

AMENDED IN SENATE APRIL 20, 2017

AMENDED IN SENATE APRIL 17, 2017

AMENDED IN SENATE FEBRUARY 14, 2017

AMENDED IN SENATE FEBRUARY 2, 2017

SENATE BILL

No. 57

Introduced by Senators Stern and Hertzberg
(Coauthors: Senators Allen, Wiener, and Wilk)
(Coauthors: Assembly Members Acosta and Dababneh)

December 8, 2016

An act to amend Section 3217 of the Public Resources Code, and to amend Section 714 of the Public Utilities Code, relating to natural gas, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 57, as amended, Stern. Natural gas storage: moratorium.

(1) Under existing law, the Division of Oil, Gas, and Geothermal Resources in the Department of Conservation regulates the drilling, operation, maintenance, and abandonment of oil and gas wells in the state. Existing law requires the State Oil and Gas Supervisor to continue the prohibition against Southern California Gas Company injecting any natural gas into the Aliso Canyon natural gas storage facility located in the County of Los Angeles until a comprehensive review of the safety of the gas storage wells at the facility is completed, as specified, the supervisor determines that well integrity has been ensured by the review, the risks of failures identified in the review have been addressed, the supervisor's duty to prevent damage to life, health, property, and natural resources, and other requirements is satisfied, and the Executive Director

of the Public Utilities Commission has concurred via letter with the supervisor regarding his or her determination of safety.

This bill would additionally require the supervisor to continue that prohibition until a specified root cause analysis of the natural gas leak from the facility that started approximately October 23, 2015, has been completed and released in its entirety to the public.

(2) Under existing law, the Public Utilities Commission is authorized to supervise and regulate every public utility in the state. Existing law requires the commission, no later than July 1, 2017, to open a proceeding to determine the feasibility of minimizing or eliminating use of the Aliso Canyon natural gas storage facility located in the County of Los Angeles while still maintaining energy and electric reliability for the region, and to consult with specified entities in making its determination.

This bill would require ~~that proceeding to be completed by December 31, 2017.~~ *the commission, in conducting the proceeding, to act in the manner that will maximize transparency.*

~~(3) Existing law authorizes the Governor during a state of emergency, which may include a sudden and severe energy shortage, to suspend any regulatory statute, or statute prescribing the procedure for conduct of state business, or the orders, rules, or regulations of any state agency, where the Governor determines and declares that strict compliance with any statute, order, rule, or regulation would in any way prevent, hinder, or delay the mitigation of the effects of the emergency.~~

~~This bill would authorize the Governor to order incremental injections at the Aliso Canyon natural gas storage facility only to avoid, or respond to, an emergency situation.~~

(4)

(3) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. (a) The Legislature finds and declares all of the
2 following:

3 (1) Chapter 14 of the Statutes of 2016 was enacted to address
4 the significant natural gas leak at the Aliso Canyon natural gas
5 storage facility located in the County of Los Angeles that started

1 on approximately October 23, 2015, and was not sealed until
2 February 18, 2016.

3 (2) In order to protect public health and safety, Section 3217 of
4 the Public Resources Code requires the State Oil and Gas
5 Supervisor to continue the prohibition against the injection of
6 natural gas into the Aliso Canyon natural gas storage facility until
7 certain conditions are satisfied, as specified.

8 (3) The requirements of Section 3217 of the Public Resources
9 Code do not affect or impair the authority of the Governor, as
10 vested by the California Constitution and statutes, to declare an
11 emergency based on a sudden and severe energy shortage under
12 the California Emergency Services Act (Chapter 7 (commencing
13 with Section 8550) of Division 1 of Title 2 of the Government
14 Code).

15 (b) It is the intent of the Legislature to ensure the safety and
16 reliability of the state's electric and gas infrastructure and to ensure
17 just and reasonable rates. The Governor may order incremental
18 injections at the Aliso Canyon natural gas storage facility only to
19 avoid, or respond to, an emergency situation.

20 SEC. 2. Section 3217 of the Public Resources Code is amended
21 to read:

22 3217. (a) (1) The supervisor shall continue the prohibition
23 against Southern California Gas Company injecting any natural
24 gas into the Aliso Canyon natural gas storage facility located in
25 the County of Los Angeles until a comprehensive review of the
26 safety of the gas storage wells at the facility is completed and the
27 supervisor determines that well integrity has been ensured by the
28 review, the risks of failures identified in the review have been
29 addressed, the third-party root cause analysis, instigated at the
30 direction of the Safety and Enforcement Division of the Public
31 Utilities Commission and the supervisor, of the natural gas leak
32 from the facility that started approximately October 23, 2015, has
33 been completed and released in its entirety to the public, and the
34 supervisor's duty to prevent damage to life, health, property, and
35 natural resources, and *to comply with* other requirements, as
36 specified in Section 3106, is satisfied. The supervisor may not lift
37 the prohibition on injection until the Executive Director of the
38 Public Utilities Commission has concurred via letter with the
39 supervisor regarding his or her determination of safety.

