STATE OF CALIFORNIA Edmund G. Brown Jr., Governor

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

November 9, 2016

Advice Letter 4961

Sid Newsom
Tariff Manager
Southern California Gas Company
555 West 5th Street, GT14D6
Los Angeles, CA 90013-1011

Subject: Core Pricing Flexibility and Noncore Competitive Load Growth Opportunities Programs

Dear Mr. Newsom:

This disposition letter approves Southern California Gas Company's (SoCalGas) Tier 2 Advice Letter (AL) 4961, filed on April 29, 2016, which reports on the 2015 results of the Core Pricing Flexibility and Noncore Competitive Load Growth Opportunities Programs. The Core Pricing Flexibility Program resulted in incremental net revenues of $973,603. The Noncore Competitive Load Growth Opportunities Program produced incremental net revenues of $391,342. All of these incremental revenues, totaling $1,364,945 go to shareholders.

As the Commission noted in Resolution G-3515, approved on May 12, 2016, the primary goal of these programs – increasing gas throughput – may no longer be consistent with Commission policy. That resolution requires SoCalGas to submit a new application by December 31, 2016, seeking reauthorization of these programs, if the utility proposes to continue them in 2017. If no application is submitted, both the Core Pricing Flexibility and the Noncore Competitive Load Growth Opportunities Programs will terminate on December 31, 2016.

<u>Background</u>

Both the Core Pricing Flexibility Program and the Noncore Competitive Load Growth Opportunities Program were established in the era of performance-based regulation (PBR); they are the only two incentive programs still included in SoCalGas' PBR Tariff (Preliminary Statement, Part XI). The intent of these programs is to attract new gas customers, increase gas volumes, and retain existing gas customers. They are intended to eventually reduce ratepayers' per-unit costs by increasing use of the SoCalGas pipeline system.

The Core Pricing Flexibility Program was established by D.97-07-054, and the details of the program were determined by D.98-01-040. The Core Pricing Flexibility Program allows SoCalGas to offer discounted natural gas transportation rates to both new and existing customers for up to five years. Shareholders receive an incentive of up to 100 percent of incremental revenue for the five-year term of the contract.

The Noncore Competitive Load Growth Program was established in D.00-04-060 and consists of two programs: the California Red Team Economic Development Effort and Rule 38. However, no Red Team discounts have been offered in at least six years. The Rule 38 program is designed to evaluate the performance of nonresidential, high-efficiency gas equipment under actual operating conditions. It is available to both core and noncore nonresidential customers, who may apply for shareholder-funded grants to subsidize up to 50 percent of the cost of qualifying equipment and/or to fund feasibility studies to evaluate the potential benefits of high-efficiency gas equipment. Shareholders then receive all incremental revenue for five years.

In Resolution G-3515, approved on May 12, 2016, the Commission noted that the primary goal of these programs – increasing gas throughput – may no longer be consistent with Commission policy. The resolution also raised questions about the administration of these programs. The resolution requires SoCalGas to submit a new application by December 31, 2016, seeking reauthorization of these programs, if the utility proposes to continue them in 2017. If no application is submitted, both the Core Pricing Flexibility and the Noncore Competitive Load Growth Opportunities Programs will terminate on December 31, 2016.

Protests

AL 4961 was not protested.

Discussion and Disposition

Core Pricing Flexibility Program
Of the 114 customers participating in the Core Pricing Flexibility Program, 11 are simultaneously participating in the Rule 38 program. SoCalGas explained that core customers seeking upfront cash for new equipment can receive the cash value of the 10 percent Core Pricing Flexibility discount in addition to a Rule 38 subsidy. The combined subsidy cannot exceed 50 percent of the cost of the qualifying equipment.[1]

Noncore Competitive Load Growth Opportunities Program
SoCalGas reported incremental revenues of $391,342 for the noncore Rule 38 in 2015. This total was $274,774, or 41 percent less than the $666,116 reported in 2014. One reason for this variation was a 2014 accounting error for one account in which $187,572 was mistakenly credited to shareholders rather than ratepayers. SoCalGas made adjustments for this and two other 2014 accounting discrepancies in its 2015 filing, leading to a reduction of $238,291 in reported incremental revenues.

The Commission will examine the propriety of continuing the Core Pricing Flexibility and Noncore Competitive Load Growth Opportunities programs when SoCalGas submits a new application seeking their reauthorization, pursuant to Resolution G-3515.

Advice Letter 4961 is approved.

Sincerely,

Edward Randolph

Edward Randolph
Director, Energy Division

[1] Phone conversation with SoCalGas on October 26, 2016.

