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**BEFORE THE HEARING BOARD OF THE
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

In the Matter of

SOUTH COAST AIR QUALITY
MANAGEMENT DISTRICT,

Petitioner,

vs.

SOUTHERN CALIFORNIA GAS COMPANY,
ALISO CANYON STORAGE FACILITY

[Facility ID No. 800128]

Respondent.

Case No. 137-76

**FINDINGS AND DECISION FOR AN
ORDER FOR ABATEMENT UPON
STIPULATION**

Health and Safety Code §41700 and
District Rule 402

Hearing Date: January 9, 2016

Time: 9:00 a.m.

Place: Granada Hills Charter High School
10535 Zelzah Avenue
Granada Hills, CA 91344

This Petition for a Stipulated Order for Abatement was heard on January 9, 2016, pursuant to notice in accordance with the provisions of California Health and Safety Code ("H&S Code") §40823 and District Rule 812. The following members of the Hearing Board were present: Edward Camarena, Chair; Patricia Byrd, Vice Chair; Julie Prussack; Clifton Lee, M.D.; and David Holtzman. Petitioner, Executive Officer, was represented by Nancy S. Feldman, Principal Deputy District Counsel, and Nicholas A. Sanchez, Senior Deputy District Counsel. Respondent SOUTHERN CALIFORNIA GAS COMPANY (hereinafter referred to as "Respondent" or "SoCalGas"), was represented by Vincent M. Gonzales, Senior Environmental Counsel, Southern California Gas Company, and Robert A. Wyman and Michael J. Carroll, attorneys at law, with the firm of Latham & Watkins LLP. The public was given the opportunity to testify, evidence was

received and the matter was submitted. The Hearing Board finds and decides as follows:

FINDINGS OF FACT

1. Petitioner is a body corporate and politic established and existing pursuant to H&S Code §40000, *et seq.* and §40400, *et seq.*, and is the sole and exclusive local agency with the responsibility for comprehensive air pollution control in the South Coast Basin.

2. SoCalGas is a public utility engaged in the transmission, storage and distribution of natural gas in the Southern California area and subject to the jurisdiction of the California Public Utilities Commission (CPUC). SoCalGas' Aliso Canyon Storage Facility is located at 12801 Tampa Avenue, Northridge, California 91326 (the "Facility"). It is used to store natural gas in underground reservoirs during periods when demand for gas is low and supplies are plentiful. When demand is high and supplies are scarce, gas is then withdrawn from the Facility and distributed to customers. The Aliso Canyon Storage Facility is subject to the jurisdiction and, in various aspects, authority of multiple agencies, including but not limited to the District, the CPUC and the California Department of Conservation, Division of Oil, Gas and Geothermal Resources (DOGGR).

3. **California H&S Code §41700 and District Rule 402** prohibit the discharge from any source whatsoever of such quantities of air contaminants or other material which cause injury, detriment, nuisance, or annoyance to any considerable number of persons or to the public, or which endanger the comfort, repose, health or safety of any such persons or the public, or which cause, or have a natural tendency to cause, injury or damage to business or property.

4. SoCalGas' Facility is located within the District's jurisdiction and subject to the District's regulations. In the course of operating the Facility, Respondent stores natural gas at Well SS-25 (the "Well"). The Well extends 8,500 feet below the surface of the earth and is one of 115 storage wells at the 3,600-acre Facility. The Facility can hold 86 billion cubic feet of natural gas.

5. Beginning on or about October 23, 2015, SoCalGas discovered a leak at the Well. The natural gas leaking from the Well contains mercaptan and tetrahydrothiophene (THT) odorant. SoCalGas' efforts to stop the leak have been unsuccessful to date.

6. Beginning on October 23, 2015, and continuing through the present, the District has received over 1,600 odor complaints from the public alleging the SoCalGas Facility as the source of the odor.

1 7. On November 5, 2015, the District issued Notice to Comply E-26893 to Respondent,
2 requiring SoCalGas to provide the following information:

- 3 a. On what date and how did SoCalGas first become aware of the natural gas leak?
- 4 b. What steps have been taken to repair the affected well injection site; when was each step
5 taken; and did it control/eliminate the release of natural gas into ambient air?
- 6 c. What specific recommendations have been made to SoCalGas to control/eliminate odors
7 from the affected well injection site?
- 8 d. What recommendations have been made to SoCalGas in regards to the air monitoring
9 plan(s) for both onsite and community sampling?
- 10 e. What recommendations have been made by the State of California, Natural Resources
11 Agency, Department of Conservation Division of Oil, Gas and Geothermal Resources
12 (DOGGR) or any other regulatory agencies in regards to controlling/eliminating the
13 release of natural gas from the affected injection well site?