1 (2) For purposes of this section, “facility” means the Aliso
2 Canyon natural gas storage facility located in the County of Los
3 Angeles operated by Southern California Gas Company.

4 (b) (1) The criteria for the gas storage well comprehensive
5 safety review shall be determined by the supervisor with input
6 from contracted independent experts and shall include the steps
7 in subdivision (c).

8 (2) The supervisor shall direct the contracted independent
9 experts to provide a methodology to be used in assessing the tests
10 and inspections specified in the criteria. This requirement may be
11 satisfied by the independent experts reviewing and, if necessary,
12 revising the division’s written methodology for assessing the tests
13 and inspections specified in the criteria. The methodology shall
14 include all tests and inspections required by the criteria. The
15 division shall post the methodology online on a public portion of
16 its Internet Web site.

17 (c) The gas storage well comprehensive safety review shall
18 include the following steps to ensure external and internal well
19 mechanical integrity:

20 (1) All gas storage wells shall be tested and inspected from the
21 surface to the packer or to any wellbore restriction near the top of
22 the geologic formation being used for gas storage, whichever is
23 higher in elevation, to detect existing leaks using temperature and
24 noise logs.

25 (2) Any leaks shall be stopped and remediated to the satisfaction
26 of the supervisor.

27 (3) Following remediation, leak detection tests shall be repeated
28 and results reviewed by the supervisor.

29 (4) (A) Unless a well has been fully plugged and abandoned
30 to the supervisor’s satisfaction and in accordance with Section
31 3208, the well shall be evaluated and remediated in accordance
32 with subparagraph (B) or plugged in accordance with subparagraph
33 (C).

34 (B) If a gas storage well is intended to return to service for the
35 purposes of resuming injections to the facility, it shall be tested
36 and inspected from the surface to the packer or to any wellbore
37 restriction near the top of the geologic formation being used for
38 gas storage, whichever is higher in elevation, to ensure mechanical
39 integrity. As identified in the division’s criteria, these tests and
40 inspections shall include the measurement of casing thickness and

1 integrity, an evaluation of the cement bond on the casing, the
2 determination as to whether any deformities in the well casing
3 exist, and an evaluation of the well's ability to withstand pressures
4 that exceed maximum allowable injection and production pressures,
5 with a reasonable margin for safety, at the facility in accordance
6 with the criteria determined by the supervisor with input from
7 independent experts pursuant to subdivision (b). If the tests reveal
8 that a well poses a risk of failure, the supervisor shall require
9 remediation and repeat tests as necessary to demonstrate to the
10 satisfaction of the supervisor that remediation has mitigated any
11 potential identified risks. If the operator cannot remediate the well
12 to mitigate the identified risks to the satisfaction of the supervisor,
13 the well shall be plugged and abandoned in accordance with
14 Section 3208.

15 (C) (i) If a well is to be taken out of service before resumption
16 of gas injections at the facility, it shall be removed from operation
17 and isolated from the gas storage reservoir through plugging
18 according to the division's criteria, including, but not limited to,
19 the demonstration of sufficient cement to prevent migrations
20 between the reservoir and other zones, placement of a mechanical
21 plug at the bottom of the well, and subsequent filling of the well
22 with fluid, and to specifications approved by the supervisor. All
23 gas storage wells that are taken out of service under this
24 subparagraph shall be subjected to ongoing testing and monitoring
25 requirements identified in the criteria determined by the supervisor
26 with input from independent experts. The monitoring shall include,
27 but not be limited to, real-time and daily pressure monitoring, as
28 applicable. A gas storage well shall not be returned to service
29 unless the testing and remediation required under subparagraph
30 (B) has been completed.

31 (ii) A gas storage well, within one year of being plugged and
32 isolated from the gas storage reservoir pursuant to clause (i), shall
33 either be returned to service by satisfactorily completing the testing
34 and remediation required under subparagraph (B) or be
35 permanently plugged and abandoned to the supervisor's satisfaction
36 in accordance with Section 3208.

37 (D) The supervisor shall make a written finding for each gas
38 storage well that has satisfactorily completed the testing and
39 remediation required under subparagraph (B).

1 (5) The gas storage well comprehensive safety review is not
2 complete until every gas storage well at the facility has completed
3 the testing and remediation required under subparagraph (B) of
4 paragraph (4), been temporarily abandoned and isolated from the
5 reservoir as required under clause (i) of subparagraph (C) of
6 paragraph (4), or been fully plugged and abandoned to the
7 supervisor's satisfaction in accordance with Section 3208.

