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SED Witness	:	M. Felts

SAFETY ENFORCEMENT DIVISION
CALIFORNIA PUBLIC UTILITIES COMMISSION

CHAPTER SIX
PREPARED SUR-REPLY TESTIMONY
OF
MARGARET FELTS IN RESPONSE TO
REPLY TESTIMONY OF AMY KITSON

San Francisco, California
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I. INTRODUCTION

The purpose of the following prepared Sur-Reply testimony, submitted on behalf of the California Public Utilities Commission s (Commission") Safety Enforcement Division (SED"), is to reply to testimony of Amy Kitson regarding violations 74, 75, 76 and 78. Ms. Kitson restated these violations as follows: SED alleges SoCalGas violated California Public Utilities Code Section 451 (Section 451) because SoCalGas failed to implement a risk assessment program at the Aliso Canyon storage facility prior to October 23, 2015 (Violations 74, 75, 76, and 78)."[1] As listed in the Table of Violations of my testimony, these violations are:[2]

Violation Number	Summary of Violation
74	Failure to implement a risk or integrity management program for Aliso Canyon storage facility (Aliso)."
75	Failure to detect corrosion on well SS-25 resulting in part from lack of risk assessment at Aliso."
76	Failure to start well integrity program in 2009 because of inability to collect recovery for it in rates."
78	Operation of Aliso without internal policies that required well casing wall thickness inspection and measurement."

II. MS. KITSON S TESTIMONY SAYS SOCALGAS IMPLEMENTED A WELL EVALUATION PROGRAM IN 2007,[3] BUT SOCALGAS PROVIDED NO EVIDENCE OF CREATING A FORMAL WELL

[1] Kitson Testimony, p. 1, lines 8-10.

[2] Opening Testimony of Margaret Felts, p. 3.

[3] Kitson Testimony, p. 1, line 15, subheading II.

INTEGRITY MANAGEMENT PROGRAM UNTIL DECEMBER, 2014.

Ms. Kitson's testimony states, "In 2007, SoCalGas began a well integrity program to inspect, evaluate, and mitigate downhole well integrity issues."[4] The program allegedly added an inspection of casing to normal maintenance that occurred during rework of a well.[5] Her testimony does not specify, but it appears that this section of Ms. Kitson's testimony attempts to rebut violations 76 and 78.

Ms. Kitson's testimony provides no evidence in support of any of her statements in testimony. SED asked SoCalGas to provide the lacking evidence. For example, SED asked SoCalGas to provide the documents that support the statement, "In 2007, SoCalGas began a well integrity program to inspect, evaluate, and mitigate downhole integrity issues." In response, SoCalGas stated, "SoCalGas interprets this request to seek an example supporting the statements quoted from Chapter VI Prepared Reply Testimony of Amy Kitson on Behalf of Southern California Gas Company. . . For an example well, please see electronic documents with Bates range I1906016_SCG_SED_DR_59_0000001 through I1906016_SCG_SED_DR_59_0000003."[6]

The first document provided by SoCalGas is entitled "Resources Agency of California Department of Conservation Division of Oil, Gas, and Geothermal Resources, History of Oil or Gas Well." This document states that the only well of focus is Fernando Fee 32-E. The document describes work done on that well from May 18, 2007 to June 7, 2007.[7] The second document provided by SoCalGas also shows only Fernando Fee 32-E, dated June 2, 2007. The document says on it, "Ultrasonic Imager Gama Ray-Neutron".[8]

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[4] Kitson Testimony, p. 1, lines 16-17.

[5] Kitson Testimony, p. 1, lines 17-19.

[6] SoCalGas Response to SED Data Request 59, Question 1a, pdf pp. 2 and 4.

[7] I1906016_SCG_SED_DR_59_0000001-0000002.

[8] I1906016_SCG_SED_DR_59_0000003.

These documents are typical documents found in many well files, documenting regular maintenance or responses to equipment failures or casing leaks. Nothing in the first two documents proves the existence of an integrity management program in 2007.