14 8. In addition, SoCalGas was required to safely and as quickly as possible stop the release of
15 natural gas from the affected well site and all of its associated appurtenances, so as to prevent odors from
16 natural gas, including odorants, from impacting the nearby communities. On November 10, 2015, SoCalGas
17 provided a written response to Notice to Comply E-26893 indicating its investigation of the events
18 surrounding the incident and response efforts are ongoing.

19 9. On November 23, 2015, the District issued Notice of Violation (NOV) P62646 to Respondent
20 alleging an ongoing odor public nuisance pursuant to H&S Code §41700 and District Rule 402. The District
21 alleges that Respondent is in violation and has been in violation of H&S Code §41700 and District Rule 402
22 since October 24, 2015.

23 10. The District asserts NOV P62646 includes violations due to SoCalGas' creation of an alleged
24 public nuisance by discharging odor emissions into nearby communities starting on October 24, 2015, and
25 continuing through the present and until SoCalGas achieves compliance by operating its Facility without
26 creating a public nuisance.

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1 11. On November 18, 2015, the DOGGR issued an Emergency Order requiring SoCalGas,
2 among other things, to submit a time schedule by November 20, 2015, stating when a relief well site
3 preparation will be complete and when drilling will commence.

4 12. On December 3, 2015, SoCalGas notified the District of its intent to commence drilling the
5 relief well on December 4, 2015, pursuant to District Rule 1148.2.

6 13. SoCalGas anticipates it will complete drilling the relief well sometime in February 2016 or
7 March 2016.

8 14. On December 9 and 10, 2015, District Inspectors visited the Facility and conducted an
9 infrared camera inspection to check for leaks that may be contributing to the alleged odor nuisance. The
10 District Inspectors were unable to inspect the Well due to health and safety reasons.

11 15. During the Facility inspection, District Inspectors observed approximately 16 wells that were
12 not accessible. District Inspectors observed 15 wells through the infrared camera that indicated leaking
13 valves, fittings, and/or flanges. The infrared camera observations reflected relatively minor leaks that were
14 significantly less than the leak at Well SS-25 and below levels that would constitute a violation of current
15 District rules. SoCalGas had staff present during the District Inspector's Facility visit, and they represented
16 that they were actively repairing leaks and that SoCalGas' staff and consultants had been dispatched to check
17 the location of leaks. All the minor well leaks discovered by District Inspectors on December 9 and 10, 2015
18 have been repaired.

19 16. On December 19, 2015, SoCalGas notified the District that it intended to commence drilling
20 a second relief well in mid-January 2016.

21 17. On January 6, 2016 Governor Brown issued a Proclamation of a State of Emergency due to
22 the natural gas leak at the Well SS-25 which directed that certain actions related to the leak be taken by
23 SoCalGas and various state agencies.

24 18. The District alleges that SoCalGas is unable to conduct operations at the Facility without
25 being in violation of H&S Code §41700 and District Rule 402. SoCalGas has been unable to stop discharging
26 air pollutants impacting nearby communities and has stated publicly that it will take at least three months to
27 stop the leak.

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19. The SCAQMD staff has been directed by its Governing Board to initiate rulemaking to govern good maintenance and safe operation of injection wells at facilities throughout the South Coast Basin.

CONCLUSIONS

20. The Order set forth hereinafter is likely to mitigate the conditions contributing to the odor nuisance and further compliance with SCAQMD rules and regulations. This Order is intended to help reduce air emissions impacts to the nearby communities, implement steps to reduce any public health impacts that may exist, and alleviate odors while a more permanent solution is achieved.

21. The District, by this Petition, seeks an Order for Abatement to impose certain conditions on Respondent's operation of its Facility. The District believes that such conditions will bring Respondent's operation in compliance with the District's rules.

22. It is not unreasonable to require Respondent to comply with District rules and regulations.

23. The issuance of an Order for Abatement upon a fully noticed hearing would not constitute a taking of property without due process of law.