8 (d) Upon completion of the gas storage well comprehensive
9 safety review but before authorizing the commencement of
10 injections at the facility, the division shall hold at least one duly
11 noticed public meeting in the affected community to provide the
12 public an opportunity to comment on the safety review findings
13 and on the proposed pressure limit as provided in subdivision (e).

14 (e) (1) Before commencing injections at the facility, the operator
15 of the facility shall provide the division with the proposed
16 maximum reservoir pressure and include data and calculations
17 supporting the basis for the pressure limit. The pressure limit shall
18 account for the pressure required to inject intended gas volumes
19 at all proposed inventory levels and the pressure limit shall not
20 exceed the design pressure limits of the reservoir, wells, wellheads,
21 piping, or associated facilities with an appropriate margin for
22 safety.

23 (2) The operator's proposed maximum reservoir pressure shall
24 be subject to review and approval by the supervisor, and the
25 supervisor shall consult with independent experts regarding the
26 appropriate maximum and minimum reservoir pressure at the
27 facility.

28 (f) Once the gas storage well comprehensive safety review is
29 complete pursuant to paragraph (5) of subdivision (c), the
30 supervisor has approved the maximum and minimum reservoir
31 pressure pursuant to paragraph (2) of subdivision (e), and the public
32 hearing is held pursuant to subdivision (d), the supervisor may
33 allow injections of natural gas at the facility.

34 (g) All gas storage wells returning to service pursuant to
35 subdivision (f) shall only inject or produce gas through the interior
36 metal tubing and not through the annulus between the tubing and
37 the well casing. The operator shall also conduct ongoing pressure
38 monitoring and comply with any other requirements specified by
39 the supervisor.

1 (h) The gas storage wells at the facility that are plugged and
2 abandoned in accordance with Section 3208 pursuant to this section
3 shall be periodically inspected by the operator for leaks using
4 effective gas leak detection techniques such as optical gas imaging.

5 (i) (1) Before the completion of the gas storage well
6 comprehensive safety review, production of natural gas from gas
7 storage wells at the facility shall be limited to gas storage wells
8 that have satisfactorily completed the testing and remediation
9 required under subparagraph (B) of paragraph (4) of subdivision
10 (c) unless insufficient production capacity is available. Only if
11 production capacity supplied by the tested and remediated wells
12 is demonstrably insufficient may the supervisor allow other gas
13 storage wells to be used.

14 (2) The supervisor shall direct the operator of the facility to
15 provide a plan to ensure, at the earliest possible time, the
16 availability of sufficient gas production capacity using gas storage
17 wells that have satisfactorily completed the testing and remediation
18 required under subparagraph (B) of paragraph (4) of subdivision
19 (c).

20 (j) With respect to the gas storage well comprehensive safety
21 review at the facility, all testing, inspection and monitoring results
22 reported to the division, gas storage well compliance status, any
23 required remediation steps, and other safety review-related
24 materials shall be posted in a timely manner by the division online
25 on a public portion of its Internet Web site.

26 (k) This section shall remain in effect only until January 1, 2021,
27 and as of that date is repealed, unless a later enacted statute, that
28 is enacted before January 1, 2021, deletes or extends that date.

29 SEC. 3. Section 714 of the Public Utilities Code is amended
30 to read:

31 714. (a) The commission, no later than July 1, 2017, shall open
32 a proceeding to determine the feasibility of minimizing or
33 eliminating use of the Aliso Canyon natural gas storage facility
34 located in the County of Los Angeles while still maintaining energy
35 and electric reliability for the region. This determination shall be
36 consistent with the Clean Energy and Pollution Reduction Act of
37 2015 (Ch. 547, Stats. 2015) and Executive Order B-30-2015. The
38 commission shall consult with the State Energy Resources
39 Conservation and Development Commission, the Independent
40 System Operator, the local publicly owned utilities that rely on

1 natural gas for electricity generation, the Division of Oil, Gas, and
2 Geothermal Resources in the Department of Conservation, affected
3 balancing authorities, and other relevant government entities, in
4 making its determination.

5 (b) ~~The proceeding opened pursuant to subdivision (a) shall be~~
6 ~~completed by December 31, 2017.~~ *commission, in conducting the*
7 *proceeding, shall act in the manner that will maximize*
8 *transparency.*

9 (c) This section shall remain in effect only until January 1, 2021,
10 and as of that date is repealed, unless a later enacted statute that
11 is enacted before January 1, 2021, deletes or extends that date.

12 SEC. 4. This act is an urgency statute necessary for the
13 immediate preservation of the public peace, health, or safety within
14 the meaning of Article IV of the California Constitution and shall
15 go into immediate effect. The facts constituting the necessity are:

16 In order to mitigate, at the earliest possible time, harm from the
17 gas leak at the Aliso Canyon natural gas storage facility, and to
18 thoroughly evaluate the integrity of and the risks associated with
19 gas storage wells at that facility, it is necessary that this act take
20 effect immediately.

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23 **CORRECTIONS:**

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