

Senate Bill No. 380

Passed the Senate May 2, 2016

Secretary of the Senate

Passed the Assembly April 28, 2016

Chief Clerk of the Assembly

This bill was received by the Governor this _____ day
of _____, 2016, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to add and repeal Section 3217 of the Public Resources Code, and to add and repeal Sections 714 and 715 of the Public Utilities Code, relating to natural gas, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 380, Pavley. 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 supervise the drilling, operation, maintenance, and abandonment of wells and the operation, maintenance, and removal or abandonment of tanks and facilities related to oil and gas production within an oil and gas field, so as to prevent damage to life, health, property, and natural resources, as provided; to permit owners and operators of wells to utilize all known methods and practices to increase the ultimate recovery of hydrocarbons; and to perform the supervisor's duties in a manner that encourages the wise development of oil and gas resources to best meet oil and gas needs in this state. Under existing law, a person who fails to comply with certain requirements relating to the regulation of oil or gas operations is guilty of a misdemeanor.

This bill would require the 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. The bill would require the supervisor to determine criteria for the gas storage well

comprehensive safety review with input from independent experts and would require the criteria to include, but not be limited to, specified tests and inspections. The bill would require the supervisor to direct the contracted independent experts to provide a methodology to be used in assessing the tests and inspections specified in the criteria. The bill would require the division to post the methodology on a public portion of its Internet Web site. The bill would require the operator of the facility to provide the division with the proposed maximum reservoir pressure and to include data and calculations supporting the basis for the pressure limit. The bill would authorize the supervisor to allow injections of natural gas into the facility once the gas storage well comprehensive safety review is complete, the division holds a duly noticed public hearing in the affected community to provide the public an opportunity to comment on the safety review findings and the proposed pressure limit, and the supervisor has approved the maximum and minimum reservoir pressure at the facility. The bill would also require that, before the completion of the gas storage well comprehensive safety review, the production of natural gas from gas storage wells at the facility be limited to gas storage wells that have satisfactorily completed the testing and remediation required under the review, except as specified. The bill would require the supervisor to direct the operator of the facility to provide a plan to ensure, at the earliest possible time, the availability of sufficient gas production capacity using gas storage wells that have satisfactorily completed the testing and remediation required under the review. The bill would require all gas storage wells returning to service under these provisions to inject or produce gas only through the interior metal tubing, and would require the operator to conduct ongoing pressure monitoring and comply with any other requirements specified by the supervisor. The bill would require the gas storage wells at the facility that are plugged and abandoned pursuant to these provisions to be periodically inspected by the operator for leaks using effective gas leak detection techniques. The bill would require the division, with respect to the review and in a timely manner, to post all testing, inspection and monitoring results, and other safety review-related materials to a public portion of the division's Internet Web site. Because a violation of certain of these requirements would be a crime, the bill would impose a

state-mandated local program. The bill would repeal these provisions on January 1, 2021.

(2) Under existing law, the Public Utilities Commission is authorized to supervise and regulate every public utility in the state. Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

This bill would require 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. The bill would require the commission, in consultation with specified entities, to determine the range of working gas necessary to ensure safety and reliability for the region and just and reasonable rates in California, and to direct the operator of the facility to provide all information the commission deems necessary to make that determination. The bill would require the commission, within 30 days of the effective date of this act, to publish a report, including specified information regarding gas production at the facility. The bill would require the commission to make the report available on its Internet Web site, and to seek public comments on the report, as specified. The bill would require the executive director of the commission, in consultation with the supervisor, to direct the operator of the facility to maintain the specified range of working gas after certain conditions have occurred. Certain provisions of this bill would be part of the act and an order or other action of the commission would be required to implement certain of the provisions. Because a violation of the bill's provisions or of an order or decision of the commission would be a crime, this bill would impose a state-mandated local program by creating new crimes. The bill would repeal these provisions on January 1, 2021.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

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

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

SECTION 1. Section 3217 is added to the Public Resources Code, to read:

3217. (a) (1) The supervisor shall 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 and the supervisor determines that well integrity has been ensured by the review, the risks of failures identified in the review have been addressed, and the supervisor's duty to prevent damage to life, health, property, and natural resources, and other requirements, as specified in Section 3106, is satisfied. The supervisor may not lift the prohibition on injection until the Executive Director of the Public Utilities Commission has concurred via letter with the supervisor regarding his or her determination of safety.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

pipng, or associated facilities with an appropriate margin for safety.

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

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

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

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

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

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

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

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

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

SEC. 2. Section 714 is added to the Public Utilities Code, to read:

714. (a) The commission, no later than July 1, 2017, shall 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. This determination shall be consistent with the Clean Energy and Pollution Reduction Act of 2015 (Ch. 547, Stats. 2015) and Executive Order B-30-2015. The commission shall consult with the State Energy Resources Conservation and Development Commission, the Independent System Operator, the local publicly owned utilities that rely on natural gas for electricity generation, the Division of Oil, Gas, and Geothermal Resources in the Department of Conservation, affected balancing authorities, and other relevant government entities, in making its determination.

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

SEC. 3. Section 715 is added to the Public Utilities Code, to read:

715. (a) The commission shall direct the operator of the Aliso Canyon natural gas storage facility located in the County of Los Angeles to provide all information the commission deems necessary for the commission to determine, in consultation with the State Energy Resources Conservation and Development Commission, the Independent System Operator, and affected publicly owned utilities, the range of working gas necessary to ensure safety and reliability for the region and just and reasonable rates in California. The determination shall be based on best available data, and shall incorporate data from recent and ongoing studies being conducted to determine energy and gas use in the region by the commission, the State Energy Resources

Conservation and Development Commission, the Independent System Operator, and affected publicly owned utilities.

(b) Within 30 days of the effective date of the act adding this section, the commission shall publish a report that includes, but is not limited to, all of the following:

(1) The range of working gas necessary at the facility to ensure safety and reliability and just and reasonable rates in California determined pursuant to subdivision (a).

(2) The amount of natural gas production at the facility needed to meet safety and reliability requirements.

(3) The number of wells and associated injection and production capacity required.

(4) The availability of sufficient natural gas production using gas storage wells that have satisfactorily completed testing and remediation required under subparagraph (B) of paragraph (4) of subdivision (c) of Section 3217 of the Public Resources Code.

(c) The commission shall make the report required under subdivision (b) available on its Internet Web site and seek, either through written comments or a workshop, public comments on the report.

(d) The executive director of the commission, in consultation with the State Oil and Gas Supervisor, shall direct the operator to maintain the specified range of working gas, determined pursuant to subdivision (a), at the facility to ensure reliability and just and reasonable rates in California, after all of the following occur:

(1) The gas storage well comprehensive safety review is complete pursuant to paragraph (5) of subdivision (c) of Section 3217 of the Public Resources Code.

(2) The State Oil and Gas Supervisor has approved the maximum and minimum reservoir pressure pursuant to subdivision (e) of Section 3217 of the Public Resources Code.

(3) The State Oil and Gas Supervisor has allowed injections of natural gas at the facility, pursuant to subdivision (f) of Section 3217 of the Public Resources Code.

(4) The commission has allowed, and received, public comment on the report pursuant to subdivision (c).

(e) In no case may the volume of working gas set by the executive director of the commission result in reservoir pressures that fall out of the range established pursuant to subdivision (e) of Section 3217 of the Public Resources Code.

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

SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

SEC. 5. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

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

Approved _____, 2016

Governor