

AMENDED IN SENATE FEBRUARY 14, 2017

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SENATE BILL

No. 57

Introduced by ~~Senator~~ *Senators Stern and Hertzberg*
(Coauthors: ~~Senators Hertzberg, Allen, Wiener, and Wilk~~)
(Coauthor: Assembly Member Acosta)

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.

(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.** *The Legislature finds and declares all of the*
2 *following:*

3 (a) *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*
6 *on approximately October 23, 2015, and was not sealed until*
7 *February 18, 2016.*

8 (b) *In order to protect public health and safety, Section 3217*
9 *of the Public Resources Code requires the State Oil and Gas*
10 *Supervisor to continue the prohibition against the injection of*
11 *natural gas into the Aliso Canyon natural gas storage facility until*
12 *certain conditions are satisfied, as specified.*

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

20 ~~**SECTION 1.**~~

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

1 3217. (a) (1) The supervisor shall continue the prohibition
2 against Southern California Gas Company injecting any natural
3 gas into the Aliso Canyon natural gas storage facility located in
4 the County of Los Angeles until a comprehensive review of the
5 safety of the gas storage wells at the facility is completed and the
6 supervisor determines that well integrity has been ensured by the
7 review, the risks of failures identified in the review have been
8 addressed, the ~~Safety and Enforcement Division of the Public~~
9 ~~Utilities Commission ordered third party~~ *third-party* root cause
10 ~~analysis~~ *analysis, instigated at the direction of the Safety and*
11 *Enforcement Division of the Public Utilities Commission and the*
12 *supervisor*, of the natural gas leak from the facility that started
13 approximately October 23, 2015, has been completed and released
14 in its entirety to the public, and the supervisor’s duty to prevent
15 damage to life, health, property, and natural resources, and other
16 requirements, as specified in Section 3106, is satisfied. The
17 supervisor may not lift the prohibition on injection until the
18 Executive Director of the Public Utilities Commission has
19 concurred via letter with the supervisor regarding his or her
20 determination of safety.

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

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

28 (2) The supervisor shall direct the contracted independent
29 experts to provide a methodology to be used in assessing the tests
30 and inspections specified in the criteria. This requirement may be
31 satisfied by the independent experts reviewing and, if necessary,
32 revising the division’s written methodology for assessing the tests
33 and inspections specified in the criteria. The methodology shall
34 include all tests and inspections required by the criteria. The
35 division shall post the methodology online on a public portion of
36 its Internet Web site.

37 (c) The gas storage well comprehensive safety review shall
38 include the following steps to ensure external and internal well
39 mechanical integrity:

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

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

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

10 (4) (A) Unless a well has been fully plugged and abandoned
11 to the supervisor's satisfaction and in accordance with Section
12 3208, the well shall be evaluated and remediated in accordance
13 with subparagraph (B) or plugged in accordance with subparagraph
14 (C).

15 (B) If a gas storage well is intended to return to service for the
16 purposes of resuming injections to the facility, it shall be tested
17 and inspected from the surface to the packer or to any wellbore
18 restriction near the top of the geologic formation being used for
19 gas storage, whichever is higher in elevation, to ensure mechanical
20 integrity. As identified in the division's criteria, these tests and
21 inspections shall include the measurement of casing thickness and
22 integrity, an evaluation of the cement bond on the casing, the
23 determination as to whether any deformities in the well casing
24 exist, and an evaluation of the well's ability to withstand pressures
25 that exceed maximum allowable injection and production pressures,
26 with a reasonable margin for safety, at the facility in accordance
27 with the criteria determined by the supervisor with input from
28 independent experts pursuant to subdivision (b). If the tests reveal
29 that a well poses a risk of failure, the supervisor shall require
30 remediation and repeat tests as necessary to demonstrate to the
31 satisfaction of the supervisor that remediation has mitigated any
32 potential identified risks. If the operator cannot remediate the well
33 to mitigate the identified risks to the satisfaction of the supervisor,
34 the well shall be plugged and abandoned in accordance with
35 Section 3208.

