

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).

I.19-06-016
(Filed June 27, 2019)

CHAPTER III

PREPARED SUR-REPLY TESTIMONY OF AMY KITSON ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)

June 30, 2020

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CHAPTER III

**PREPARED SUR-REPLY TESTIMONY OF AMY KITSON ON BEHALF OF
SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)**

I. INTRODUCTION.

The purpose of my prepared sur-reply testimony on behalf of Southern California Gas Company (SoCalGas) is to address the Reply Testimony submitted on behalf of the California Public Utilities Commission’s (Commission) Safety and Enforcement Division (SED) by its witness, Margaret Felts on March 20, 2020 (SED Reply Testimony). Specifically, I address the statements made by Ms. Felts in Reason 4, cited by SED as supporting its argument that SoCalGas has not met its burden to show cause as to why the Commission should not find that SoCalGas violated Public Utilities Code § 451.¹ Moreover, I address Ms. Felts’ statements in response to my opening testimony, even though she states it is “forward looking and therefore does not contribute to the determination of whether SoCalGas acted reasonably and prudently in the operation of the Aliso Canyon UGS prior to October 23, 2015.”² As described in further detail below, Ms. Felts’ claims that SoCalGas’ integrity management program was inadequate prior to October 23, 2015 and that SoCalGas did not perform casing failure analysis are without factual support.

**II. SOCALGAS’ INTEGRITY MANAGEMENT PROGRAM WAS ADEQUATE
PRIOR TO THE SS-25 WELL INCIDENT.**

Much of the underlying premises supporting Ms. Felts’ Reason 4, that SoCalGas’ integrity management program was inadequate prior to the SS-25 incident, are directly addressed

¹ SED Reply Testimony (Felts) at 5-6.
² *Id.* at 20-22.

1 in my Reply Testimony.³ Her statement that “SoCalGas’s integrity management program...was
2 inadequate.... Many more well failures could have resulted had the Division of Oil & Gas
3 (DOGGR) not required SoCalGas to produce detailed well surveys and better integrity
4 management after the Well SS-25 failure”⁴ is additionally flawed because Ms. Felts misinterprets
5 SoCalGas’ Opening Testimony Chapter I (Neville), and she ignores salient facts. She states,
6 “Mr. Neville identifies all of this data collection as occurring the day before Well SS-25 failure
7 was discovered.”⁵ As described further in SoCalGas’ Sur-Reply Testimony Chapter I (Neville),
8 Ms. Felts incorrectly assumes that SoCalGas did not conduct the activities described until the
9 day before the SS-25 incident when, in fact, SoCalGas began collecting such data decades prior
10 to the incident. Moreover, since 2012 SoCalGas has been required to prepare and maintain a
11 Natural Gas System Operator Safety Plan.⁶ SoCalGas published its initial Natural Gas System
12 Operator Safety Plan (Safety Plan) in December 2012. SED reviewed the plan and identified
13 deficiencies requiring correction. SoCalGas addressed the deficiencies and submitted a revised
14 Safety Plan to SED in June of 2013. On June 28, 2013 SED issued a letter stating that all
15 deficiencies had been adequately addressed.⁷ Importantly, the SoCalGas Safety Plan referenced
16 the company’s gas standards that detailed SoCalGas’ operations and maintenance practices for
17 its pipeline and storage facilities. These included, among others, SoCalGas’ gas standards
18 related to storage, including Gas Inventory - Monitoring, Verification and Reporting, 224.070,⁸
19 which details SoCalGas’ well integrity practices then in effect.

³ SoCalGas Reply Testimony Ch. VI (Kitson).

⁴ SED Reply Testimony (Felts) at 5.

⁵ *Id.* at 5.

⁶ Ex. III-1.

⁷ Ex. III-2.

⁸ Ex. III-3.

1 A. Pre-2007 Well Monitoring.

2 Since around the late 1980s, SoCalGas conducted mechanical integrity testing (MIT),
3 which included temperature surveys, site inspections, and pressure readings – amongst other
4 activities – on all wells, and reviewed its monitoring activities annually with CalGEM. Also, in
5 the late 1980s, SoCalGas began running casing inspection logs on some wells and, by 2007,
6 SoCalGas was running UltraSonic Imager Tools (USIT) during workovers.

7
8 B. 2007 Well Integrity Program.

9 As demonstrated by the adjustments to SoCalGas’ well integrity activities since the
10 introduction of MIT, SoCalGas continued to augment its integrity program over the years,
11 incorporating new technologies and practices beyond regulatory requirements. In 2007,
12 SoCalGas initiated an enhanced well integrity program – which I described in my Reply
13 Testimony – that predated the formalized Storage Integrity Management Program (SIMP). The
14 scope of the integrity program was “to inspect, evaluate, and mitigate downhole well integrity
15 issues.... The inspection work included running ultrasonic inspection tools and pressure testing
16 the well’s casing for integrity as warranted.”⁹ In contrast to Ms. Felts’ suggestion that SoCalGas
17 did not perform detailed well surveys prior to being required to do so by CalGEM after the
18 incident,¹⁰ SoCalGas’ ongoing well integrity monitoring and inspection activities included
19 weekly pressure readings, site inspections, temperature surveys, USIT, and tracer or noise
20 surveys as needed. SoCalGas’ SIMP, which further exemplifies a commitment to detailed well
21 surveys, was proposed *before* the incident. Thus, Ms. Felts’ position lacks support.

