

SoCalGas-170

CPUC press release, *Key State Investigations into Southern California Gas Company Natural Gas Leak at Aliso Canyon* (December 15, 2015)

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Key State Investigations into Southern California Gas Company Natural Gas Leak at Aliso Canyon

The Division of Oil, Gas & Geothermal Resources and the Public Utilities Commission

December 15, 2015

Southern California Gas Company (Gas Company) supplies natural gas to more than 21 million people in central and southern California. The company buys gas from various sources throughout the year and stores it thousands of feet below the earth's surface in depleted oil fields, then pumps up the gas as needed to serve customers.

The largest of the Gas Company's storage fields is in the northern San Fernando Valley in a place called Aliso Canyon, north of Porter Ranch and Northridge.

On October 23, 2015, Gas Company crews discovered a leak in a well used to both inject and withdraw gas at the Aliso Canyon storage field. The company has tried repeatedly since then to halt the leak, without success.

Several state agencies are working to ensure public safety and expeditious sealing of the leak. Two of them, the Division of Oil, Gas and Geothermal Resources of the Department of Conservation (Division) and the California Public Utilities Commission (CPUC), have jurisdiction over the Aliso Canyon storage field.

Both the Division and the CPUC have launched investigations.

The Division has primary jurisdiction over the well and is focusing its investigation on the mechanical and operational condition of the well to determine the cause of the well failure and the subsequent natural gas leak.

The Safety and Enforcement Division of the CPUC is conducting a broader staff probe, focusing on the assessment of the Gas Company's actions before and after the failure, including public notification and issues relating to the Gas Company's operation and maintenance of the gas storage facility in general. Additional information on the scope of the two separate investigations is provided in Appendix A and B respectively.

Both the Division and the CPUC have directed the Gas Company to hire an independent third party to perform a technical root cause analysis of the well failure. The third party will be jointly selected by the agencies. The Gas Company will cover expenses of the root cause analysis at no cost to its ratepayers. Once the analysis is

complete, the results will be shared with both agencies and the public. The letter requesting the root cause analysis may be found in Appendix C.

The Division and the CPUC are committed to working together to ensure public safety, identify the cause of the leak and take appropriate enforcement actions upon completion of our respective investigations.

APPENDIX A: SCOPE OF DOGGR INVESTIGATION INTO WELL FAILURE AT ALISO CANYON

Scope

The Division of Oil Gas and Geothermal Resources (Division) is conducting an independent, investigation to determine the cause of the well failure of the Southern California Gas Company well Standard Sesnon 25 (API# 037-00776). The Division began its investigation of the incident at well Standard Sesnon 25 upon receipt of the initial notification by Southern California Gas Company of the well failure.

Methodology

The independent investigation is being conducted by a select group of engineers within the Division authorized during the investigation to work independently from management and the District where the incident occurred. The investigation review will include, but not be limited to, the following data to identify well failure contributing factors:

Well Records

- 1) Well records from initial drill to well failure
- 2) Cementing records and cement evaluation data
- 3) Completion records, such as, perforated zones and any well stimulation operations
- 4) Geophysical and other image logs
- 5) Records of well tests witnessed by Division staff
- 6) Mechanical integrity tests
- 7) Injection profiling, if available
- 8) Temperature surveys and other diagnostic tools
- 9) Production and injection records

Injection project approval

- 1) Approved project operating conditions
- 2) Any limiting factors or restriction in the approval
- 3) Monitoring of the project performance
- 4) Supporting geologic and engineering data for project approval
- 5) Operational review of nearby wells within the project
- 6) Review of mechanical integrity tests of nearby wells

Third Party Analyses including Root-Cause Issues

Independent third party analyses will inform the investigation and may result in the hiring of other third party contractors to conduct forensic assessments and other analyses as deemed necessary.

APPENDIX A: SCOPE OF DOGGR INVESTIGATION INTO WELL FAILURE AT ALISO CANYON

Based upon analysis of the failed well and thorough evaluation of the above records and data, the Division will make findings about the cause of the well failure. In the course of the investigations, adjustments and additions to the review process may be made to ensure all relevant information and data is analyzed.

Findings

The Division will complete and publicly issue a report detailing its findings regarding the cause of the well failure.