24. This Order for Abatement is not intended to be nor does it act as a variance.

ORDER

THEREFORE, subject to the aforesaid statements and good cause appearing, the Hearing Board hereby orders Respondent to immediately cease and desist from operating the Facility in a manner that violates H&S Code §41700 and District Rule 402, or in the alternative comply with the following conditions and increments of progress:

CONDITIONS AND INCREMENTS OF PROGRESS¹

¹ Equipment and operations at the Aliso Canyon Facility are subject to the jurisdiction and regulatory requirements of multiple state agencies, including but not limited to the South Coast Air Quality Management District, the California Air Resources Board, the California Public Utilities Commission, and the California Department of Conservation Division of Oil, Gas and Geothermal Resources. The conditions of this Order shall not in any way restrict or expand the scope of jurisdiction of any agency. If any agency that shares jurisdiction over the Aliso Canyon Facility with the SCAQMD requires SoCalGas to take any action that is inconsistent with this Order, SoCalGas shall immediately contact the SCAQMD by email at nsanchez@aqmd.gov, nfeldman@aqmd.gov, and mnazemi@aqmd.gov and describe the inconsistent provisions. SoCalGas shall endeavor to resolve the inconsistency with the Executive Officer or his designee. If the inconsistency is resolved, SoCalGas shall immediately inform the Hearing Board in writing. If the inconsistency cannot be resolved, SoCalGas shall notice a hearing before the Board for further proceedings. At such proceeding, only the provision in dispute shall be resolved by the Hearing Board while the other conditions in this Order shall remain in full force and effect.

1 **Leaking Well (SS-25)**

2 1. Commencing upon issuance of this Order and continuing until such time as the leak at the
3 Well has ceased, SoCalGas shall continuously monitor the Well site with an infrared camera. Monitoring
4 shall be conducted in accordance with a protocol to be submitted prior to the close of evidence. To address
5 any circumstances not specifically identified in the plan, SoCalGas shall notify the Executive Officer or his
6 designee, in writing of the circumstances in question and propose modifications to the plan to address them
7 and refrain from implementing such modifications until such time as the District approves the modification
8 in writing. SoCalGas shall make a second infrared camera or equivalent available at the Facility to
9 SCAQMD staff upon request for monitoring the Facility. Any such monitoring by SCAQMD staff shall be
10 coordinated with SoCalGas to ensure the safety of all persons at the Facility. All infrared camera data
11 collected by SoCalGas shall be maintained for the duration of this Order and made available to the
12 SCAQMD staff upon request. In the event that such data is made available to the SCAQMD, SoCalGas
13 may identify the data as confidential data pursuant to California Government Code § 6254.7(e), which
14 exempts from disclosure under the California Public Records Act (PRA) data used to calculate emissions
15 data, and/or any other relevant exemption. Upon receipt of a PRA request for the data, the District shall
16 evaluate the claim of confidentiality pursuant to its PRA policies and California Law.

17 2. Within 10 days from the issuance of this Order, or the issuance of any required permits
18 from SCAQMD or other agencies with jurisdiction, whichever is later, SoCalGas shall begin implementing
19 the plan, to be submitted prior to the close of evidence to: (1) minimize additional natural gas leaking from
20 the Well; and (2) capture and dispose of natural gas that is leaking from the Well. Measures identified in
21 the plan shall be implemented according to the schedule set forth in the plan. To address any circumstances
22 not specifically identified in the plan, SoCalGas shall notify the Executive Officer or his designee, in
23 writing of the circumstances in question and propose modifications to the plan to address them and refrain
24 from implementing such modifications until such time as the District approves the modification in writing.

25 **Facility**

26 3. SoCalGas shall stop all gas injection into the Facility's underground reservoir until the leak
27 at the Well has ceased subject only to SoCalGas' obligation to furnish and maintain reliable supplies and
28 delivery of natural gas as mandated by California Public Utilities Code Section 451. SoCalGas shall provide

1 notice to the Executive Officer or his designee, within 24 hours of any gas injection into the Facility mandated
2 by the PUC.

3 4. SoCalGas shall withdraw the maximum amount of gas in a contained and safe manner from
4 the Facility as quickly as possible upon issuance of the Order, subject only to SoCalGas' obligation to furnish
5 and maintain reliable supplies and delivery of natural gas as mandated by California Public Utilities Code
6 Section 451.

