



# County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 713, Los Angeles, California 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

SACHI A. HAMAI  
Chief Executive Officer

January 26, 2016

Board of Supervisors  
HILDA L. SOLIS  
First District

MARK RIDLEY-THOMAS  
Second District

SHEILA KUEHL  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

To: Supervisor Hilda L. Solis, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: Sachi A. Hamai  
Chief Executive Officer

## SACRAMENTO UPDATE – GAS STORAGE FACILITIES OVERSIGHT AND REGULATION

### Executive Summary

In response to the Board's motion of January 12, 2016, which directed this office to report on legislation that would strengthen the State's oversight and regulations pertaining to gas storage facilities, this memorandum provides an interim report on recently introduced legislation of County interest related to the gas leak at the Aliso Canyon storage facility and proposed emergency regulations on oversight of gas storage facilities, in the State.

On January 20, 2016, the following measures were introduced:

- **SB 886 (Pavley).** This measure would impose a moratorium on new injections of natural gas and the use of vintage wells to remove gas from the Aliso Canyon storage facility until a determination has been made by State regulators, with input from independent experts and the public, that such activity does not pose a risk to public health or safety.
- **SB 887 (Pavley).** This bill would strengthen laws regulating gas storage facilities by requiring annual inspections, adding more rigorous safety standards, implementing continuous monitoring, and mandating that the facilities develop detailed emergency response plans.
- **SB 888 (Allen).** This bill would require that all housing, relocation and emergency response costs resulting from the Aliso Canyon leak, including costs for mitigating greenhouse gas emission, be paid from utility profits, and not passed along to ratepayers.

*"To Enrich Lives Through Effective And Caring Service"*

**Please Conserve Paper – This Document and Copies are Two-Sided  
Intra-County Correspondence Sent Electronically Only**

This office is working with the Departments of Public Health, Regional Planning, Fire, County Counsel, and Consumer and Business Affairs to analyze these measures for potential County impact and will report back to the Board.

**Proposed Emergency Regulations.** On January 15, 2016, the California Department of Conservation issued a notice of proposed regulations to implement protective standards for all underground gas storage projects in the State.

---

### **Background**

On October 23, 2015, a natural gas leak was discovered by crews working at the Aliso Canyon Natural Gas storage facility in the Porter Ranch area. The Aliso Canyon gas leak has resulted in numerous health complaints, as well as the relocation of thousands of families to temporary housing over the recent months. The ongoing exposure to the gas is impacting the health of thousands of Los Angeles County residents, and the long-term health risks from exposure to the natural gas fumes are unknown.

On December 1, 2015, the Board approved a motion to send a five-signature letter to Governor Brown to urge his support and to intercede to ensure the safety of residents of Porter Ranch and surrounding communities and to request that he use his executive authority to direct the California Division of Oil, Gas and Geothermal Resources (DOGGR) and other corresponding State Departments to take immediate action and work with the Gas Company to find an expeditious resolution to fix the gas leak. The Board also sent a five-signature letter requesting that the California Public Utilities Commission conduct a review to determine if the Gas Company was in full compliance with provisions of the Aliso Canyon Turbine Replacement Project in the Porter Ranch area.

On January 5, 2016, the Board approved a follow-up motion to send a five-signature letter to Governor Brown and the leadership of the State Legislature to fully investigate and adopt immediate reforms to update the State's regulatory processes, modernize inspection technology, and establish an independent panel of experts to oversee the inspection and repair of natural gas storage wells across the region.

On January 6, 2016, Governor Brown issued an emergency proclamation in response to the Aliso Canyon gas leak and directed DOGGR to draft emergency regulations imposing safety and reliability standards for all underground gas storage facilities in the State.

