff designated by the Energy Division to perform on-site monitoring tasks.

35. The conditions imposed on the CPCN should ensure that the Project can be constructed and operated in a way that protects the safety of workers and the general public.

36. A maximum total cost of \$200.9 million for the Project should be adopted. SoCalGas should be authorized cost recovery of this amount if the actual cost of the Project exceeds \$200.9 million beginning when the assets are placed in service. Costs exceeding this amount should be recorded in a memorandum account for possible recovery after a reasonableness review. If SoCalGas's costs to complete the Project are below \$200.9 million, SoCalGas should only recover actual Project costs.

37. Consistent with § 1005.5(b), a review of the reasonableness of all Project costs should be conducted in SoCalGas' GRC following project completion if Project costs exceed \$200.9 million. SoCalGas's efforts to maximize the O&M cost savings and capital benefits should be included in this review. SoCalGas should bear the burden to show that all project costs are reasonable.

38. After the Project is completed and becomes operational, SoCalGas should request to incorporate the associated revenue requirement into rates by an advice

letter, as follows. SoCalGas's revenue requirement must be based on Project costs not exceeding \$200.9 million unless the maximum reasonable cost cap is increased. If SoCalGas incurs costs less than \$200.9 million, the utility must use actual Project costs for the revenue requirement. SoCalGas's O&M savings and capital benefits should be included in the revenue requirement, which should be subject to balancing account treatment. SoCalGas should use its prevailing authorized ROE and ROR and current Commission depreciation policies for developing the revenue requirement.

39. SoCalGas's proposed rate treatment is reasonable and consistent with D.08-12-020. If D.08-12-020 is superseded at the time of the advice letter filing, SoCalGas should use the then-current decision for the cost allocation and rates. SoCalGas should file a Tier 2 advice letter detailing the revenue requirement, cost allocation and rates within 60 days after the Project is completed and placed in service.

40. In order to flow the RTC benefits through to customers, SoCalGas should establish the ACTTA. The ACTTA should consist of two subaccounts: the RTC subaccount and the O&M/Capital Benefits subaccount.

41. SoCalGas's proposed regulatory accounting treatment is reasonable and consistent with D.08-12-020.

42. The RTC subaccount should record the benefits from the RTCs generated by the Project. The benefits are the projected RTCs generated by the Project (200 tons/year) times a market value of the RTCs. The market value of the RTCs should be determined based on the average price per ton of RTCs that SoCalGas has either bought or sold in the marketplace during the year. The O&M/Capital Benefits subaccount should record the difference between the estimated benefits included in the Project revenue requirement and actual O&M and capital benefits

realized. The combined balance in the ACTTA should be allocated to Core Storage, Load Balancing and Unbundled Storage, consistent with the “Post Replacement” injection capacity percentages shown in Table 3 of this decision. The portion allocated to the Unbundled Storage Program should be transferred to the Noncore Storage Balancing Account and used to determine the allocation of storage earnings between ratepayers and shareholders for the applicable year under the Commission-adopted revenue-sharing mechanism. The remaining balance in the ACTTA should be amortized in the following year’s transportation rates in connection with SoCalGas’s annual regulatory account balance update filing, similar to the disposition of other regulatory account balances. This ACTTA mechanism should continue until the RTC and O&M/capital benefits are addressed in SoCalGas’s next GRC or other applicable proceeding. SoCalGas should file a Tier 2 advice letter with the ACTTA tariffs within 30 days of the effective date of this decision.

43. Pursuant to D.09-11-006, both core and noncore customers are subject to an in-kind fuel charge designed to recover storage compressor fuel costs.

44. In its filings setting new in-kind fuel charges after the Project is completed and in service, SoCalGas should provide: a) its calculations of the equivalent gas volumes, b) the amount of revenues it received from the gas sales and, c) electricity costs incurred operating the new compressors.

