

Docket No. I. 19-06-016

Exhibit No. _____

Date: June 30, 2020

Witness: Brian C. Collins

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

_____)	
Order Instituting Investigation on the)	
Commission’s Own Motion into the)	
Operations and Practices of Southern)	
California Gas Company with Respect to)	
the Aliso Canyon Storage Facility and)	
the Release of Natural Gas, and Order to)	I.19-06-016
Show Cause Why Southern California)	
Gas Company Should Not Be Sanctioned)	
for Allowing the Uncontrolled Release of)	
Natural Gas from its Aliso Canyon)	
Storage Facility. (U904G).)	
_____)	

Sur-Reply Testimony of

Brian C. Collins

On behalf of

Indicated Shippers

June 30, 2020

Project 10981



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

Order Instituting Investigation on the Commission's Own Motion into the Operations and Practices of Southern California Gas Company with Respect to the Aliso Canyon Storage Facility and the Release of Natural Gas, and Order to Show Cause Why Southern California Gas Company Should Not Be Sanctioned for Allowing the Uncontrolled Release of Natural Gas from its Aliso Canyon Storage Facility. (U904G). I.19-06-016

Sur-Reply Testimony of Brian C. Collins

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Brian C. Collins. My business address is 16690 Swingley Ridge Road,
3 Suite 140, Chesterfield, MO 63017.

4 **Q WHAT IS YOUR OCCUPATION?**

5 A I am a consultant in the field of public utility regulation with Brubaker &
6 Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

7 **Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
8 **EXPERIENCE.**

9 A This information is included in Appendix A to my testimony.

1 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

2 A I am appearing on behalf of Indicated Shippers.¹ Indicated Shippers is an ad
3 hoc association of large natural gas transportation customers of Southern
4 California Gas Company (“SoCalGas”), whose members own and operate
5 industrial and cogeneration end-use facilities, produce and deliver California
6 natural gas, and/or operate as contracted marketers on the SoCalGas system.

7 **Q WHAT SUBJECTS ARE ADDRESSED IN YOUR TESTIMONY?**

8 A My testimony responds to the reply testimony of Ms. Margaret Felts on behalf
9 of the Safety and Enforcement Division (“SED”) of the California Public Utilities
10 Commission (“CPUC” or “Commission”), and makes a recommendation on
11 penalties if the CPUC finds that SoCalGas violated Section 451 of the Public
12 Utilities Code for any of the reasons presented by Ms. Felts.

13 **Q PLEASE SUMMARIZE YOUR RECOMMENDATION.**

14 A If the Commission determines that SoCalGas did violate Public Utilities Code
15 Section 451 for any of the 17 reasons presented by Ms. Felts in her reply
16 testimony, and is found culpable for the uncontrolled release of gas at Aliso
17 Canyon, I recommend that any sanction and/or penalties for SoCalGas in part
18 be designed to recoup Operational Flow Order (“OFO”) penalties borne by
19 ratepayers, including core customers, noncore customers, and producers, since

¹ The Indicated Shippers include, for the purposes of this proceeding: California Resources Corp.; Chevron U.S.A., Inc.; PBF Holding Company; Phillips 66 Company; and Tesoro Refining & Marketing Company LLC.

1 the Aliso Canyon leak on October 23, 2015. The monies paid by customers in
2 the form of OFO penalties to SoCalGas should be returned to these customers.

3 **Reply to Ms. Felts' Testimony**

4 **Q HAVE YOU REVIEWED THE REPLY TESTIMONY OF SED WITNESS**
5 **MARGARET FELTS?**

6 A Yes. Ms. Felts addresses whether SoCalGas has failed to meet its burden to
7 show cause as to why the Commission should not find that SoCalGas violated
8 Public Utilities Code Section 451 for the uncontrolled release of gas resulting
9 from a leak at the Aliso Canyon storage field over a 111-day period that began
10 on October 23, 2015.

11 **Q WHAT DOES SECTION 451 OF THE PUBLIC UTILITIES CODE STATE?**

12 A This section states in part the following:

13 Every public utility shall furnish and maintain such adequate,
14 efficient, just, and reasonable service, instrumentalities,
15 equipment, and facilities, including telephone facilities, as defined
16 in Section 54.1 of the Civil Code, as are necessary to promote the
17 safety, health, comfort, and convenience of its patrons,
18 employees, and the public.

