

Docket	:	<u>A.17-11-009</u>
Exhibit Number	:	<u>ORA-11</u>
Commissioner	:	<u>C. Rechtschaffen</u>
ALJ	:	<u>S. Roscow</u>
Witness	:	<u>N. Stannik</u>



OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

**The Office of Ratepayer Advocates’
Report on
Pacific Gas and Electric Company’s
Cost of Service and Rates for Gas
Transmission and Storage
Services for the Period 2019 - 2021**

Natural Gas Storage Strategy (NGSS)

San Francisco, California
June 29, 2018

TABLE OF CONTENTS

- I. INTRODUCTION 1
- II. SUMMARY OF RECOMMENDATIONS 2
 - A. Pleasant Creek 2
 - B. Los Medanos..... 2
- III. OVERVIEW 3
- IV. PLEASANT CREEK STORAGE FACILITY 3
- V. LOS MEDANOS STORAGE FACILITY 4
 - A. The Los Medanos Storage Facility Should Remain Open and Be Reevaluated in the Next Gas Transmission and Storage Rate Case 4
 - B. PG&E Should File an Advice Letter with Its Proposal for Maintaining Compliance at Los Medanos Until the Next GT&S Rate Case 5
- WITNESS QUALIFICATIONS 7

1 **I. INTRODUCTION**

2 This exhibit presents the analyses and recommendations of the Office of
3 Ratepayer Advocates (ORA) regarding aspects of the Natural Gas Storage Strategy
4 (NGSS) proposals of Pacific Gas and Electric Company (PG&E) in its Test Year
5 (TY) 2019 Gas Transmission and Storage Proceeding (GT&S). Specifically, ORA
6 addresses the decommissioning of the Los Medanos and Pleasant Creek Storage
7 facilities.

8 PG&E’s NGSS testimony “describes several proposed changes to PG&E’s
9 storage asset holdings, its system operations, and its storage services.”¹ Among
10 other requests, PG&E requests that “the CPUC approve the conversion of Los
11 Medanos and Pleasant Creek [natural gas storage facilities] to production facilities in
12 November 2019.”²
13

¹ PG&E Testimony Chapter 11 (Natural Gas Storage Strategy), page 11-1, lines 29-30.

² PG&E Testimony Chapter 11 (Natural Gas Storage Strategy), page 11-2, lines 7-8 and 10-11.

1 **II. SUMMARY OF RECOMMENDATIONS**

2 **A. Pleasant Creek**

3 The following summarizes ORA’s recommendations regarding the Pleasant
4 Creek Storage Facility:

- 5 • ORA does not oppose PG&E’s proposal to sell or decommission
6 Pleasant Creek.

7 **B. Los Medanos**

8 The following summarizes ORA’s recommendations regarding the Los
9 Medanos Storage Facility:

- 10 • The Los Medanos facility should not be decommissioned at this
11 time.
- 12 • The issue of the decommissioning of Los Medanos should be
13 deferred until PG&E’s next GT&S rate case to gain greater clarity
14 on forthcoming Division of Oil, Gas, and Geothermal Resources
15 (DOGGR) regulations.
- 16 • Well re-works associated with forthcoming DOGGR regulations at
17 Los Medanos that could be completed following a decision in the
18 next GT&S rate case should not be authorized at this time unless
19 required for safety or compliance.

20
21
22

1 **III. Overview**

2 PG&E proposes to cease using the Pleasant Creek and Los Medanos
3 Storage facilities for storage and eventually sell or close the facilities. On pages 11-4
4 through 11-14 of its testimony PG&E describes the conditions that drive the NGSS
5 recommendations as follows:

- 6 • “Significant investment” required at both facilities;³
- 7 • “New regulations” that will “mandate massive new investments and
8 ongoing expenses”;⁴
- 9 • The assertion that the “bundled regulatory and market environment: for
10 which “PG&E storage was built... no longer exists”;⁵
- 11 • Low natural gas prices “impacting the value of PG&E’s storage facilities as
12 a price management tool”;⁶ and
- 13 • GHG reduction policies in California, which “are expected to reduce
14 natural gas demand”.⁷

15 **IV. Pleasant Creek Storage Facility**

16 ORA does not object to PG&E’s request to convert Pleasant Creek into a
17 production facility in November 2019 and to attempt to sell or decommission the
18 facility by 2022.⁸

19 As discussed below, ORA recommends that the Los Medanos facility be
20 operated until the next GT&S rate case, at which point a final decision about sale,
21 decommissioning, or continued use should be made. The closure of the Pleasant
22 Creek Storage facility could help inform such a decision by measuring market

³ PG&E Testimony Chapter 11 (Natural Gas Storage Strategy), page 11-4, line 3.