APPENDIX B: SCOPE OF CPUC INVESTIGATION INTO WELL FAILURE AT ALISO CANYON

Scope

The Safety and Enforcement Division (SED) of the California Public Utilities Commission (CPUC) has launched an investigation into Southern California Gas Company's (SoCalGas) Aliso Canyon storage field failure. SED's investigation will include an assessment of SoCal Gas's emergency response; design, construction, operations and maintenance activities of the failed well; SoCalGas management of contractors involved in Aliso Canyon, actions both preceding and following the failure that the company took to promote the safety, health, comfort, and convenience of its patrons, employees, and the public at the Aliso Canyon storage field. SED may also incorporate information obtained by the CPUC directed third party Root Cause Analysis firm who will conduct an analysis in the failure mode and contributing factors of Aliso Canyon's Standard Sesnon 25 (SS25) well.

Methodology

SED's investigation will be conducted with a team of select investigators from the Gas Safety Branch and supported by the CPUC's legal division. The assembled investigation team will review several pieces of information related to SS25 and more broadly to Aliso Canyon and adjacent wells. Several pieces of information will be examined, such as the following:

- 1) Aliso canyon / SS25 design and construction records
- 2) Aliso canyon / SS25 operations and maintenance records
- 3) Emergency management / Safety practices
- 4) Review of previous failures, near misses, etc.
- 5) Interview of witnesses
- 6) 3rd party Root Cause Analysis
- 7) SoCalGas's Procedures
- 8) Industry best practices
- 9) Integrity tests, diagnostic tests, surveys etc.
- 10) Historical injection and withdraw records
- 11) Statements made by SoCal Gas since the incident
- 12) Notifications to nearby residents and government agencies
- 13) Contracts and field management related to stop the leak
- 14) Overall response to public and worker safety since the incident

Findings and Timeline

SED will release its official investigation report upon completion of all aspects of its investigation. SED will not release tentative findings of its investigation in order not to compromise any potential enforcement action that the CPUC may take. If any current threats to public safety are discovered in the course of the investigation, immediate actions will be taken. Additionally, SED make its best attempt to answer questions regarding the investigation

APPENDIX B: SCOPE OF CPUC INVESTIGATION INTO WELL FAILURE AT ALISO CANYON

through the CPUC's News and Information Office at (415) 703-1366 or via email at news@cpuc.ca.gov

PUBLIC UTILITIES COMMISSION
DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES

December 14, 2015

Jimmie Cho, Senior Vice President
Southern California Gas Company
Gas Operations and System Integrity
555 W 5th Street, GT21C3
Los Angeles, CA 90013

SUBJECT: Directive to the Southern California Gas Company (SoCalGas) to Initiate Independent Root Cause Analysis Re: 10/23/15 Aliso Canyon Incident

Dear Mr. Cho:

The Safety and Enforcement Division (SED) of the California Public Utilities Commission (CPUC) and the Department of Conservation, Division of Oil, Gas, and Geothermal Resources (DOGGR) have initiated investigations into the leak on the well Standard Sesnon 25 (SS25; API# 037-00776) in Aliso Canyon. To supplement our respective investigations, we are hereby directing Southern California Gas Company (SoCalGas) to hire an independent third party to perform a technical root cause analysis (RCA) on the nature of the failure of well SS25 and the technical cause of the leak. SoCalGas shall identify no less than three potential independent third parties to perform the RCA and will submit the list to SED and DOGGR for selection of the party by December 28, 2015. Upon selection of an entity to perform an independent RCA, SoCalGas shall execute the contract and cover all related costs at no impact to ratepayers.

SoCalGas shall fully cooperate with the independent third party chosen to perform the RCA analysis. SED and DOGGR will be monitoring the RCA analysis to ensure there is no interference from SoCalGas. The RCA analysis will inform SED and DOGGR investigations, but shall in no way interfere with the investigations of the agencies. SED and DOGGR reserve the right to modify the scope of the RCA analysis as needed.

Once the RCA analysis is complete, the final report shall be shared with SED and DOGGR. In addition, SoCalGas shall simultaneously make a public version available with redactions for any confidential information.

If you have any questions, please contact Elizaveta Malashenko 417-703-2349 | eim@cpuc.ca.gov.

Sincerely,



Elizaveta Malashenko
Director – Safety and Enforcement Division
California Public Utilities Commission



Kenneth A. Harris Jr.
State Oil and Gas Supervisor
California Department of Conservation,
Division of Oil, Gas, and Geothermal
Resources