19 **Q HAS A PRIMARY CAUSE OF THE OCTOBER 23, 2015 LEAK AT ALISO**
20 **CANYON BEEN DETERMINED?**

21 A Yes. In a report² released on May 16, 2019 by Blade Energy Partners (“Blade”),
22 Blade determined that the Aliso Canyon leak was “primarily due to corrosion

² Root Cause Analysis of the Uncontrolled Hydrocarbon Release from Aliso Canyon SS-25, Main Report, Blade Energy Partners, May 16, 2019.

1 and that the corrosion could have been detected before the leak occurred.”³ The
2 leak at Aliso Canyon occurred in gas storage well Standard Sesnon 25 (“SS-
3 25”).

4 **Q WHAT DOES MS. FELTS CONCLUDE IN HER REPLY TESTIMONY WITH**
5 **RESPECT TO THE OCTOBER 23, 2015 LEAK AT ALISO CANYON?**

6 A Ms. Felts has identified 17 separate reasons why SoCalGas has failed to meet
7 its burden to show cause as to why the Commission should not find that
8 SoCalGas violated Public Utilities Code Section 451 for the uncontrolled release
9 of gas from Aliso Canyon over a 111-day period that began October 23, 2015.

10 **Q PLEASE SUMMARIZE THE 17 REASONS IDENTIFIED BY MS. FELTS THAT**
11 **SHOW THAT SOCALGAS FAILED TO MEET ITS BURDEN TO SHOW**
12 **CAUSE.**

13 A The 17 reasons identified by Ms. Felts at pages 2-20 of her reply testimony are
14 as follows:

- 15 1. SoCalGas’s identified “tubing packer” completion was of no use when
16 Boots & Coots attempted to kill Well SS-25.
- 17 2. SoCalGas falsely claims that it isolated Well SS-25 from exposure to
18 groundwater.
- 19 3. SoCalGas did not sufficiently pressure test Well SS-25 to operate it
20 safely.
- 21 4. SoCalGas did not show that its integrity management program was
22 adequate prior to the October 23, 2015 Well SS-25 incident.
- 23 5. SoCalGas stated it installed a remote well kill system in testimony,
24 but did not explain in response to SED’s discovery why it did not use
25 that remote well kill system to kill Well SS-25.

³ Order Instituting Investigation, Investigation (I.) 19-06-016, June 27, 2019,
page 2.

- 1 6. SoCalGas stated it could remotely shut-in its wells to prevent or
2 mitigate leaks in the wellhead or surface piping, but did not answer
3 SED discovery asking whether it used such practices on Well SS-25.

- 4 7. SoCalGas's statement that it used effective leak remediation
5 practices is contradicted by extensive evidence.

- 6 8. As a general practice, SoCalGas did not maintain records of daily site
7 inspections.

- 8 9. SoCalGas used lack of anomalous weekly surface pressure readings
9 as a justification to conduct no further related investigations on Well
10 SS-25.

- 11 10. SoCalGas provided incomplete monthly well site inspection records
12 from 2006 to October 23, 2015, and no monthly well site inspections
13 from 1973 to 2006.

- 14 11. SoCalGas provided incomplete annual leakage survey work orders
15 from 2006 to October 23, 2015, and no annual leakage survey
16 records from 1973 to 2006.

- 17 12. SoCalGas incorrectly claimed that annual temperature surveys and
18 noise surveys were sufficient to monitor and detect leaks.

- 19 13. SoCalGas provided no records of pressure gauge readings from
20 before the incident at Aliso Canyon.

- 21 14. SoCalGas provided no records showing casing integrity inspections
22 from 1973 to October 23, 2015.

- 23 15. Despite what SoCalGas said, SoCalGas did not adequately show
24 oversight of well kill operations.

- 25 16. Despite asserting that SoCalGas worked with county health officials
26 during the incident, SoCalGas did not show it timely performed certain
27 health related analyses of hydrocarbons emitted from Well SS-25.

- 28 17. SoCalGas did not show that it withdrew gas from the Aliso Canyon
29 storage facility as soon as it could have to reduce the reservoir
30 pressure on Well SS-25 during the incident.