### **Legislation of County Interest**

**SB 886 (Pavley)**, which as introduced on January 20, 2016, would require DOGGR to institute an immediate moratorium on injections of natural gas into any wells located in and serving the Aliso Canyon Storage facility until a determination has been made by DOGGR that:

- 1) the integrity of each well has been quantitatively and objectively evaluated using state-of-art technology and the risks posed by well failure have been evaluated;
- 2) the age, history, and condition of each well assessed, with particular emphasis on wells drilled prior to 2006;
- 3) the technical methods and equipment used to assess well integrity and the risks posed by well failure with input from independent experts and the public;
- 4) any well posing an enhanced risk of failure has been repaired to mitigate the enhanced risk or plugged and abandoned; and
- 5) the overall risk from well failure to prevent damage to life, health, property, and natural resources and other requirements.

SB 886 would require the California Public Utilities Commission (CPUC) and the Energy Resources Conservation and Development Commission (Commission) to concur with DOGGR's determinations. This measure would also require DOGGR to prohibit the production of natural gas by any well, originally drilled earlier than 1954, at the Aliso Canyon storage facility until the integrity of and the risks associated with any of these wells have been evaluated and determined acceptable, with the concurrence of the CPUC and the Commission. This bill would also require the CPUC to determine the feasibility of minimizing or eliminating the use of the Aliso Canyon natural gas storage facility while maintaining energy reliability for the region, and to consult with the Commission, the Independent System Operator, DOGGR, and other relevant government entities, in making its determination.

SB 886 is an urgency measure and will require a two-thirds vote of the Legislature to pass. If signed by the Governor, this measure would take effect immediately.

**SB 887 (Pavley)**, which as introduced on January 20, 2016, would strengthen current laws governing regulation of gas storage facilities by increasing inspections and health and safety measures. This measure would:

- 1) require, before January 1, 2018, and annually thereafter, DOGGR to inspect all natural gas storage wells serving or located in a natural gas storage facility and would prescribe standards for a natural gas storage well;
- 2) require natural gas storage wells in existence on December 31, 2016, to be brought into compliance with the provisions of this bill and require older wells to be phased out. (Dates for these provisions are not currently specified in the bill);
- 3) prohibit DOGGR from issuing a permit for a new natural gas storage well located within an unspecified distance of a sensitive receptor and to order operators to cease the use of, and plug and abandon, an existing natural gas storage well that is within an unspecified distance of a sensitive receptor by an unspecified date;
- 4) require, in the event of a loss of the integrity of a natural gas storage well, well casing, or cementing that results in a significant, uncontrolled natural gas leak, that preparations for the drilling of a relief well begin within 24 hours of the discovery of the leak;
- 5) require the operator, in the event of a leak of any size from a natural gas storage well, to notify DOGGR immediately and require DOGGR to post information about the leak on its website;
- 6) require DOGGR to convene an independent panel of recognized experts to develop best practices for natural gas storage facilities and to review and incorporate that information into regulations for natural gas storage wells and for other wells under DOGGR's jurisdiction;
- 7) require DOGGR, in consultation with the Office of Environmental Health Hazard Assessment, the California Department of Public Health, and the Department of Industrial Relations, to perform a risk assessment of natural gas storage wells and to report the findings of the risk assessment to the Legislature;
- 8) require the California Air Resources Board (CARB), in consultation with any local air district, to develop guidelines for a program that includes continuous monitoring of the ambient concentration of natural gas at sufficient locations throughout a natural gas storage facility, or planned natural gas storage facility to identify natural gas leaks;
- 9) require all materials provided to DOGGR to comply with these provisions to be posted and available to the public on DOGGR's website;

- 10) require certain materials, relating to wells serving or located in a natural gas storage facility, to be submitted by the operator and approved at DOGGR's discretion before approval of a notice to commence drilling;
- 11) provide the public the right to review the location of all new natural gas storage wells or of existing wells converting to a natural gas storage before the approval of the notice to commence drilling;
- 12) require the well history to include all operations, injection, production, and emplacement of any materials into a natural gas storage well, to be disclosed by the operator.