Another piece of evidence that suggests no such program is that SoCalGas mixed up the name of its own alleged program dating back to 2007. In one data response to SED SoCalGas calls this the "Inspect and Replace Program."[9] In a later question to the same data response to SED, SoCalGas calls it the "Replace and Inspect initiative."[10] In their testimony, Hower & Stinson call it the *"Replace and Inspect"* initiative.[11]

SoCalGas permanently removed six wells of approximately 30 wells that were inspected as part of this "Replace and Inspect" initiative,[12] The six wells identified were abandoned for various reasons. There is no evidence in these well files that the wells were inspected for the purpose of determining well casing integrity under a 2007 Inspect and Replace Program or Replace and Inspect Initiative. The timing of the review of 30 wells is not stated, but based on some well files that SoCalGas provided in response to a data request regarding the above statement from the Hower & Stinson testimony, it appears to be seven years, 2007-2014, which would be about 4 wells per year, if there had indeed been a program.[13] I reviewed several of the 30 well files SoCalGas identified as part of what Hower and Stinson called the "Replace and Inspect" initiative, and found no evidence of a formal or informal integrity management program or initiative, and certainly no evidence that a new program began in 2007 that was different from typical well maintenance over the life of Aliso Canyon.[14] These files are similar to other well

[9] SoCalGas Response to SED Data Request 90 Question 7a, pdf p. 12, May 29, 2020.

[10] SoCalGas Response to SED Data Request 90 Question 15a, pdf p. 25, May 29, 2020. In fact, in Hower & Stinson testimony, the two names are used interchangeably. See p.6 under Risk management Plan, p.28, lines 16-17 and p.29. line 4 and 19.

[11] Hower & Stinson Testimony, p. 28 line 21 to p. 29, line 3.

[12] Hower & Stinson Testimony, p. 28 line 21 to p. 29, line 3.

[13] SoCalGas Response to SED Data Request 90 Questions 15a, 15b, and 15c, pdf pp. 25 to 28.

[14] Reviewing SoCalGas well files is not easy. On average, they are typically 1500 pages. The documents are in no particular order and cannot be searched. Relevant inspection results for 2014 might appear in the

files that I reviewed that were not on their list of 30. The six wells that were permanently removed had histories of casing problems before 2007, so it is not surprising that these wells were abandoned.[15]

Ms. Kitson says "SoCalGas Implemented a Well Evaluation Program in 2007".[16] In support of this statement, her testimony mentions doing a "re-work", where SoCalGas apparently replaced tubing, sealing element, wellhead valve, and inspect casing.[17] Regarding this "re-work" she says, "[t]his well inspection re-work initiative was the precursor to the formalized Storage Integrity Management Program ("SIMP").[18] SED asked SoCalGas to produce the documentation showing this alleged "re-work initiative". In response, SoCalGas referred SED generally to the 2016 General Rate Case (A.14-11-004) testimony and accompanying workpapers of SoCalGas witness Phillip E. Baker.[19] Mr. Baker's testimony was published in November 2014; not 2007. There is no mention of a "re-work initiative" in Mr. Baker's testimony.[20]

Ms. Kitson's testimony provides no evidentiary exhibits whatsoever to support her testimony.[21] And, I did not find a SoCalGas standard for the referenced program or initiative among the many standards SoCalGas has provided to SED.

III. MS. KITSON SAYS SOCALGAS INITIATED A LONG TERM STORAGE INTEGRITY MANAGEMENT PROGRAM (SIMP) IN 2014, PRIOR TO THE SS-25 INCIDENT, BUT THE EVIDENCE

middle of the set, between original 1945 documents and 1986 documents. There is no way to verify SoCalGas' claims without looking at each page of each well file. SoCalGas made no effort to identify relevant documents.

[15] For instance SoCalGas had identified corrosion and holes in the shallow (1000' – 1500' depth) casing of well MA-5A well before 2007. Workovers were planned, but cancelled. Eventually, the well was abandoned. This had nothing to do with a program as described by Kitson in her testimony.

[16] Kitson Testimony, p. 1 Line 15.

[17] Kitson Testimony, p. 1, line 17.

[18] Kitson Testimony, p. 2, lines 1-2.

[19] SoCalGas Response to SED Data Request Data Request 59, Question 2a, pdf pp. 2 and 4.

[20] See SoCalGas Direct Testimony of Phillip E. Baker Underground Storage, November, 2014.