1 **Q IF THE COMMISSION FINDS THAT SOCALGAS VIOLATED PUBLIC**
2 **UTILITIES CODE SECTION 451 FOR ANY OF THE REASONS PRESENTED**
3 **BY MS. FELTS, WHAT RELIEF SHOULD BE PROVIDED TO CUSTOMERS?**

4 A I recommend that SoCalGas should reimburse ratepayers, including core
5 customers, noncore customers, and producers, for balancing penalties they
6 were charged during OFOs that have occurred on the SoCalGas system since
7 the Aliso Canyon leak on October 23, 2015. This reimbursement would be
8 funded by penalties assessed to SoCalGas by the Commission.

9 **Q WHY IS YOUR RECOMMENDATION REASONABLE?**

10 A This recommendation is reasonable because had the Aliso Canyon storage field
11 been available at its full level of storage capacity, many of the OFOs called by
12 SoCalGas would have been avoided. Had those OFOs been avoided,
13 customers would not have incurred OFO penalties. The leak at the Aliso Canyon
14 storage field has led to its operation at less than full capacity, and as a result,
15 has led to the calling of OFOs on the SoCalGas system which have adversely
16 impacted core customers, noncore customers, and producers financially.

17 **Q WHEN IS AN OFO CALLED ON THE SOCALGAS SYSTEM?**

18 A SoCalGas Rule No. 41, Utility System Operation, defines an OFO on the
19 SoCalGas system. Rule 41 states in part, the following:

20 SoCalGas will issue an OFO if, on a day prior to this Gas Day, in
21 the sole judgment of Gas Control, the system forecast of storage
22 withdrawal or injection used for balancing exceeds the withdrawal
23 or injection capacity allocated to the balancing function. When an
24 OFO is issued customers financially responsible for managing and
25 clearing transportation imbalances (Balancing Agent) will be
26 required to balance supply and demand on a daily basis within a

1 specified tolerance band or be subject to charges for
2 noncompliance.

3 **Q WHAT CUSTOMERS ARE SUBJECT TO AN OFO ON THE SOCALGAS**
4 **SYSTEM?**

5 A Section G.1.b. of SoCalGas Rule No. 30, Transportation of Customer-Owned
6 Gas, states the following:

7 The OFO shall apply to all customers financially responsible for
8 managing and clearing transportation imbalances (Balancing
9 Agents), including wholesale customers, Contracted Marketers,
10 core aggregators, California Gas Producers and the Utility Gas
11 Procurement Department.

12 **Q WHY HAS ALISO CANYON NOT BEEN AVAILABLE AT ITS FULL**
13 **STORAGE CAPACITY?**

14 A As a result of the leak at Aliso Canyon, protocols have been put in place that
15 limit the operation of Aliso Canyon. Specifically, the November 2, 2017 Aliso
16 Canyon Withdrawal Protocol:

17 ...renders Aliso Canyon an “asset of last resort” and effectively
18 withholds Aliso Canyons’ withdrawal capacity from the market.
19 Because of the Withdrawal Protocol, Aliso Canyon’s withdrawal
20 capacity *cannot* be relied upon to balance supply and demand for
21 consumers, to alleviate market stress in periods of high demand,
22 or to allow customers to withdraw natural gas to mitigate high
23 natural gas prices.⁴

⁴ SoCalGas February 26, 2019 Letter to the CPUC, Re: Winter 2018-19 Lessons Learned.

1 **Q HAS THE ALISO CANYON WITHDRAWAL PROTOCOL BEEN REVISED**
2 **SINCE NOVEMBER 2, 2017?**

3 A Yes. On July 23, 2019, the CPUC revised the Aliso Canyon withdrawal protocol.
4 The changes were focused on improving short-term reliability. However, the
5 revised protocol does not increase the maximum allowable inventory at Aliso
6 Canyon. Rather, the protocol was intended to give SoCalGas some flexibility in
7 relying on Aliso Canyon for balancing its system.⁵

8 **Q IS NATURAL GAS STORAGE PARTICULARLY IMPORTANT ON THE**
9 **SOCALGAS SYSTEM?**

10 A Yes. In its April 2, 2019 letter to the California Energy Commission at page 5,
11 SoCalGas states that:

12 SoCalGas' storage fields are closer to the customer demand
13 center in the Los Angeles Basin than the interstate pipeline receipt
14 points, and are the "flex supply" available to meet imbalances
15 between the scheduled pipeline supplies and intraday customer
16 demand.