7 5. Commencing with the issuance of this Order and continuing until the leak at the Well has
8 ceased, SoCalGas shall provide the SCAQMD the estimated amount of natural gas injected into the Facility's
9 underground reservoir, and the estimated amount of natural gas injected through each of the 115 gas storage
10 wells, on a daily basis. All natural gas injection data shall be provided to the attention of the Executive Officer
11 or his designee, on a weekly basis via a secure SharePoint site in a form acceptable to SCAQMD. SoCalGas
12 may identify the data as a trade secret pursuant to California Government Code §§ 6254(k) and 6254.7(d),
13 which exempt trade secrets from disclosure under the PRA. Upon receipt of a PRA request for the data, the
14 District shall evaluate the claim of a trade secret pursuant to its PRA policies and California Law.

15 6. Commencing with the issuance of this Order and continuing until the leak at the Well has
16 ceased, SoCalGas shall provide the SCAQMD the estimated total amount of natural gas withdrawn from the
17 Facility's underground reservoir, and the estimated amount of natural gas withdrawn through each of the gas
18 storage wells, on a daily basis. For the purposes of this paragraph, "gas withdrawn" does not include natural
19 gas lost to the atmosphere as a result of the leak, which will be determined after the leak has ceased and
20 SoCalGas is able to provide an inventory-based estimate. All natural gas withdrawal data shall be provided
21 to the attention of the Executive Officer or his designee, on a weekly basis via a secure SharePoint site in a
22 form acceptable to SCAQMD. SoCalGas may identify the data as a trade secret pursuant to California
23 Government Code §§ 6254(k) and 6254.7(d), which exempt trade secrets from disclosure under the PRA.
24 Upon receipt of a PRA request for the data, the District shall evaluate the claim of trade secret pursuant to its
25 PRA policies and California Law.

26 7. SoCalGas shall provide the SCAQMD any data collected and/or recorded by SoCalGas
27 and/or its contractors since October 23, 2015 that is necessary to calculate or estimate the quantity of methane
28 that has escaped from the Well using established methodology for shut in inventory analysis. SoCalGas shall

1 also provide any wind/meteorological data for the Facility, air emissions monitoring data, and methane and
2 non-methane natural gas components laboratory data taken from the Well. All such data shall be provided
3 within seven (7) days upon request from the SCAQMD in a manner and form acceptable to the SCAQMD.
4 Any data provided to the SCAQMD pursuant to this paragraph may be designated by SoCalGas as
5 confidential data pursuant to California Government Code § 6254.7(e), which exempts from disclosure under
6 the PRA data used to calculate emissions data, and/or any other relevant exemption. Upon receipt of a PRA
7 request for the data, the District shall evaluate the claim of confidentiality pursuant to its PRA policies and
8 California Law.

9 8. Within 10 days from the issuance of this Order, SoCalGas shall submit for approval by the
10 Executive Officer an enhanced leak detection and reporting natural gas storage well inspection program to
11 proactively identify and mitigate potential emissions of air contaminants. The program shall identify issues
12 relating to leak detection and reporting beyond those contained in SoCalGas' existing natural gas storage well
13 maintenance and prevention program. The enhanced leak detection and reporting program shall include the
14 following elements specifically related to air emissions:

- 15 a. Guidelines and procedures for inspection of all the wells and maintenance of such wells
16 at the entire Facility within two years of submission of the plan, including notice and
17 participation by the SCAQMD.
- 18 b. Frequency of well inspection and maintenance.
- 19 c. Qualifications, requirements and training of individuals performing well inspections.
- 20 d. Monitoring and emissions measurements during well inspections.
- 21 e. Recordkeeping of any wells taken out of service or installed.
- 22 f. Recordkeeping and notification of any well breakdowns.
- 23 g. Recordkeeping and retention of well inspection and maintenance reports.
- 24 h. Daily use of infrared cameras or equivalent to utilize infrared technology to monitor
25 SoCalGas natural gas wells located at the Facility property. All daily infrared camera
26 data shall be retained and made available for inspection by the SCAQMD at the Facility.

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1 i. On-going inspections of the physical integrity of the wells at the Facility property shall
2 be recorded on a weekly basis and retained and made available for inspection by the
3 SCAQMD at the Facility

4 j. Enforceable commitments and timelines to accomplish a.-i. as quickly as feasibly
5 possible.

6 SoCalGas shall prioritize and conduct the enhanced natural gas storage well leak detection and
7 reporting program based on criteria relevant to the risk of well leakage from the Facility, including
8 maintenance, condition, age and/or emissions from wells. The enhanced natural gas storage well leak
9 detection and reporting program shall prioritize inspection of all the wells based on data obtained indicating
10 which wells may require repair and/or maintenance based on age and/or leaks.