[21] Ms. Kitson's testimony does reference to SED's Opening Testimony, and the Prepared Testimony of Public Advocates Office, as well as a Commission decision, but her testimony does not offer documented evidence in support of the statements.

SHOWS THAT SOCALGAS DID NOT BEGIN IMPLEMENTING ITS SIMP UNTIL 2016, AFTER THE SS-25 INCIDENT.

In Section III of Ms. Kitson s testimony appears to rebut violations 74 and 75, but the specific purpose of the section is not stated. Ms. Kitson claims that in 2014, SoCalGas proposed a SIMP, a forward-looking plan to assess and enhance the safety and integrity of SoCalGas storage wells in its Test Year 2016 General Rate Case (2016 GRC).[22]

I do not dispute Ms. Kitson s claim that SoCalGas began creating a SIMP in 2014. In 2014, SoCalGas proposed SIMP in its Test Year 2016 General Rate Case (2016 GRC).[23] However, the evidence shows that SoCalGas did not begin actually implementing its SIMP program until January 2016, after well SS-25 failed, and before well SS-25 was killed. A chronology of related events is provided below.

- The SIMP pilot program, which allowed SoCalGas to test casing inspection tools,[24] was initiated in 2014.[25]
- Projects that were supposed to be part of the 2014 "pilot SIMP program" were actually not scheduled until 2016, when funding was anticipated to be in place. An email dated August 7, 2014 suggests 3 additional wells (P42B, SS44A and SS9) would be moved into the pilot SIMP program and laid out the work that should be completed in preparation.[26] Although the August 7, 2014 email mentioned that 3 additional wells would go into the pilot SIMP program, each appears on a SIMP Status Report, but their dates are not until 2016.[27] So none of these wells was part of the SIMP pilot program.[28]

[22] Kitson Testimony, p. 2, lines 6-8.

[23] Kitson Testimony, p.2, lines 6-8, D.16-06-054.

[24] Kitson Testimony, p. 3. Lines 4-10.

[25] Kitson Testimony, p. lines 2-4.

[26] DR25.01 SCG files_0000001-0001537 p.1321.email.

[27] 2016.1001.AC_CPUC_0014708.SIMP.10.2016.Status Note: P-42B appears with dates March – May 2016; SS-44A is April-May 2016; and SS-9 is March-June 2016.

[28] 2016.1001.AC_CPUC_0014708.SIMP.10.2016.Status.

- The final HR Vertilog report for the Pilot SIMP Investigation of well FREW 2 is dated October 22, 2014.[29] FREW 2 appears to be the only well included in the Pilot SIMP.
- Specifically, as part of the SIMP pilot program, SoCalGas ultimately selected the High Resolution (HR) Vertilog as the tool they would use for the SIMP.[30]
- The Baker Testimony for the 2016 GRC is dated November 2014.[31] In this proceeding (2016 GRC), SoCalGas is seeking the inclusion of SIMP costs in the rate base beginning January 2016.
- The first draft of the SIMP policy is dated December 19, 2014.[32]
- SoCalGas provides no evidence of SIMP inspections of Aliso wells during 2015, suggesting that SoCalGas intended to wait for the program to be included in rates ~~base~~ before it would begin inspecting wells under the new program.
- The SIMP program was at least partially staffed on December 15, 2015, 54 days after SS-25 failed, and 57 days before SS-25 was killed with a relief well.[33] In his email that made personnel assignments, Mr. Baker states "Ramping-up SIMP throughout Storage is a high priority. I will be assisting Tom immediately in this effort.[34]
- The SIMP program was implemented in 2016 and by October 2016, about 114 wells had been inspected.[35] Of those inspected, 81 wells were taken out of service, plugged and isolated.[36] SoCalGas does not indicate how many of these wells were officially abandoned under DOGGR rules, but the DOGGR database shows most of them abandoned as of June 2020.[37] However, the number of inspections and number of wells plugged and isolated in 10 months is an indication of the decaying condition of Aliso wells by the time SoCalGas got around to inspecting

[29] 2014.1022.FREW 2 2014 Model SIMP.Report.

[30] Kitson Testimony, p. 3 lines 10-12.

[31] SCG-06_P__Baker_Testimony Nov 2014.