17 **Q HAVE THERE BEEN ANY REPORTS THAT COME TO THE CONCLUSION**
18 **THAT THE UNAVAILABILITY OF ALISO CANYON AT FULL CAPACITY HAS**
19 **LED TO OFOS CALLED ON THE SOCALGAS SYSTEM?**

20 A Yes. In a January 25, 2019 letter to the California Energy Commission,
21 SoCalGas illustrates one impact of restrictions on Aliso Canyon's withdrawal
22 capability. SoCalGas indicates at page 2 of the letter that:

23 ...there were 299 Low Operational Flow Order (OFO) days on the
24 SoCalGas system from December of 2015 to December of 2018.

⁵ The CPUC narrative on proposed revisions to the protocol is available at:
https://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/News_Room/NewsUpdates/2019/AlisoCanyonWithdrawalProtocol-ProposedRevisionsAndDraft-2019-07-01.pdf, pages 1-2.

1 SoCalGas determined that this number would have been reduced
2 to at least 69 Low OFO days, if Aliso Canyon did not have
3 withdrawal restrictions and could have been available to help
4 balance the system's demand and supply requirements.

5 SoCalGas further states that:

6 Withdrawal restrictions on Aliso Canyon prohibit a massive supply
7 source located in the Los Angeles basin, which cannot be
8 replaced with additional supplies from outside the system.

9 **Q HAVE THE OUTAGES OF CERTAIN PIPELINES ON THE SOCALGAS**
10 **SYSTEM MADE IT EVEN MORE DIFFICULT FOR CUSTOMERS TO**
11 **BALANCE ON THE SOCALGAS SYSTEM?**

12 **A** Yes. This is confirmed in a July 6, 2018 CPUC Energy Division Report, which
13 states the following:

14 ...significant pipeline outages have made it more difficult for
15 customers to deliver enough gas to meet their demand, increasing
16 reliance on storage. ⁶

17 **Q HAVE BOTH CORE AND NONCORE RATEPAYERS BEEN HEAVILY**
18 **IMPACTED BY OFO PENALTIES CAUSED BY THE ALISO CANYON**
19 **INCIDENT?**

20 **A** Yes. In its January 6, 2020 report, the Staff of the CPUC indicated it has
21 reviewed SoCalGas Gas Acquisition Department's purchased gas for core
22 customers, and examines the impact of OFOs. Staff writes in its report the
23 following:

⁶ Aliso Canyon Working Gas Inventory, Production Capacity, Injection Capacity, and Well Availability for Reliability, Summer 2018 Supplemental Report, July 6, 2018, Energy Division, CPUC, page 8.

1 Data indicates that if Gas Acquisition had been able to schedule
2 gas from Aliso Canyon, they could have avoided OFO penalties
3 this winter [2018-2019].⁷

4 Staff further indicates on that same page of the report that there were 80 low
5 OFOs and two mandatory Rule 23 curtailments, along with 14 voluntary
6 curtailments, and two curtailment watches for the winter of 2018-2019.

7 It should be noted that under Rule 23, noncore customers are first in line
8 to experience a curtailment when needed to meet the operational requirements
9 of SoCalGas. SoCalGas' Rule 23 provides for seven curtailment steps. Noncore
10 and non-residential usage is curtailed in steps 1-6; residential service is not
11 curtailed until the final step, step 7.

12 **Q ARE THE OFO PENALTIES PAID BY BOTH CORE AND NONCORE**
13 **RATEPAYERS SIGNIFICANT?**

14 A As shown by Staff in its January 6, 2020 report at page 34, Table 8, OFO
15 penalties paid by both core and noncore customers totaled nearly \$4 million
16 over just a two-month period alone – January through February, 2019.

17 **Q DID MS. FELTS DESCRIBE THE DESIGN OF ANY SANCTIONS OR**
18 **PENALTIES FOR SOCALGAS IF IT IS FOUND CULPABLE IN THIS**
19 **PROCEEDING?**

20 A No, she did not.

⁷ Winter 2018-19 SoCalGas Conditions and Operations Report, By Staff of the California Public Utilities Commission, January 6, 2020, page 5.

1 **Q WHAT IS YOUR RECOMMENDATION IN THIS PROCEEDING?**

2 A If the Commission determines that SoCalGas did violate Public Utilities Code
3 Section 451 for any of the 17 reasons presented by Ms. Felts in her reply
4 testimony, and is found culpable for the uncontrolled release of gas at Aliso
5 Canyon, I recommend that any sanction and/or penalties for SoCalGas in part
6 be designed to recoup OFO penalties borne by ratepayers since the October
7 23, 2015 leak at Aliso Canyon. Specifically, I recommend that the monies paid
8 by ratepayers (including core customers, noncore customers, and producers) in
9 the form of low and high OFO penalties to SoCalGas, should be returned to
10 these customers.