⁴ PG&E Testimony Chapter 11 (Natural Gas Storage Strategy), page 11-4, lines 15-16.

⁵ PG&E Testimony Chapter 11 (Natural Gas Storage Strategy), page 11-6, lines 24-26.

⁶ PG&E Testimony Chapter 11 (Natural Gas Storage Strategy), page 11-9, lines 1-3.

⁷ PG&E Testimony Chapter 11 (Natural Gas Storage Strategy), page 11-11, lines 16-17.

⁸ PG&E Testimony Chapter 11 (Natural Gas Storage Strategy), page 11-13, lines 16-30.

1 interest in storage facilities or alternatively, more accurately determining
2 decommissioning costs.

3 In addition, the decommissioning of Pleasant Creek (if no acceptable buyer is
4 found) will likely lead to learning opportunities and efficiencies for the later potential
5 decommissioning of Los Medanos.

6 The physical characteristics of the Pleasant Creek facility make it a better
7 candidate for immediate closure than Los Medanos. Pleasant Creek’s storage
8 capacity is substantially lower than Los Medanos,⁹ meaning that any changes in
9 market or regulatory conditions would cause a lower impact with Pleasant Creek
10 closed than with only Los Medanos or with both facilities closed.

11 **V. Los Medanos Storage Facility**

12 **A. The Los Medanos Storage Facility Should Remain Open and** 13 **Be Reevaluated in the Next Gas Transmission and Storage** 14 **Rate Case**

15 ORA recommends that the Los Medanos storage facility remain open and be
16 reevaluated in PG&E’s next GT&S rate case, which is likely to be filed in 2020 or
17 2021. ORA’s following recommendations are based on PG&E remaining in
18 possession of Los Medanos.

19 Los Medanos is substantially larger than Pleasant Creek,¹⁰ meaning that any
20 change in the market or regulatory conditions described above would have a larger
21 impact on customers and the public were Los Medanos to be closed earlier than
22 necessary. Los Medanos is also downstream of the Bay Area pipeline constraint¹¹

⁹ California Council on Science & Technology, “Long-Term Viability of Underground Natural Gas Storage in California,” page 8. See: <https://ccst.us/publications/2018/Full%20Technical%20Report%20v2.pdf>

¹⁰ California Council on Science & Technology, “Long-Term Viability of Underground Natural Gas Storage in California,” page 8. See: <https://ccst.us/publications/2018/Full%20Technical%20Report%20v2.pdf>

¹¹ PG&E Interactive System Map. https://www.pge.com/pipeline/about/system_maps/statemap/index.page

1 referenced by PG&E in testimony,¹² meaning that Los Medanos would remain
2 available to meet Bay Area demand, which PG&E calls “the bulk of the demand in
3 [its] service territory.”¹³ Keeping Los Medanos in service would serve as a type of
4 hedge against PG&E’s backbone lines’ “limited capacity”¹⁴ to meet such demand.

5 While ORA does not anticipate any substantial market or regulatory changes
6 at this time, deferring the decision to decommission Los Medanos carries relatively
7 little cost and removes substantial uncertainty regarding well re-work costs and
8 pending regulation timelines, especially when coupled with the sale or
9 decommissioning of Pleasant Creek, as discussed above.

10 **B. PG&E Should File an Advice Letter with Its Proposal for**
11 **Maintaining Compliance at Los Medanos Until the Next GT&S**
12 **Rate Case**

13 As of the writing of ORA’s testimony, DOGGR has not yet released the final
14 draft nor the effective date of its proposed regulations that will govern onshore
15 wells.¹⁵ A change in required compliance periods or effective dates of new DOGGR
16 rules could affect Los Medanos substantially, ORA recommends that PG&E file an
17 Advice Letter once a final version of the DOGGR regulations are in place, explaining
18 how the new rules might impact the Commission directive for Los Medanos from the
19 GT&S decision.

