

Date of Hearing: June 14, 2023

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Eduardo Garcia, Chair

SB 305 (Stern) – As Amended April 19, 2023

**SENATE VOTE:** 38-0

**SUBJECT:** Aliso Canyon Recovery Account

**SUMMARY:** Authorizes moneys from the Aliso Canyon Recovery Account to be allocated to include mitigating impacts on public health in vulnerable communities.

**EXISTING LAW:**

- 1) Creates the Aliso Canyon Recovery Account and requires all moneys collected pursuant to any settlements, unless restricted by a court for another purpose, abatement orders, fines, or penalties by the California Public Utilities Commission (CPUC) from a gas corporation serving the Los Angeles Basin pursuant to an administrative enforcement or legal proceeding relating to a certain well failure at the Aliso Canyon natural gas storage facility to be deposited into the account. Authorizes moneys in the account to be allocated, upon appropriation by the Legislature, for purposes of mitigating impacts on local air quality, public health, and ratepayers resulting from the well failure at Aliso Canyon, as specified. (Public Utilities Code § 2104.7)
- 2) Required, until January 1, 2021, the CPUC, no later than July 1, 2017, to open a proceeding to determine the feasibility of minimizing or eliminating the 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. (Public Utilities Code § 714)
- 3) Requires Los Angeles Department of Water and Power (LADWP), in consultation with the city council of the City of Los Angeles (if the council chooses to participate), by June 1, 2018, to determine the cost-effectiveness and feasibility of deploying a minimum of aggregate total of 100 megawatts (MWs) of cost-effective energy storage solutions, and then consider that deployment, as specified. Requires Southern California Edison (SCE), by June 1, 2018, to deploy a minimum aggregate total of 20 MWs, of cost-effective, energy storage solutions, to the extent doing so is cost-effective, feasible and necessary to meet the energy reliability requirements of the electrical system in the Los Angeles Basin. Authorizes SCE to count this deployment within the distributed energy storage cap and requires that the procurement be done through a competitive solicitation. (Public Utilities Code § 2836.7)
- 4) Requires a local publicly owned electric utility providing electric service to 250,000 or more customers within the Los Angeles Basin to maximize the use of demand response, renewable energy resources, and energy efficiency to reduce demand in the area where electrical reliability has been impacted as a result of reductions in gas storage capacity and gas

deliverability resulting from the well failure at the Aliso Canyon facility. (Public Utilities Code § 9616)

- 5) Defines “vulnerable communities” as what was adopted by the Integrated Climate Adaptation and Resiliency Program Technical Advisory Council at the council’s April 2, 2018, meeting and recorded in “Defining Vulnerable Communities in the Context of Climate Adaptation,” the resource guide published by the Office of Planning and Research in July 2018. This definition states “vulnerable communities experience heightened risk and increased sensitivity to climate change and have less capacity and fewer resources to cope with, adapt to, or recover from climate impacts.”<sup>1</sup> (Public Resources Code § 71340)
- 6) Defines “vulnerable communities,” for the purposes of public health equity, as including, but not limited to, women, racial or ethnic groups, low-income individuals and families, individuals who are incarcerated and those who have been incarcerated, individuals with disabilities, individuals with mental health conditions, children, youth and young adults, seniors, immigrants and refugees, individuals who are limited-English proficient (LEP), and lesbian, gay, bisexual, transgender, queer, and questioning (LGBTQQ) communities, or combinations of these populations. (Health and Safety Code § 131019.5 (a)(5))

**FISCAL EFFECT:** Unknown. This bill is not keyed fiscal.

**COMMENTS:**

- 1) *Author’s Statement.* According to the author, “It has been 7 years since the Aliso Canyon Natural Gas Storage blow-out and many of the communities surrounding the storage facility are still dealing with the legacy of that fateful period. A period that did not last for a few days, but lasted for months, endangering nearby communities, public schools, and vulnerable communities. Fortunately, as part of the mitigation and remediation of this catastrophic event, the Aliso Canyon Recovery Account was created to mitigate impacts on local air quality, public health, and ratepayers resulting from the well failure at Aliso Canyon. However it did not specifically include vulnerable communities. SB 305 ensures vulnerable communities are specifically included to be eligible to receive funding.”
- 2) *Aliso Canyon Natural Gas Storage Facility.* On October 23, 2015, a natural gas leak from a gas storage well (“SS-25”) was discovered at the Southern California Gas’ (SoCalGas’) Aliso Canyon natural gas storage facility located in northeastern Los Angeles County. The facility is the largest underground natural gas storage facility in the western United States. The SS-25 well, originally drilled in 1953 and converted to natural gas storage service in 1973, is located uphill from, and approximately 1.25 miles from homes in the Porter Ranch community. After nearly four months of several attempts to “kill” the well, the SS-25 leak