11 This is a reasonable recommendation because of the fact that, had Aliso
12 Canyon's storage capacity been fully available to provide balancing on the
13 SoCalGas system, many OFOs on the SoCalGas system would not have been
14 necessary.

15 **CONCLUSION**

16 **Q DOES THIS CONCLUDE YOUR SUR-REPLY TESTIMONY?**

17 A Yes, it does.

APPENDIX A
Qualifications of Brian C. Collins

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Brian C. Collins. My business address is 16690 Swingley Ridge Road,
3 Suite 140, Chesterfield, MO 63017.

4 **Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?**

5 A I am a consultant in the field of public utility regulation and a Principal with the
6 firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory
7 consultants.

8 **Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND WORK**
9 **EXPERIENCE.**

10 A I graduated from Southern Illinois University Carbondale with a Bachelor of
11 Science degree in Electrical Engineering. I also graduated from the University
12 of Illinois at Springfield with a Master of Business Administration degree. Prior
13 to joining BAI, I was employed by the Illinois Commerce Commission and City
14 Water Light & Power ("CWLP") in Springfield, Illinois.

15 My responsibilities at the Illinois Commerce Commission included the
16 review of the prudence of utilities' fuel costs in fuel adjustment reconciliation
17 cases before the Commission, as well as the review of utilities' requests for
18 certificates of public convenience and necessity for new electric transmission
19 lines. My responsibilities at CWLP included generation and transmission system
20 planning. While at CWLP, I completed several thermal and voltage studies in

1 support of CWLP's operating and planning decisions. I also performed duties
2 for CWLP's Operations Department, including calculating CWLP's monthly cost
3 of production. I also determined CWLP's allocation of wholesale purchased
4 power costs to retail and wholesale customers for use in the monthly fuel
5 adjustment.

6 In June 2001, I joined BAI as a Consultant. Since that time, I have
7 participated in the analysis of various utility rates and other matters in several
8 states and before the Federal Energy Regulatory Commission ("FERC"). I have
9 filed or presented testimony before the Arkansas Public Service Commission,
10 the California Public Utilities Commission, the Delaware Public Service
11 Commission, the Public Service Commission of the District of Columbia, the
12 Florida Public Service Commission, the Georgia Public Service Commission,
13 the Idaho Public Utilities Commission, the Illinois Commerce Commission, the
14 Indiana Utility Regulatory Commission, the Kentucky Public Service
15 Commission, the Public Utilities Board of Manitoba, the Minnesota Public
16 Utilities Commission, the Mississippi Public Service Commission, the Missouri
17 Public Service Commission, the Montana Public Service Commission, the North
18 Dakota Public Service Commission, the Public Utilities Commission of Ohio, the
19 Oregon Public Utility Commission, the Rhode Island Public Utilities
20 Commission, the Virginia State Corporation Commission, the Public Service
21 Commission of Wisconsin, the Washington Utilities and Transportation
22 Commission, and the Wyoming Public Service Commission. I have also
23 assisted in the analysis of transmission line routes proposed in certificate of

1 convenience and necessity proceedings before the Public Utility Commission of
2 Texas.

3 In 2009, I completed the University of Wisconsin – Madison High Voltage
4 Direct Current (“HVDC”) Transmission Course for Planners that was sponsored
5 by the Midwest Independent Transmission System Operator, Inc. (“MISO”).

6 BAI was formed in April 1995. BAI and its predecessor firm has
7 participated in more than 700 regulatory proceedings in forty states and
8 Canada.

9 BAI provides consulting services in the economic, technical, accounting,
10 and financial aspects of public utility rates, and in the acquisition of utility and
11 energy services through RFPs and negotiations, in both regulated and
12 unregulated markets. Our clients include large industrial and institutional
13 customers, some utilities and, on occasion, state regulatory agencies. We also
14 prepare special studies and reports, forecasts, surveys, and siting studies, and
15 present seminars on utility-related issues.

16 In general, we are engaged in energy and regulatory consulting,
17 economic analysis and contract negotiation. In addition to our main office in St.
18 Louis, the firm also has branch offices in Phoenix, Arizona and Corpus Christi,
19 Texas.