Ronald van der Leeden
Director
Regulatory Affairs

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Fax: 213.244.4957
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April 29, 2016

Advice No. 4961
(U 904 G)

Public Utilities Commission of the State of California

Subject: Core Pricing Flexibility and Noncore Competitive Load Growth Opportunities Programs

Southern California Gas Company (SoCalGas) hereby submits for filing with the California Public Utilities Commission (Commission) its Core Pricing Flexibility and Noncore Competitive Load Growth Opportunities Program information for 2015. This filing is made in compliance with Decision (D.) 97-07-054, SoCalGas' Performance Based Regulation, and D.00-04-060, SoCalGas' 1999 Biennial Cost Allocation Proceeding.

Purpose

Consistent with the prior year's filing[1], the purpose of this filing is to report the 2015 results of the Core Pricing Flexibility Program and Noncore Competitive Load Growth Opportunities Program as adopted in D.97-07-054 and D.00-04-060, respectively, for informational purposes only.

Core Pricing Flexibility Program

In D.97-07-054 and D.98-01-040, the Commission authorized a Core Pricing Flexibility program for SoCalGas as detailed in Section K.2 of Advice No. 2687-A. This program remains unchanged with the approval of the 2013 Triennial Cost Allocation Proceeding (TCAP). Under this arrangement, SoCalGas' shareholders are responsible for any reduction in core revenues that may occur due to discounting, and likewise receive the benefit of any resulting gains. The Commission has authorized SoCalGas to adjust its Core Fixed Cost Account to reflect this arrangement. The Core Pricing Flexibility

[1] Advice No. 4799 was filed on May 1, 2015.

program produced incremental net revenues in the amount of $973,603 for 2015.

Noncore Competitive Load Growth Opportunities Program

In D.00-04-060, the Commission authorized SoCalGas' revenue treatment for new negotiated contracts that are part of a California Red Team economic development effort and contracts where Rule No. 38 shareholder funding has been used. This program remains unchanged with the approval of the 2013 TCAP. Under this arrangement, SoCalGas' shareholders are responsible for any reduction in noncore revenues that may occur due to discounting, and likewise receive the benefit of any resulting gains. The Commission has authorized SoCalGas to adjust its Noncore Fixed Cost Account to reflect this arrangement. The Noncore Competitive Load Growth Opportunities program produced incremental net revenues in the amount of $391,342 for 2015.

Protests

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date of this Advice Letter which is May 19, 2016. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attn: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of the Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Sid Newsom
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No. (213) 244-4957
E-mail: snewsom@SempraUtilities.com

Effective Date

SoCalGas believes that this filing is subject to Energy Division disposition, and should be classified as Tier 2 (effective after staff approval) pursuant to General Order (GO)

96-B. SoCalGas respectfully requests that this filing be approved June 1, 2016, which is more than 30 calendar days after the date filed.

Notice

A copy of this Advice Letter is being sent to SoCalGas' GO 96-B service list and the Commission's service lists in A.10-12-006, SoCalGas' 2012 GRC, and A.11-11-002, SoCalGas' 2013 TCAP. Address change requests to the GO 96-B should be directed by electronic mail to tariffs@socalgas.com or call 213-244-3387. For changes to all other service lists, please contact the Commission's Process Office at 415-703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Ronald van der Leeden
Director – Regulatory Affairs

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SOUTHERN CALIFORNIA GAS COMPANY (U 904G)**

Utility type:	Contact Person: Sid Newsom
☐ ELC ☒ GAS	Phone #: (213) 244-2846
☐ PLC ☐ HEAT ☐ WATER	E-mail: SNewsom@semprautilities.com

EXPLANATION OF UTILITY TYPE	(Date Filed/ Received Stamp by CPUC)
ELC = Electric GAS = Gas	
PLC = Pipeline HEAT = Heat WATER = Water	

Advice Letter (AL) #: 4961

Subject of AL: Core Pricing Flexibility and Noncore Competitive Load Growth Opportunities Programs

Keywords (choose from CPUC listing): Core, Non-Core, GRC

AL filing type: ☐ Monthly ☐ Quarterly ☒ Annual ☐ One-Time ☐ Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:
D.97-07-054 and D.00-04-060

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL No

Summarize differences between the AL and the prior withdrawn or rejected AL[1]: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required? ☐ Yes ☒ No Tier Designation: ☐ 1 ☒ 2 ☐ 3

Requested effective date: June 1, 2016 No. of tariff sheets: 0

Estimated system annual revenue effect: (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: None

Service affected and changes proposed[1]: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
EDTariffUnit@cpuc.ca.gov

Southern California Gas Company
Attention: Sid Newsom
555 West 5th Street, GT14D6
Los Angeles, CA 90013-1011
SNewsom@semprautilities.com
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[1] Discuss in AL if more space is needed.