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Dear Policymaker/Community Leader:

This letter is to update you on the progress we are making in cooperation with DOGGR and the California Public Utilities Commission (CPUC) to complete a Comprehensive Safety Review and to meet the region's electricity and natural gas needs.

Over the last year, SoCalGas has taken the steps required by state law and regulations to resume injections and replenish the supply of natural gas at Aliso Canyon. SoCalGas has made extensive physical, technological, and safety enhancements at the Aliso Canyon facility. This includes the replacement of the inner metal tubing of every well approved for injection—totaling almost 50 miles of new steel piping installed. We have introduced real-time pressure monitoring of each well, installed a fence-line methane monitoring system, and launched a new community notification system. More information on all of the enhancements to the field is available at <https://www.socalgas.com/stay-safe/pipeline-and-storage-safety/aliso-canyon-storage-facility>.

State Regulators and Independent Experts Confirm that Aliso Canyon is Necessary

State regulators and independent experts have determined that the Aliso Canyon facility is necessary to maintain energy reliability in the greater Los Angeles area. In a report dated August 22, 2016, the CPUC, the California Energy Commission, California Independent System Operator (CAISO), and the Los Angeles Department of Water and Power confirm this.

We continue to cooperate with the CPUC and DOGGR to determine the withdrawal capacity, number of wells, and inventory at the field necessary to safely and reliably meet the region's energy needs. The CPUC is required to open a proceeding by July 1, 2017 to determine whether and to what extent the facility will be used in the future. We look forward to participating in that proceeding and will continue to keep you updated on important developments.

Comprehensive Safety Review Update

Well inspections continue in compliance with applicable regulations and state law. As of Friday, January 6, 2017:

- 114 (or 100 percent) of the active wells at Aliso Canyon have completed the first phase of required tests;
 - 34 wells have passed all of the required tests and have received final DOGGR approval;
 - 68 wells are mechanically sealed off from the reservoir and await the second phase of tests; and
 - 11 wells are currently undergoing the second phase of tests.

On November 1, 2016, SoCalGas requested authority from DOGGR to resume injection operations at the field through approved wells only. While Aliso continues to stand ready to withdraw gas today if needed to meet energy reliability, no natural gas has been injected into the field since October 25,

2015. We will not resume injections until after DOGGR and the CPUC have completed their review and granted approval.

The Need for Aliso Canyon

While our service region has experienced mild temperatures in the late summer and fall of this year, weather changes here and outside of California could still cause natural gas shortages in the coming months and into the summer if SoCalGas is not permitted to inject additional natural gas supplies at Aliso Canyon. In the past, Aliso Canyon has proven invaluable to preserving service during periods of high demand or supply shortages, when the flow of natural gas coming into the state was low due to market conditions beyond SoCalGas' control, such as well freeze-offs in the producing basins or other gas supply disruptions.

During winter peak days in the past, our region has relied heavily on supplies from Aliso Canyon to keep homes warm and generate electricity. In fact, between 2012 and 2015, natural gas withdrawals from Aliso Canyon were used on 84 percent of winter days to meet the energy needs of our customers.

As mandated by the CPUC, the amount of natural gas available in the Aliso Canyon storage facility currently stands at approximately 15 billion cubic feet (bcf), or 17 percent of capacity—a level that has never been so low at this time of year.

Already this winter, we have had to further rely on our storage capabilities at our three other storage fields, which increases the risk of curtailments later this year. We have had to purchase additional supplies from the interstate natural gas market, exposing our customers to potential price spikes, which could lead to higher bills. We have also had to call a curtailment watch as part of our "SoCalGas Advisory" program. Similar to what is done for Flex Alerts on the electric side, a SoCalGas Advisory asks customers to voluntarily reduce their energy consumption at times when supplies are low. We have enrolled over 1,800 customers in this demand response program, including both residential and large customers.

Moving Forward

We recognize that it is important for DOGGR and CPUC to complete their detailed analysis and review so that they can independently confirm that Aliso Canyon is safe. We continue to make our personnel available to the regulatory agencies to support a transparent and expeditious review process.

SoCalGas supports and recognizes the importance of the public process outlined in SB 380. We remain committed to keeping the community informed of the status of the facility and have improved our communications tools through our new notification system available to the public through our website.

As we move forward to the public meeting required under SB 380, we thank you for your continued engagement throughout this process. I am happy to answer any questions you may have.

Sincerely,

A handwritten signature in blue ink that reads "Rodger R. Schwecke". The signature is fluid and cursive, with the first name "Rodger" and last name "Schwecke" clearly legible.

Rodger Schwecke
Vice President, Gas Transmission & Storage
SoCalGas