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<sup>1</sup> Office of Planning and Research, “Defining Vulnerable Communities in the Context of Climate Adaptation,” July 2018; [https://opr.ca.gov/climate/docs/20200720-Vulnerable\\_Communities.pdf](https://opr.ca.gov/climate/docs/20200720-Vulnerable_Communities.pdf)

was declared stopped on February 18, 2016 following a successful kill attempt using a newly-drilled relief well. The California Air Resources Board (CARB) estimated that 109,000 metric tons of methane, a potent greenhouse gas (GHG) and short-lived climate pollutant (SLCP), were emitted into the atmosphere from the leak.<sup>2</sup> The leak received extensive news coverage, and is considered one of the largest leaks of its kind. The SS-25 leak caused severe disruption in the surrounding communities. Over 8,000 households relocated at some point during the leak, and thousands of health and odor complaints were received by regulators.

- 3) *Aliso Canyon Recovery Account*. The Aliso Canyon Recovery Account is a State Treasury account established under SB 801 (Stern, Chapter 814, Statutes of 2017). The account has received no funds to date. However, funds are expected as early as 2027, with additional funds around 2032, pursuant to an existing \$119.5 million Mitigation Agreement between SoCalGas, CARB, and the Attorney General.<sup>3</sup> This Mitigation Agreement reflects SoCalGas' obligation to mitigate 109,000 metric tons of methane emissions, since methane is a GHG and SLCP. The Mitigation Agreement requires SoCalGas to provide partial financing, in the form of loans (10-year terms), to dairy projects, organized into three clusters, which will capture, upgrade, and inject biomethane into a common carrier pipeline. The Mitigation Agreement requires, following five years upon completion of the mitigation, one-third of project proceeds to be transferred to the Aliso Canyon Recovery Account, as well as other specified disbursements.<sup>4</sup>

According to the quarterly reports regarding the Mitigation Agreement posted on CARB's website, as of May 10, 2022, CARB approved 113,327 metric tons of Mitigation Fund Certified Reductions for the seven mitigation projects constructed pursuant to the Mitigation Agreement, representing 104% of the total reductions required.<sup>5</sup> Subsequent quarterly updates have not yet been posted to CARB's website.<sup>6</sup>

- 4) *Potential CPUC Monetary Fine*. In 2019, the CPUC opened an investigation in relation to the Aliso Canyon leak.<sup>7</sup> The investigation posed the possibility of penalties against SoCalGas

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<sup>2</sup> Stanley Young, CARB Press Release, "Aliso Canyon leak emitted 109,000 metric tons of methane," October 21, 2016; <https://ww2.arb.ca.gov/news/aliso-canyon-leak-emitted-109000-metric-tons-methane#:~:text=CARB%20staff%20estimated%20a%20range,ensure%20full%20and%20complete%20mitigation.>

<sup>3</sup> CARB Press Release #19-09, "CARB announces \$119.5 million settlement with SoCal Gas over Aliso Canyon natural gas leak," February 25, 2019; <https://content.govdelivery.com/accounts/CARB/bulletins/2325c34>

<sup>4</sup> Pg. 20, Appendix A to Consent Decree, *People v. Southern California Gas Company*, JCCP no. 4861, [https://ww2.arb.ca.gov/sites/default/files/2023-04/Aliso\\_Canyon\\_Mitigation\\_Agreement.pdf](https://ww2.arb.ca.gov/sites/default/files/2023-04/Aliso_Canyon_Mitigation_Agreement.pdf)

<sup>5</sup> Pg. 3, CARB, *Aliso Canyon Mitigation Program Quarter 2 – 2022 Report (April 2022-June 2022)*, [https://ww2.arb.ca.gov/sites/default/files/2022-11/Aliso\\_Canyon\\_Mitigation\\_Program\\_Q2\\_2022.pdf](https://ww2.arb.ca.gov/sites/default/files/2022-11/Aliso_Canyon_Mitigation_Program_Q2_2022.pdf)