45. The expansion of an existing easement to allow SCE to build and operate the proposed SCE Natural Substation equipment requires Commission approval, pursuant to § 851. Approval of expansion of the easement is in the public interest as a means to facilitating the construction of a substation necessary to complete the replacement of the old gas compressors with new, more efficient

electrical compressors. SoCalGas should be authorized to expand the easement between SoCalGas and SCE necessary for completion of the Project.

46. SoCalGas is a public utility subject to the Commission's jurisdiction, pursuant to § 216 and § 222, and the Aliso Canyon Facility is a gas plant facility regulated by the Commission, pursuant to § 221. We have previously determined, and the California Supreme Court has confirmed, that the Commission has authority over construction for utility purposes carried out by public utilities subject to its jurisdiction.

47. Title XII, § 8 of the California Constitution, and §§ 701, 761, 762, and 768, establish the Commission's preemptory authority over city, county, or other public bodies over matters which the Legislature has granted regulatory power to the Commission, including the construction, maintenance, and operation of utility property.

48. Because D.08-12-020 found that the Project will ensure that core and noncore customers in southern California will have sufficient storage services, the Aliso Canyon Facility and the Aliso Canyon Turbine Replacement Project are matters of statewide concern, and the action requested in this Application is a matter of statewide concern for the same reasons.

49. Because the Aliso Canyon Turbine Replacement Project serves a statewide public interest, and the Commission has preemptory authority over conflicting local zoning regulations, ordinances, codes, or requirements.

50. SoCalGas should comply with GO 112-E.

51. SoCalGas should be subject to any applicable rules that issue from R.11-02-019 addressing safety regulations for gas transmission and distribution.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company is granted a Certificate of Public Convenience and Necessity to construct and operate the Aliso Canyon Turbine Replacement Project to replace three obsolete gas turbine driven centrifugal compressors and associated equipment with a new electric compressor station and construction of other improvements at the Aliso Canyon Storage Field.

2. The Commission hereby certifies and adopts in its entirety the Southern California Gas Company Aliso Canyon Turbine Replacement Project Final Environmental Impact Report (EIR), State Clearinghouse No. 2010101075, and incorporates it by reference in this decision. In accordance with California Environmental Quality Act (CEQA) Guidelines § 15090, the Commission, as lead agency for the Project, certifies that:

- (i) The EIR has been completed in compliance with CEQA;
- (ii) The EIR was presented to the Commission, and the Commission has received, reviewed, and considered the information contained in the EIR and hearing documents prior to approving the Project; and
- (iii) The EIR reflects the Commission's independent judgment and analysis.

3. The Commission adopts the Mitigation Monitoring, Compliance, and Reporting Plan, included as Section 5.0 of the Final Environmental Impact Report, as part of the approval of the Aliso Canyon Turbine Replacement Project.

4. The Certificate of Public Convenience and Necessity to construct and operate the Aliso Canyon Turbine Replacement Project is subject to the mitigation measures set forth in the Final Environmental Impact Report,

including the Mitigation Monitoring, Compliance, and Reporting Plan (MMCRP). Southern California Gas Company and Southern California Edison Company have agreed to and must comply with each measure and provision of the MMCRP.

5. Southern California Gas Company (SoCalGas), Southern California Edison Company (SCE), and their agents must comply with all avoidance and mitigation measures identified in the Final Environmental Impact Report for the Aliso Canyon Turbine Replacement Project (Project). If SCE or its agents do not undertake the required mitigation, SoCalGas is responsible for mitigating the impacts caused by the Project.

6. The Commission's Energy Division must supervise and oversee the Aliso Canyon Turbine Replacement Project (Project) insofar as it relates to monitoring and enforcement of the mitigation measures described in the Environmental Impact Report (EIR). The Energy Division may designate outside staff to perform on-site monitoring tasks, with all associated costs to be paid by Southern California Gas Company (SoCalGas). Upon review of SoCalGas's and Southern California Edison Company's (SCE's) compliance with the Mitigation Monitoring, Compliance, and Reporting Plan (MMRCP), the Energy Division will provide SoCalGas and SCE with Notices to Proceed with Construction during various phases of the Project as applicable under the MMRCP. The Commission project manager (Energy Division, Environmental Projects Unit) may issue a Stop Work Order on the entire Project, or portions thereof, for the purpose of ensuring compliance with the mitigation measures described in the EIR. Construction must not resume without a Notice to Proceed issued by the Energy Division.