36 (C) (i) If a well is to be taken out of service before resumption
37 of gas injections at the facility, it shall be removed from operation
38 and isolated from the gas storage reservoir through plugging
39 according to the division's criteria, including, but not limited to,
40 the demonstration of sufficient cement to prevent migrations

1 between the reservoir and other zones, placement of a mechanical
2 plug at the bottom of the well, and subsequent filling of the well
3 with fluid, and to specifications approved by the supervisor. All
4 gas storage wells that are taken out of service under this
5 subparagraph shall be subjected to ongoing testing and monitoring
6 requirements identified in the criteria determined by the supervisor
7 with input from independent experts. The monitoring shall include,
8 but not be limited to, real-time and daily pressure monitoring, as
9 applicable. A gas storage well shall not be returned to service
10 unless the testing and remediation required under subparagraph
11 (B) has been completed.

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

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

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

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

34 (e) (1) Before commencing injections at the facility, the operator
35 of the facility shall provide the division with the proposed
36 maximum reservoir pressure and include data and calculations
37 supporting the basis for the pressure limit. The pressure limit shall
38 account for the pressure required to inject intended gas volumes
39 at all proposed inventory levels and the pressure limit shall not
40 exceed the design pressure limits of the reservoir, wells, wellheads,

1 piping, or associated facilities with an appropriate margin for
2 safety.

3 (2) The operator's proposed maximum reservoir pressure shall
4 be subject to review and approval by the supervisor, and the
5 supervisor shall consult with independent experts regarding the
6 appropriate maximum and minimum reservoir pressure at the
7 facility.

8 (f) Once the gas storage well comprehensive safety review is
9 complete pursuant to paragraph (5) of subdivision (c), the
10 supervisor has approved the maximum and minimum reservoir
11 pressure pursuant to paragraph (2) of subdivision (e), and the public
12 hearing is held pursuant to subdivision (d), the supervisor may
13 allow injections of natural gas at the facility.

14 (g) All gas storage wells returning to service pursuant to
15 subdivision (f) shall only inject or produce gas through the interior
16 metal tubing and not through the annulus between the tubing and
17 the well casing. The operator shall also conduct ongoing pressure
18 monitoring and comply with any other requirements specified by
19 the supervisor.

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

24 (i) (1) Before the completion of the gas storage well
25 comprehensive safety review, production of natural gas from gas
26 storage wells at the facility shall be limited to gas storage wells
27 that have satisfactorily completed the testing and remediation
28 required under subparagraph (B) of paragraph (4) of subdivision
29 (c) unless insufficient production capacity is available. Only if
30 production capacity supplied by the tested and remediated wells
31 is demonstrably insufficient may the supervisor allow other gas
32 storage wells to be used.

33 (2) The supervisor shall direct the operator of the facility to
34 provide a plan to ensure, at the earliest possible time, the
35 availability of sufficient gas production capacity using gas storage
36 wells that have satisfactorily completed the testing and remediation
37 required under subparagraph (B) of paragraph (4) of subdivision
38 (c).

39 (j) With respect to the gas storage well comprehensive safety
40 review at the facility, all testing, inspection and monitoring results

1 reported to the division, gas storage well compliance status, any
2 required remediation steps, and other safety review-related
3 materials shall be posted in a timely manner by the division online
4 on a public portion of its Internet Web site.

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

8 ~~SEC. 2.~~

9 *SEC. 3.* Section 714 of the Public Utilities Code is amended
10 to read:

11 714. (a) The commission, no later than July 1, 2017, shall open
12 a proceeding to determine the feasibility of minimizing or
13 eliminating use of the Aliso Canyon natural gas storage facility
14 located in the County of Los Angeles while still maintaining energy
15 and electric reliability for the region. This determination shall be
16 consistent with the Clean Energy and Pollution Reduction Act of
17 2015 (Ch. 547, Stats. 2015) and Executive Order B-30-2015. The
18 commission shall consult with the State Energy Resources
19 Conservation and Development Commission, the Independent
20 System Operator, the local publicly owned utilities that rely on
21 natural gas for electricity generation, the Division of Oil, Gas, and
22 Geothermal Resources in the Department of Conservation, affected
23 balancing authorities, and other relevant government entities, in
24 making its determination.

25 (b) The proceeding opened pursuant to subdivision (a) shall be
26 completed by December 31, 2017.

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

30 ~~SEC. 3.~~

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

35 In order to mitigate, at the earliest possible time, harm from the
36 gas leak at the Aliso Canyon natural gas storage facility, and to
37 thoroughly evaluate the integrity of and the risks associated with

- 1 gas storage wells at that facility, it is necessary that this act take
- 2 effect immediately.

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