⁹ SoCalGas Reply Testimony Ch. VI (Kitson) at 1.

¹⁰ SED Reply Testimony (Felts) at 5 (“Many more well failures could have also resulted had the Division of Oil & Gas (DOGGR) not required SoCalGas to produce detailed well surveys....”).

1 C. SIMP Pilot Program.

2 While SoCalGas has consistently monitored its natural gas storage wells, additional
3 enhancements to well surveys were integrated through the SIMP Pilot Program before the SS-25
4 incident. In my Reply Testimony, I referenced the multiple casing inspection tools that
5 SoCalGas tested during the Pilot Program.¹¹ Running casing inspection logs on every well was
6 incorporated into the SIMP scope ahead of the incident, not to mention ahead of CalGEM's
7 regulation requiring that natural gas storage operators perform these logs on every well.

8 Ms. Felts' claim that SoCalGas' integrity management program was inadequate and led
9 to the SS-25 incident is both unsupported and erroneous.¹² As stated in SoCalGas' Reply
10 Testimony Chapter I (Hower / Stinson), there were no formal documented industry-wide
11 standards prior to the incident,¹³ and "SoCalGas had [a] wellbore integrity management program
12 before the incident that met or exceeded industry standard practices."¹⁴ SoCalGas had a long-
13 standing well evaluation program in place and initiated SIMP in 2014, ahead of industry
14 standards and regulations. Furthermore, Ms. Felts' claim that "many more failures could have
15 also resulted..."¹⁵ is entirely speculative and stands in sharp contrast to her statement that
16 SoCalGas' post-incident efforts should be given "no weight"¹⁶—she states SoCalGas' actual
17 activities should be disregarded, yet she seeks to hold against SoCalGas failures that "could
18 have" happened but did not.

¹¹ SoCalGas Reply Testimony Ch. VI (Kitson) at 3.

¹² SED Reply Testimony (Felts) at 5.

¹³ SoCalGas Reply Testimony Ch. I (Hower / Stinson) at 3-4.

¹⁴ *Id.* at 28-30.

¹⁵ SED Reply Testimony (Felts) at 5.

¹⁶ *Id.* at 21.

1 Ms. Felts' arguments further ignore that well surveys are not predictive of failure; rather,
2 well surveys allow operators to find failures. It is misleading to suggest that detailed well
3 surveys could prevent failures.

4 **III. SOCALGAS PERFORMED CASING FAILURE ANALYSES ON WELLS PRIOR**
5 **TO THE SS-25 INCIDENT, AND CONTINUES TO DO SO.**

6 On the topic of casing failure analysis, Ms. Felts states my Opening Testimony on
7 Blade's Solution 6 is contradictory.¹⁷ This interpretation is not supported by reference to the
8 testimony. As Ms. Felts quotes, I state, "In order to remediate a leak discovered in any gas
9 storage well, SoCalGas necessarily had to analyze and diagnose the issue first, before repairing
10 it," and further that "a formal investigation of the type Blade appears to envision would likely
11 entail a level of examination that would not be feasible."¹⁸ There is no contradiction: I have not
12 stated that casing failure analysis is impossible, as Ms. Felts appears to infer; rather, I have stated
13 it is unreasonable to expect a casing failure analysis of the type Blade conducted on SS-25 in
14 every instance of casing failure.

15 Additionally, Ms. Felts incorrectly assumes that SoCalGas did not perform casing failure
16 analyses in pointing to a lack of "failure analysis investigations or reports."¹⁹ As further
17 explained in SoCalGas' Sur-Reply Testimony Chapter I (Neville), failure analysis is a
18 combination of multiple activities and, as such, does not exist in the format of a singular
19 document in SoCalGas' well files, as Ms. Felts appears to envision. As Ms. Felts stated at her

¹⁷ SED Reply Testimony (Felts) at 21-22.

¹⁸ *Id.* at 21.

¹⁹ *Id.* at 22.

1 deposition, she is not experienced in operating and maintaining storage wells and, as such, might
2 not be aware of this.²⁰

3 **IV. CONCLUSION.**

4 For the reasons stated above, Ms. Felts' claims that SoCalGas' integrity management
5 program was inadequate prior to October 23, 2015 and that SoCalGas did not perform casing
6 failure analysis are without factual support and, in light of SoCalGas' testimony, inaccurate.

7 This concludes my prepared sur-reply testimony.
8

²⁰ SoCalGas Reply Testimony Ex. I-10 (Tr. 61:16-24 (Felts)).