11 **Continuous Air Monitoring Plan**

12 9. SoCalGas shall provide the SCAQMD with funding for SCAQMD staff or contractor hired
13 by SCAQMD, or a combination of the two, to develop, staff, and implement a continuous air monitoring plan,
14 including a methane monitor network at the Facility property, for the nearby school/community during the
15 duration of this Order. This plan is independent from any other air monitoring plan being performed by
16 SoCalGas, or in conjunction with any other agency.

17 **Health Study**

18 10. SoCalGas shall provide the SCAQMD within 10 days from the issuance of this Order, a
19 written commitment for funding for reasonable costs to conduct a health study on the potential impacts of the
20 exposure to the constituents of the natural gas released from the Facility relating to the Well leak, including
21 but not limited to tetrahydrothiophene and tertiary-butylmercaptan, potentially affecting the nearby
22 community. The health study shall also analyze any health impacts from any odor suppressants or
23 neutralizers, and their byproducts, if any, used to mitigate other odors in the nearby community. The health
24 study shall be completed by a third party approved by the SCAQMD and SoCalGas, who shall not
25 unreasonably withhold approval of the contractor. An advisory committee of subject matter experts shall be
26 established by SCAQMD to evaluate the field data collection and analysis methods as well as proposed study
27 results.

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1 **Odor Suppressants or Neutralizers**

2 11. SoCalGas shall submit a permit application to the SCAQMD for the use of any odor
3 suppressants or odor neutralizers, and for any equipment used for their dispersion.

4 12. SCAQMD may petition the Hearing Board to allow SoCalGas to install and operate
5 equipment prior to obtaining an SCAQMD permit to construct/operate if the use of the equipment will reduce
6 and/or mitigate odors from the Facility and result in operations by SoCalGas that furthers compliance with
7 District Rule 402 and H&S Code §41700.

8 13. SoCalGas shall comply with any Proposition 65 notice requirements, including those that are
9 triggered by a detectable and significant exposure to any Proposition 65 listed chemical that is present in the
10 odor suppressants or neutralizers.

11 **Odor Complaints²**

12 14. In accordance with any applicable privacy laws or regulations, SoCalGas shall provide the
13 SCAQMD (Attn: Mohsen Nazemi) with complaint data for complaints received by SoCalGas beginning on
14 and after October 23, 2015 and continuing for the duration of the Order, including, for each complaint:

- 15 a. The date and time it was reported to SoCalGas.
- 16 b. A sufficient description of the location of the complaint, including but not limited to the
17 street name and block number.
- 18 c. A description of the complaint.
- 19 d. Complaint data received after the issuance of this Order shall be provided to the
20 SCAQMD (Attn: Mohsen Nazemi) on a weekly basis. All complaint data shall be
21 provided to SCAQMD in a manner and form acceptable to SCAQMD.

22 **GENERAL CONDITIONS**

23 15. The Hearing Board shall hold a hearing on _____ to review the status of this
24 matter and consider the modification and/or extension of this Order.

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27 ² SCAQMD maintains complainant personal information, such as name, address and telephone number, as confidential,
28 to the extent allowed by state and federal law.

1 16. The Hearing Board shall retain jurisdiction over this matter until **January 31, 2017**, or until
2 Respondent has met all Conditions and Increments of Progress hereunder, whichever occurs first, unless the
3 Order is amended or modified.

4 17. The Hearing Board may modify the Order for Abatement without the stipulation of the parties
5 upon a showing of good cause, therefore, and upon making the findings required by H&S Code §42451(a)
6 and District Rule 806(a). Any modification of the Order shall be made only at a public hearing held upon 10
7 days published notice and appropriate written notice to Respondent.

8 18. This Order for Abatement is not and does not act as a variance, and Respondent is subject to
9 all rules and regulations of the District, and to all applicable provisions of California law. Nothing herein
10 shall be deemed or construed to limit the authority of the District to issue Notices of Violation, or to seek
11 civil penalties, criminal penalties, or injunctive relief, or to seek further orders for abatement, or other
12 administrative or legal relief.

13
14 BOARD MEMBER: _____

15
16 DATED: _____

17 Prepared by Nicholas A. Sanchez and Nancy S. Feldman

18 Reviewed by Robert A. Wyman and Michael J. Carroll