

## WARNING LETTER

### OVERNIGHT EXPRESS DELIVERY

May 3, 2022

Mr. Scott Drury  
President and Chief Executive Officer  
Southern California Gas Co  
555 West Fifth Street  
Los Angeles, California 90013

**CPF 1-2022-051-WL**

Dear Mr. Drury:

From October 11 through 15, 2021, an inspector from the California Geologic Energy Management Division (CalGEM), acting as an agent for the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected Southern California Gas Company's (SoCal) procedures for Aliso Canyon, Honor Rancho, and Playa Del Rey Underground Natural Gas Storage Facilities (UNGSF) located in Los Angeles County, California and their La Goleta UNGSF located in Santa Barbara County, California.

As a result of the inspection, it is alleged that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The items inspected and the probable violations are:

1. **§ 192.12 Underground natural gas storage facilities.**
  - (a) ...
  - (b) **Depleted hydrocarbon and aquifer reservoir UNGSFs.**
    - (1) ...
    - (2) **Each UNGSF that uses a depleted hydrocarbon reservoir or an aquifer reservoir for natural gas storage and was constructed on or before July 18, 2017, must meet the provisions of API RP 1171 (incorporated by reference, see § 192.7), sections 8, 9, 10, and 11, and**

**paragraph (c) of this section, by January 18, 2018, and must meet all provisions of paragraph (d) of this section by March 13, 2021.**

SCG failed to meet the provisions of API RP 1171, Section 9. Specifically, SCG's defined annular gas threshold levels were not determined from well integrity evaluations and from risk assessments in accordance with API RP 1171, Section 9.3.2 (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, CalGEM reviewed SCG's tubing-casing annulus pressure threshold limits, contained within its Gas Standard 224.119, and found that the threshold limits were set at 1250 pounds per square inch (psi) for La Goleta UNGSF (La Goleta) and at 1500 psi for Honor Rancho UNGSF (Honor Rancho). The maximum anticipated operating pressure (MAOP) for La Goleta was 1000 psi while the MAOP for Honor Rancho was 985 psi. Annulus pressure thresholds set above the MAOP are not practical as the threshold cannot be reached, even with a full release of pressure from the production tubing to the production casing annular space.

Therefore, SCG failed to meet the provisions of Section 9.3.2 regarding determination of annual gas occurrence threshold levels.

**2. § 192.12 Underground natural gas storage facilities.**

**(a) ...**

**(c) *Procedural manuals.* Each operator of a UNGSF must prepare and follow for each facility one or more manuals of written procedures for conducting operations, maintenance, and emergency preparedness and response activities under paragraphs (a) and (b) of this section. Each operator must keep records necessary to administer such procedures and review and update these manuals at intervals not exceeding 15 months, but at least once each calendar year. Each operator must keep the appropriate parts of these manuals accessible at locations where UNGSF work is being performed. Each operator must have written procedures in place before commencing operations.**

SCG failed to follow its manual of written procedures. Specifically, SGC failed to follow its Gas Standard 224.000 *Testing and Inspection of Safety Valves and Wellhead Valves Gas* (Standard 224.000) Sections 6 and 6.2 by not including instances of wellhead corrosion in its MAXIMO work orders used to document annual wellhead inspections for leaks.

Section 6 stated in part, "Results of annual inspection of Wellhead Assembly and testing of Wellhead Valves are documented and maintained in MAXIMO work orders (Job Plan Number UCPM-WELLHEAD-A)."

Section 6.2 stated in part, "Inspect wellhead assembly for paint condition and signs of corrosion."

During the inspection, CalGEM visited well sites at the La Goleta UNGSFs and witnessed that storage well Todd 1 had noticeable corrosion and missing paint. SCG was not able to provide a work order that addressed the condition. CalGEM also reviewed the monthly wellhead inspection work orders and found that the corrosion and lack of paint were not noted as required in Section 6.2.

Therefore, SCG failed to follow its Standard 224.000, Section 6 regarding documentation of annual wellhead inspections.

**3. § 192.12 Underground natural gas storage facilities.**

(a) ...

**(c) *Procedural manuals.* Each operator of a UNGSF must prepare and follow for each facility one or more manuals of written procedures for conducting operations, maintenance, and emergency preparedness and response activities under paragraphs (a) and (b) of this section. Each operator must keep records necessary to administer such procedures and review and update these manuals at intervals not exceeding 15 months, but at least once each calendar year. Each operator must keep the appropriate parts of these manuals accessible at locations where UNGSF work is being performed. Each operator must have written procedures in place before commencing operations.**

SCG failed to keep appropriate parts of its Emergency Action Plan (EAP) accessible at a location where UNGSF work was being performed in accordance with § 192.12(c).

During the inspection, CalGEM visited SCG's WEZU 18E well site at the Honor Rancho Storage field where well work was occurring. SCG was not able to demonstrate that the EAP was accessible at the well site.

Therefore, SCG failed to keep appropriate parts of its manuals accessible at locations where UNGSF work is being performed as required by § 192.12(c).

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

(a) ...

**(c) *Procedural manuals.* Each operator of a UNGSF must prepare and follow for each facility one or more manuals of written procedures for conducting operations, maintenance, and emergency preparedness and response activities under paragraphs (a) and (b) of this section. Each operator must keep records necessary to administer such procedures and review and update these manuals at intervals not exceeding 15 months, but at least once each calendar year. Each operator must keep the appropriate parts of these manuals accessible at locations where UNGSF work is being performed. Each operator must have written procedures in place before commencing operations.**

SCG failed to follow its manual of written procedures. Specifically, SCG failed to follow its *Gas*

*Inventory Assessment in Underground Storage Reservoirs* (Gas Standard 244.070) Sections 4.4.4.1 and 4.4.4.8 by failing to perform a gas storage field measurement audit and prepare a report after a discrepancy in the P/Z (reservoir pressure/compressibility factor) versus Inventory relationship of 5% of the working gas volume or more.

Gas Standard 244.070, Section 4.4.4.1 stated in part:

When Storage Engineering identifies a consistent discrepancy in the pressure or P/Z versus Inventory relationship of 5% of the working gas volume or more at a storage field that cannot be explained by known leaks such as gas vented to the atmosphere, liquid production or other reservoir changes, they request an audit of the gas measurement systems at the storage field by the Measurement, Regulation and Control (MRC) group of Gas Engineering.

Gas Standard 244.070, Section 4.4.4.8 stated in part:

MRC Measurement Technology to issue final report to Storage Field, MRC and MDO summarizing all findings, quantifying all measurement errors and detailing any revisions required to MCS Ledgers or Company Drawings.

During the inspection, SCG reported to CalGEM that there was a 17% discrepancy in the P/Z versus Inventory relationship for the November 2018 shut-in test. SCG was not able to provide an audit report for the discrepancy.

Therefore, SCG failed to follow its Gas Standard 224.070, Sections 4.4.4.1 and 4.4.4.8.

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$239,142 per violation per day the violation persists, up to a maximum of \$2,391,142 for a related series of violations. For violation occurring on or after May 3, 2021 and before March 21, 2022, the maximum penalty may not exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of violations. For violation occurring on or after January 11, 2021 and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019 and before January 11, 2021, the maximum penalty may not exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679. For violation occurring on or after November 2, 2015 and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the items identified in this letter. Failure to do so will result in Southern California Gas Co being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 1-2022-051-WL**. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. 552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b).

Sincerely,

Robert Burrough  
Director, Eastern Region, Office of Pipeline Safety  
Pipeline and Hazardous Materials Safety Administration