7. The Porter Ranch Settlement Agreement between Southern California Gas Company (SoCalGas), Wesley G. Rogers (Rogers) and Marc Herman (Herman), attached to this decision as Attachment A, is adopted. Pursuant to the Porter Ranch Settlement Agreement:

- (i) Beginning six months after a final decision in this proceeding, SoCalGas must host quarterly community meetings to brief local residents on the Aliso Canyon Turbine Replacement Project's developments and key milestones.
- (ii) Beginning in 2013, SoCalGas must host an annual community informational event to discuss activities at the field and answer questions from the community.
- (iii) Three months after a final decision in this proceeding, SoCalGas must establish a site-specific safety plan that must detail each of the safety-related regulatory requirements and the general actions and activities that SoCalGas undertakes to meet the requirements consistent with SoCalGas's overall Safety Plan. The safety plan must also specify Facility safety, management commitment and responsibilities, regulatory requirements, compliance and recordkeeping requirements, employee education and training overviews, inspections/audits/corrective actions procedures, and management as they pertain to safety. Rogers and Herman, must have an opportunity to review the safety plan prior to its finalization.
- (iv) Three months after a final decision in this proceeding, SoCalGas must employ a fulltime electrical professional at the Aliso Canyon Storage Facility (Facility) to oversee Facility safety and regulatory compliance for the Aliso Canyon electric systems.
- (v) Beginning one month after a final decision in this proceeding, SoCalGas must establish the Aliso Canyon Employee Safety Committee (Safety Committee).
- (vi) Three months after a final decision in this proceeding, SoCalGas must develop and maintain a publicly accessible website page dedicated to Facility operations.

8. Adoption of the Porter Ranch Settlement Agreement is binding on all parties to the proceeding. However, pursuant to Rule 12.5, the Porter Ranch Settlement Agreement shall not bind or otherwise impose a precedent in this or any future proceeding.

9. A maximum total cost of \$200.9 million is set for the Aliso Canyon Turbine Replacement Project (Project). Southern California Gas Company (SoCalGas) is authorized cost recovery of up to this amount, subject to Ordering Paragraph 10, beginning when the assets are placed in service. Costs exceeding this amount must be recorded in a memorandum account if SoCalGas seeks recovery of these costs. A review of the reasonableness of all costs will be conducted in the general rate case following Project completion if Project costs exceed \$200.9 million. SoCalGas must file its request to establish a memorandum account by a Tier 2 advice letter no later than 30 days after the effective date of this decision.

10. After the Aliso Canyon Turbine Replacement Project (Project) is completed and becomes operational, Southern California Gas Company (SoCalGas) may request to incorporate the associated revenue requirement into rates by a Tier 2 advice letter. SoCalGas must use the actual Project costs to develop the revenue requirement for the advice letter if the costs SoCalGas incurred to complete the Project are less than \$200.9 million. If SoCalGas incurred costs in excess of \$200.9 million, SoCalGas must use \$200.9 million for its revenue requirement, subject to the reasonableness review discussed in Ordering Paragraph 12. SoCalGas's operations and maintenance (O&M) savings and capital benefits must be included in the revenue requirement, which will be subject to balancing account treatment. SoCalGas must use its prevailing authorized return on equity and rate of return and current Commission depreciation policies for SoCalGas in developing the revenue requirement.

11. If Decision 08-12-020 is superseded at the time of the advice letter filing, Southern California Gas Company (SoCalGas) must use the then-current decision for the cost allocation and rates. SoCalGas must file a Tier 2 advice letter detailing the revenue requirement, cost allocation and rates within 60 days after the Project is completed and placed in service.