20 PG&E’s Advice Letter should contain its plan for maintaining safety and
21 compliance at Los Medanos while not incurring unnecessary costs at a facility that
22 may be sold or decommissioned in the near future. The Advice Letter should also
23 include specific information about well re-work requirements, timelines, and costs, as
24 well as PG&E’s options for each well and whether PG&E recommends re-working
25 wells to bring them into compliance, taking the wells out of service (permanently or

¹² PG&E Testimony Chapter 11 (Natural Gas Storage Strategy), page 11-26.

¹³ PG&E Testimony Chapter 11 (Natural Gas Storage Strategy), page 11-25, lines 22-23.

¹⁴ PG&E Testimony Chapter 11 (Natural Gas Storage Strategy), page 11-26, line 1.

¹⁵ California Department of Gas and Geothermal Resources (DOGGR), Underground Gas Storage – Permanent Rulemaking. See:

http://www.conservation.ca.gov/dog/general_information/Pages/UGSRules.aspx

1 until a final decision is made regarding Los Medanos), or some other course of
2 action.

3 At the time of filing its testimony, PG&E assumed a two-year compliance
4 period¹⁶ for DOGGR's regulation and indicated that it planned to re-work eighty wells
5 at McDonald Island within two years.¹⁷ However, the latest draft of the DOGGR
6 underground storage regulations includes a seven-year phase-in period.¹⁸ A
7 deferred decision regarding Los Medanos should not present any insurmountable
8 logistical/schedule challenges for PG&E. ORA is unaware of any single type of well
9 re-work that would require three years to complete and hence would have to be
10 started before a decision is made regarding Los Medanos. PG&E identified twenty
11 wells for proposed re-work at Los Medanos and seven at Pleasant Creek,¹⁹ with
12 varying most-recent-rework dates. PG&E also provided cost and schedule
13 estimates, which indicated that a well retrofit can take 2-3 months to complete.²⁰

14 Therefore, the requirements regarding Los Medanos' wells are ones of safety
15 and timing, along with the need to balance compliance and reliability.

16

¹⁶ PG&E Testimony Chapter 2 (Summary of 2019 GT&S Rate Case), page 2-8.

¹⁷ PG&E Testimony Chapter 2 (Summary of 2019 GT&S Rate Case), page 2-6.

¹⁸ Second Revised Text of Proposed Regulations, page 5. See:
<http://www.conservation.ca.gov/dog/Documents/GasStorage/TextOfProposedRegulationsMarch2018.pdf>

¹⁹ PG&E response to ORA-DR-064, Question 01, Attachment 01.

²⁰ PG&E response to ORA-DR-064, Question 04, Attachment 04.

1 **WITNESS QUALIFICATIONS**

2 My name is Nils Stannik. My business address is 505 Van Ness Avenue, San
3 Francisco, California. I am employed by the Office of Ratepayer Advocates (ORA)
4 as a Utilities Engineer in the Energy Safety and Infrastructure Branch.

5 I received a Bachelor of Science in Engineering (BSE) degree in Electrical
6 Engineering from the University of Michigan. I am a California-registered Engineer in
7 Training (EIT).

8 Prior to joining ORA, I worked as an engineer designing and permitting
9 residential photovoltaic systems throughout California. Prior to that, I worked as an
10 electrical engineer on power and instrumentation technologies for large power
11 generation plants.

12 Since joining the ORA in 2014, I have worked on various proceedings and
13 projects related to pipeline safety, gas and gas safety, General Rate Cases, cost
14 allocation, safety modeling, risk mitigation, wildfires, disadvantaged communities,
15 utility asset transfers, electrical transmission, and electrical transmission and
16 distribution security, among others. These include the Safety Model Assessment
17 Proceeding (A.15-05-002), SCG/SDG&E's Risk Assessment Mitigation Phase (I.16-
18 11-015), PG&E's Risk Assessment Mitigation Phase (I.17-11-003), multiple Pipeline
19 Safety Enhancement Plan (PSEP) proceedings (A.14-12-016, A.16-09-005, A.17-03-
20 021), and fire safety-related proceedings (A.15-05-006, A.15-09-010, A.17-07-011). I
21 also regularly perform work on non-proceeding safety issues including gas pipeline
22 events and safety recordkeeping/record management.

23 This completes my prepared testimony.