**SB 888 (Allen)**, which as introduced on January 20, 2016, would designate the California Office of Emergency Services (CalOES) as the lead agency for emergency response to a leak from a natural gas storage facility. This measure would also:

- 1) Require the CPUC to deposit moneys from penalties assessed against a gas corporation resulting from a leak into the Gas Storage Facility Leak Mitigation Account, which the bill would establish in the State Treasury;
- 2) Specify that moneys placed in this account be expended, upon appropriation by the Legislature, solely for direct emissions reductions in furtherance of the achieving greenhouse gas emissions limits; and
- 3) Prohibit a gas corporation from recovering any moneys paid for fines, penalties, or damages to residents, businesses, and other parties adversely affected by a gas storage facility leak in any rate increase approved by the CPUC, and require that those costs and expenses be paid for by the gas corporation and its shareholders.

SB 886, SB 887, and SB 888 are pending referral to Senate policy committees. According to Senator Pavley's office, additional bills dealing with issues raised by the Aliso Canyon gas leak are expected to be introduced in the coming weeks.

### **Proposed Emergency Regulations**

On January 15, 2016, the California Department of Conservation (CDC) issued a notice to adopt emergency regulations for all natural gas storage facilities. The intent of the emergency regulations is to protect public health, safety, and the environment by ensuring the immediate implementation of protective standards for all underground gas storage projects in the State.

The CDC reports that the emergency regulations will be established under the State's emergency rulemaking process to ensure that regulations are in place while permanent regulations are being finalized. The proposed emergency regulations will be submitted to the Office of Administrative Law on January 26, 2016, after which all interested parties will have five calendar days to submit comments.

Consistent with the Governor's emergency proclamation, the proposed emergency regulations will require implementation of performance standards specifically designed to ensure that operators of underground gas storage facilities are properly mitigating risks and taking all appropriate steps to prevent uncontrolled releases, blowouts, and other infrastructure-related accidents.

The specific objectives of the emergency regulations are as follows:

- 1) **Require Complete Project Data.** Require operators of underground gas storage facilities to provide DOGGR with complete data regarding the geologic characteristics of the storage reservoir and require data supporting the storage project to include the bases for establishing maximum and minimum reservoir pressure limits.
- 2) **Pressure Limits.** Require DOGGR to impose minimum and maximum reservoir pressure limits on a project-specific basis, and prohibit injection beyond pressure limits.
- 3) **Monitoring for Annular Gas.** Require operators to monitor wells that are part of an underground storage project for the presence of gas in the annuli of the well casings by monitoring annular pressure and annular gas flow in the well. Ongoing compliance with this performance standard would be required soon after the effective date of the proposed emergency regulations following an appropriate, but brief grace period to allow for the readiness of monitoring systems.
- 4) **Valve Testing.** Require function testing of all surface and subsurface safety valve systems, master valves, and pipeline isolation valves. Testing of all valves would be required following an appropriate, but brief grace period to allow for the readiness of testing systems and protocols and, thereafter, at an appropriate regular interval.
- 5) **Inspections of Wellhead Assembly and Attached Pipelines.** Require operators to inspect the wellhead assembly and attached pipelines for each well used in the gas storage project. Operators would be required to conduct ongoing inspections and use effective leak detection technology such as infrared imaging.

Each Supervisor  
January 26, 2016  
Page 7

- 6) **Risk Management Plans.** Require operators to develop comprehensive Risk Management Plans within an appropriate time after the effective date of the emergency regulations. The plans, which would be subject to DOGGR approval and routinely updated, would address data collection, hazard identification, risk analyses, preventative and monitoring processes to reduce risks, and periodic reassessment procedures. Operators would be required to include protocols for ongoing verification of mechanical integrity of the wells within the gas storage facility, corrosion monitoring and corrosion risk assessments, ongoing verification of reservoir integrity, and specific identification of potential threats and hazards associated with the project.

The Departments of Public Health, Fire and County Counsel are currently reviewing the proposed emergency regulations. This office will compile departmental feedback and, if necessary, submit comments on the proposed regulations to the Office of Administrative Law and the California Department of Conservation during the upcoming comment period.

We will continue to keep you apprised.

SAH:JJ:MR  
VE:AO:lm

c: All Department Heads  
Legislative Strategist  
Local 721  
Coalition of County Unions  
California Contract Cities Association