12. If actual Aliso Canyon Turbine Replacement Project (Project) costs exceed \$200.9 million, a reasonableness review of all Project costs must be conducted in Southern California Gas Company's (SoCalGas's) general rate case following completion of the Project. The reasonableness review must also review SoCalGas's efforts to maximize the operations and maintenance cost savings and capital benefits. SoCalGas bears the burden to show that all Project costs and cost savings are reasonable, and the reasonableness review could result in disallowances and refunds to ratepayers of collected amounts.

13. In order to flow through to customers the Regional Clean Air Incentives Market Trading Credits (RTCs) benefits from the Aliso Canyon Turbine Replacement Project (Project), Southern California Gas Company (SoCalGas) must establish the Aliso Canyon True-up Tracking Account (ACTTA). The ACTTA must consist of two subaccounts: the RTC subaccount and the operations and maintenance (O&M)/Capital Benefits subaccount. The RTC subaccount must record the benefits from the Regional Clean Air Incentives Market Trading Credits (RTCs) generated by the Aliso Canyon Turbine Replacement Project (Project). The benefits are the projected RTCs generated by the Project (200 tons per year) times a market value of the RTCs. The market value of the RTCs must be determined based on the average price per ton of RTCs that SoCalGas has either bought or sold in the marketplace during the year. The O&M/Capital Benefits subaccount must record the difference between

the estimated benefits included in the Project revenue requirement and actual O&M and capital benefits realized. The combined balance in the ACTTA must be allocated to Core Storage, Load Balancing and Unbundled Storage, consistent with the “Post Replacement” injection capacity percentages shown in Table 3 of this decision. The portion allocated to the Unbundled Storage Program must be transferred to the Noncore Storage Balancing Account and used to determine the allocation of storage earnings between ratepayers and shareholders for the applicable year under the Commission-adopted revenue-sharing mechanism. The remaining balance in the ACTTA must be amortized in the following year’s transportation rates in connection with SoCalGas’s annual regulatory account balance update filing, similar to the disposition of other regulatory account balances. This ACTTA mechanism must continue until the RTC and O&M/capital benefits are addressed in SoCalGas’s next general rate case or other applicable proceeding. SoCalGas must file a Tier 2 advice letter with the ACTTA tariffs within 30 days of the effective date of this decision.

14. In its filings setting new in-kind fuel charges after the Aliso Canyon Turbine Replacement Project is completed and in service, Southern California Gas Company must provide: 1) its calculations of the equivalent gas volumes, 2) the amount of revenues it received from the gas sales and, 3) electricity costs incurred operating the new compressors.

15. Southern California Gas Company (SoCalGas) is authorized to expand the easement between SoCalGas and SCE necessary for completion of the Aliso Canyon Turbine Replacement Project.

16. The Commission confirms its authority to preempt local regulation of the Storage Field facilities and the construction and operation of the Aliso Canyon Turbine Replacement Project (Project) authorized by the Certificate of Public

Convenience and Necessity to the extent such local regulations either conflict or interfere with the Commission's plenary jurisdiction to regulate public utilities, or interfere with a regulated public utilities' ability to comply with a Commission order. In particular, any discretionary local grading or oak tree permits that may be required to implement the Project is hereby preempted by this Commission Order. However, Southern California Gas Company must, prior to commencing construction, obtain all necessary non-preempted ministerial permits, easement rights, or other applicable legal authority to construct and operate the Project.

17. Southern California Gas Company must comply with General Order 112 E.

18. Southern California Gas Company is subject to any applicable rules that issue from Rulemaking 11-02-019 addressing safety regulations for gas transmission and distribution.

19. Application 09-09-020 is closed.

This order is effective today.

Dated November 14, 2013, in San Francisco, California.

MICHAEL R. PEEVEY

President

CATHERINE J.K. SANDOVAL

MARK J. FERRON

CARLA J. PETERMAN

Commissioners

I abstain.

/s/ Michel Peter Florio

Commissioner