<sup>6</sup> <https://ww2.arb.ca.gov/aliso-canyon-mitigation-agreement-reporting-summaries>

<sup>7</sup> OII. 19-06-016, *Order Instituting Investigation on the Commission's Own Motion into the Operations and Practices of Southern California Gas Company with Respect to the Aliso Canyon storage facility and the release of natural gas, and Order to Show Cause Why Southern California Gas Company Should Not Be Sanctioned for Allowing the Uncontrolled Release of Natural Gas from its Aliso Canyon Storage Facility. (U904G)*, June 27, 2019; <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M306/K041/306041251.PDF>

for potential violations resulting from the leak which may be deposited into the Aliso Canyon Recovery Account.<sup>8</sup>

In October 2022, the Public Advocates Office and Safety and Enforcement Division at the CPUC entered into a settlement agreement with SoCalGas to resolve all claims or violations arising from, or related to, the leak.<sup>9</sup> Among the many violations and items detailed in the proposed settlement agreement is \$105.1 million monetary fine related to the leak incident. The \$105.1 million fine is offset by \$34.1 million for costs incurred by SoCalGas in mitigating the gases emitted by the leak. The balance of the fine, \$71 million, is proposed to be paid to the Aliso Canyon Recovery Account. The proposed settlement agreement has not been approved. In December 2022, the CPUC extended the proceeding deadline to December 31, 2023 to allow the parties and administrative law judge to consider the merits of the proposed settlement agreement.<sup>10</sup> As such, no funding to date from CPUC-levied monetary fines has been deposited into the Aliso Canyon Recovery Account.

- 5) *Which communities are vulnerable?* This bill adds to the list of potential Legislative appropriations from the Aliso Canyon Recovery Account mitigating impacts on public health in vulnerable communities. As currently drafted, this bill does not provide a definition for vulnerable communities or specify which communities would be considered vulnerable. In background provided to this committee, the author indicated the desire for the communities of Northridge, Chatsworth Lake Manor, and Porter Ranch to be considered as vulnerable communities for the purposes of this bill. Current statute provides at least two definitions of “vulnerable communities,” one in the Public Resources Code related to a community’s heightened risk to climate change,<sup>11</sup> and one in the Health and Safety Code related to public health equity.<sup>12</sup> As this bill is seeking to address specified communities’ public health impacts related to the Aliso Canyon leak, the definition in the Health and Safety Code may be more appropriate; however it is unclear if such a definition would be inclusive enough to capture all communities the author seeks. The author may wish to consider adding a specific definition that captures his intent. Otherwise, eligibility will be determined by future appropriations of the Legislature.

- 6) *Prior Legislation.*

SB 801 (Stern) made several requirements of energy utilities serving ratepayers in the Los Angeles Basin to support energy reliability where it has been affected by reductions in storage gas capacity and gas deliverability resulting from the 2015 leak at the Aliso Canyon

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<sup>8</sup> Pg. 12, I. 19-06-016, *Ibid.*

<sup>9</sup> OII 19-06-016, *Joint Motion of the Safety and Enforcement Division, Southern California Gas Company (U 904 G) and the Public Advocates Office for Adoption of Settlement Agreement*, October 28, 2019; <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M498/K053/498053503.PDF>

<sup>10</sup> D. 22-12-047, *Order Extending Statutory Deadline*, I. 19-06-016, December 15, 2022.

<sup>11</sup> PRC § 71340

<sup>12</sup> HSC § 131019.5 (a)(5))

storage facility, operated by SoCalGas. Also established the Aliso Canyon Recovery Account. Status: Chapter 814, Statutes of 2017.

SB 380 (Pavley) established specifics governing the Aliso Canyon natural gas storage facility-testing criteria, requirements to be met prior to re-starting injections at the facility, and required a CPUC proceeding to examine the feasibility of shutting down or minimizing the use of the facility due to the 2015 gas leak. Status: Chapter 14, Statutes of 2016.

SB 888 (Allen) directed how penalty funds assessed for the Aliso Canyon gas leak would be expended, and required climate change impacts from gas storage facility leaks be fully offset. Status: Chapter 536, Statutes of 2016.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

California Association of Professional Scientists  
Log Cabin Mercantile Heritage, INC.  
Sierra Club

**Opposition**

None on file.

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