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*****Revised on July 7, 2020 to correct the CPF references from 1-2020-005C and 1-2020-004W to 1-2020-0005C and 1-2020-0004W*****

July 7, 2020

Via Electronic Mail

Mr. Robert Burrough
Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration
840 Bear Tavern Road, Suite 300
West Trenton, NJ 08628

Re: CPF 1-2020-0005C and CPF 1-2020-0004W

Dear Mr. Burrough,

SoCalGas writes this letter to acknowledge receipt of the Pipeline and Hazardous Materials Safety Administration (PHMSA)'s Letter of Concern (CPF 1-2020-0005C) dated May 28, 2020 and Warning Letter (CPF 1-2020-0004W) dated May 28, 2020 (altogether, "letters"). These letters address the inspections from October 29 – November 1, 2019 by inspectors from the California Geologic Energy Management Division (CalGEM), acting as an Agent for the PHMSA, Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code (U.S.C.) at SoCalGas's Aliso Canyon, Honor Rancho, and Playa del Rey storage fields in Los Angeles County, California.

The letters identify one item of concern and five warning items. SoCalGas has reviewed the letters and has engaged in discussions with CalGEM to seek clarification of these findings.

Generally, SoCalGas does not agree with certain characterizations of these warnings. SoCalGas is also concerned that CalGEM may have conflated PHMSA regulations with state regulations for two of the warnings, confusing enforcement of state regulation requirements and respective compliance deadlines during this PHMSA inspection.¹ Attached are SoCalGas's written responses for these two items.

SoCalGas is committed to working with CalGEM for further clarification as an opportunity to improve our existing underground natural gas storage safety program. We look forward to providing that these findings are suitably addressed in our next inspection at our underground gas storage fields scheduled for later this year.

¹ CPF 1-2020-0004W, Item 2 and Item 4.

Please contact Troy A. Bauer at (909) 376-7208 if you have any questions or need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Troy A. Bauer', with a long horizontal flourish extending to the right.

Troy A. Bauer
Pipeline Safety and Compliance Manager

Cc:
Alan Walker, CalGEM
Daniel Wynn, CalGEM

2019 SoCalGas Storage Field Audit**10/29/2019 to 11/1/2019****Notice of Probable Violations****2) § 192.12 Underground natural gas storage facilities.****(a)**

(d) Each underground natural gas storage facility that uses a depleted hydrocarbon reservoir or an aquifer reservoir for gas storage, including those constructed not later than July 18, 2017 must meet the operations, maintenance, integrity demonstration and verification, monitoring, threat and hazard identification, assessment, remediation, site security, emergency response and preparedness, and recordkeeping requirements and recommendations of API RP 1171, sections 8, 9, 10, and 11 (incorporated by reference, see §192. 7) by January 18, 2018.

SCG failed to meet the applicable requirements and recommendations of API RP 1171, Section 9. Specifically, SCG's records did not demonstrate that site specific characteristics of the reservoir and wells were all accounted for as required by API RP 1171, Section 9.2.1, Integrity Maintenance (Section 9.2.1).

Section 9.2.1 states in part:

The operator shall maintain functional integrity of storage wells and reservoirs. Storage wells and reservoirs can have different characteristics resulting in unique requirements in approaching integrity demonstration, verification, and monitoring.

SCG's records insufficiently addressed site specific characteristics amongst the reservoir compartments and fault blocks, along with the characteristics of wells, including construction, integrity testing and workover histories. Those unique characteristics were insufficiently incorporated into risk calculations, rankings and risk mitigation protocols contained within the operator's risk management plans (RMPs) submitted to Cal GEM on April 1, 2019. Therefore, SCG failed to meet the requirements of Section 9.2.1.

SoCalGas Response: SoCalGas disputes the warning item raised that it had failed to meet the applicable requirements and recommendations of API RP 1171, Section 9, specifically regarding records that did not demonstrate that site specific characteristics of the reservoir and wells were accounted for as required by API 1171, Section 9.2.1, Integrity Maintenance. At the time of the inspection, SoCalGas referenced storage field-specific Risk Management Plans (RMP) which evaluates “*threats and hazards associated with operation of the underground gas storage project and identify prevention and mitigation protocols that effectively address those threats and hazards*”. Here, California state regulations for underground gas storage facilities have similar

(but not identical) requirements with a compliance deadline of April 1, 2019,² and to which CalGEM references in its PHMSA inspection report.³

4) **§ 192.12 Underground natural gas storage facilities.**

(b)

(d) Each underground natural gas storage facility that uses a depleted hydrocarbon reservoir or an aquifer reservoir for gas storage, including those constructed not later than July 18, 2017 must meet the operations, maintenance, integrity demonstration and verification, monitoring, threat and hazard identification, assessment, remediation, site security, emergency response and preparedness, and recordkeeping requirements and recommendations of API RP 1171, sections 8, 9, 10, and 11 (incorporated by reference, see §192. 7) by January 18, 2018.

SCG failed to meet the applicable requirements and recommendations of API RP 1171, Section 9. Specifically, SCG failed to demonstrate that it evaluated each occurrence of annular gas that exceeded operator defined threshold levels in accordance with API RP 1171, Section 9.3.2, Well Integrity Monitoring (Section 9.3.2).

Section 9.3.2 states in part:

The operator shall evaluate each annular gas occurrence that exceeds operator- or regulatory-defined threshold levels determined from well integrity evaluation and from risk assessment.

During the inspection, SCG was unable to provide documentation of the evaluation of each occurrence of annular gas that exceeded operator-defined threshold levels. Therefore, SCG failed to meet the requirements of Section 9.3.2.

SoCalGas Response: SoCalGas disputes the warning item raised that it had failed to demonstrate it evaluated each occurrence of annular gas that exceeded operator defined threshold levels in accordance with API RP 1171, Section 9.3.2. Indeed, at the time of the inspection SoCalGas did not have any confirmed occurrence of annular gas that had exceeded defined threshold levels without documentation and presented documentation during the inspection. SoCalGas storage operations took periodic readings of annular pressure consistent with API RP 1171, Section 9.3.2. A subsequent discussion with CalGEM clarified the basis of this allegation was attributed to SoCalGas’s real-time pressure monitoring systems not being fully functional yet at the time of the inspection. Real-time pressure monitoring systems are a requirement of California state regulations with a compliance deadline of January 1, 2020,⁴ which the audit pre-dated.⁵

² 14 California Code of Regulations §1726.3.

³ State regulatory requirements stipulates SoCalGas’s Risk Management Plans require approval by CalGEM.

⁴ 14 CCR §1726.7.

⁵ SoCalGas’s real-time pressure monitoring systems were fully functional by January 1, 2020, compliant with state regulatory requirements.