[32] I1906016_SCG_SED_DR_59_0000058.SIMP.

[33] Phil Baker email Dated Dec 20, 2015: AC_CPUC_SED_SELGA_0000648.Staffing.changes.Ded2015.

[34] Phil Baker email Dated Dec 20, 2015: AC_CPUC_SED_SELGA_0000648.Staffing.changes.Ded2015, 10th bullet.

[35] 2016.1001.AC_CPUC_0014708.SIMP.10.2016.Status.

[36] 2016.1001.AC_CPUC_0014708.SIMP.10.2016.Status.

[37] https://secure.conservation.ca.gov/WellSearch, (search tabs: Ventura County, Los Angeles, Aliso, Southern California Gas Company).

> them. It is probably a good thing that the inspection rate was increased from the original plan to inspect 50% of the storage wells over a three-year rate case period.[38]

Ms. Kitson says that SoCalGas began installing real-time pressure monitors at its La Goleta storage facility during the summer of 2015, prior to the SS-25 incident.[39] However, there is no mention of pressure monitors in the August 7, 2014 email that discussed the SIMP pilot program. There is also no mention of pressure monitors in the SIMP policy.[40] The installation of real time pressure monitors was a much needed capital project that was underway in late 2015 but appears to be unrelated to the SIMP program as Ms. Kitson states.[41]

Ms. Kitson also states that SoCalGas initiated a database called WellView as part of a "data digitization component of SIMP" in 2015.[42] This program transfers file data about the construction of each well into a program that exhibits a sketch of the well. Again, SoCalGas provides no evidence that this upgrade to software is part of the SIMP program in 2015, or later. Two documents, a summary of 2014 Gas Storage Performance Goals, and a 2017 Storage Update both fail to mention software programs related to the pilot SIMP program.[43]

SoCalGas had authorization to track its SIMP related expenses beginning in 2016, a date that aligns with SoCalGas' lack of SIMP work during 2015. Since SoCalGas would not begin receiving General Rate Case funding until January of 2016, and clearly intended to wait until funding for SIMP was available to begin inspecting wells, it is reasonable to assume that SoCalGas did not implement an integrity management program

[38] Kitson Testimony, p.2, lines 15-17.

[39] Kitson Testimony, p.3, lines 13-16.

[40] I1906016_SCG_SED_DR_59_0000058.SIMP.

[41] In response to DR 25.01, SoCalGas provided 1537 pages of documents in response to a request regarding the SIMP pilot program. All 1537 appear to be related to the FREW 2 pilot investigation. SoCalGas also provided reference to the 2016 GRC Baker Testimony.

[42] Kitson Testimony, p. 4, lines 3-7.

[43] DR25.01 SCG files_0000001-0001537 p.1506 and DR25.01 SCG files_0000001-0001537 p. 1534.

in 2007, and did not actively begin investigating wells until after January 2016 at the expense of the shareholders.

SoCalGas Storage Engineering Manager from 1998 to 2013 was Mr. James Mansdorfer.[44] Mr. Mansdorfer confirmed that SoCalGas waited to actually start its SIMP until it could collect for it in rates, confirming as follows:

> Q: This was a concern of mine for a long time, and I had recommended a storage well integrity program to put a rig on each of the storage wells and run casing inspection logs, and ironically, SoCalGas recently got CPUC approval to include this program and associated costs in rates charged ratepayers, but the authority to include rates hasn't taken effect yet and so they have been waiting to start it. In other words, they knew it was needed but haven't started it because they couldn't yet collect it in rates!" You wrote that; correct?
>
> A. Yeah."[45]

Underlying Mr. Mansdorfer s point is the timing showing when SoCalGas could track its expenses in the 2016 GRC. In A.14-11-004, SoCalGas' own witness, Mr. Phil Baker, testified that he anticipated funding in the balancing account related to SoCalGas' Storage Integrity Management Program to begin in 2016.[46]

[44] Examination Under Oath Transcripts (Tr.), Mansdorfer, p. 61, lines 9-14.

[45] EUO Tr. Mansdorfer, p. 124, lines 10-27.

[46] SoCalGas Direct Testimony of Phillip E. Baker Underground Storage, November 2014, p. PEB-8, Table PEB-4, line 13-18.