STATE OF CALIFORNIA

Edmund G. Brown Jr., Governor

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

December 21, 2017

Ronald van der Leeden
Director, Regulatory Affairs
Southern California Gas Company
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011

Dear Mr. van der Leeden,

The CPUC Energy Division (ED) approves Southern California Gas Company's (SoCalGas) Advice Letter (AL) 5223 with an effective date of December 21, 2017. AL 5223 proposes a device-based winter Demand Response (DR) program to help mitigate challenges to the reliability of natural gas service in SoCalGas territory. The program has a total cost of just under $3.5 million for the 2017-2018 season.

AL 5223 was protested by the Office of Ratepayer Advocates (ORA).

Energy Division has analyzed ORA's protest and SoCalGas' reply, in Attachment A to this letter. Based on its analysis, Energy Division has determined that AL 5223 is approved.

Sincerely,

Edward Randolph
Director, Energy Division
California Public Utilities Commission

Attachment A

Cc: Service List R.13-11-005
Service List A.15-06-020
Michael Campbell, ORA
Dan Buch, ORA

DRAFT

Attachment A

Summary of Office of Ratepayer Advocates' Protest, SoCalGas Reply, and Energy Division Conclusions

Office of Ratepayer Advocate's Protest

In its protest of December 5, 2017, the Office of Ratepayer Advocates (ORA) opposes the Advice Letter (AL) on four grounds.

1. Tier 2 AL – ORA's asserts that AL 5223 seeks authorization for an entirely new gas Demand Response (DR) program without first seeking permission through the Commission's formal process. As such, there is no standing Commission order that authorizes SoCalGas to seek funding for the activities requested in AL 5223. ORA argues that the Tier II AL must be withdrawn and submitted via an appropriate channel. While Resolution G-3522 authorized winter DR programs in response to the closing of the Aliso Canyon Natural Gas Storage Facility, it did not authorize funding for DR beyond the 2016-2017 winter season according to ORA.

2. Emerging Technologies $100,000 Program – ORA objects to requesting emergency funding for a project that will not address immediate shortages and that focuses on one specific technology, and vendor. This item should be removed and pursued through other channels.

3. Evaluation budget of $150,000 – ORA challenges the $150,000 budget for the hire of an evaluation, measurement and verification (EM&V) consultant to evaluate ex post savings from the proposed DR programs as too high and lacking a detailed evaluation plan. ORA notes that in energy efficiency applications the EM&V budgets are typically no more than 4 percent of the program budget. SoCalGas should be directed to reduce their budget request to $129,120, and to provide details of how the programs will be evaluated to justify the evaluation budget.

4. Winter Demand Response Memorandum Account – ORA agrees it is reasonable for SoCalGas to track in this account the cost of emergency DR requested in AL 5223, but not programs aimed at the 2018-2019 season. Further, ORA asserts that SoCalGas should not recover these costs if the Commission determines that the utility is at fault for the Aliso Canyon disaster.

SoCalGas Response

In its reply of December 12, 2017, SoCalGas disagrees with all of ORA's assertions and recommends the Commission reject ORA's protest and approve AL 5223 expeditiously, for the following reasons:

1. Tier 2 AL – SoCalGas argues that it was acting on the direction of the Commission's Energy Division director, whose November 16, 2017 letter directed SoCalGas to file a Tier 2 AL proposing a device-based Demand Response (DR) program by November 28, 2017. (See Attachment B) The letter indicated that major components of AL 5223 should roughly follow AL 5035 filed on September 27, 2016, including any updates to the WDRMA made effective on September 30, 2016 by AL 5027. Hence, the AL should not be withdrawn.

2. Emerging Technologies – SoCalGas agrees with ORA that the emerging technology assessment could promote reliability next season, not this season. They note that it was directed by the Energy Division director whose letter stated: "It is our understanding that hot water heaters could be another potential source of natural gas demand response but that more research into their capabilities are needed." SoCalGas agrees that it is planning to work with just one technology manufacturer, but notes that this would only be for the $100,000 test phase, to determine the operational feasibility of wi-fi enabled natural gas water heater controls. If SoCalGas pursues a full program for the 2018-2019 winter season, it would not limit participation to a single vendor.

3. Evaluation Budget – SoCalGas notes that in Resolution G-3522, the Commission directed SoCalGas to spend up to $800,000 on an ex post impact evaluation of the $7.32 million 2016-2017 winter DR program. While SoCalGas only used $150,000 of those funds, the $800,000 the Resolution authorized exceeded 4 percent of the program budget by $507,200. The $150,000 budget proposed in AL 5223 is in line with last season's evaluation costs. SoCalGas plans to use the same evaluation approach as it did last year. Further, DR programs are not subject to the 4 percent cap on energy efficiency programs.

4. Memorandum Account – SoCalGas notes that the natural gas programs proposed in AL 5223 are a "comprehensive reliability campaign" designed to help mitigate reliability risks posed by having 42% of the utility's natural gas import capacity reduced. The programs will also support reliability in the 2018-2019 season, as directed by the Energy Division director's letter. Energy Division addressed concerns similar to those raised by ORA in its disposition letter on AL 5027. That disposition, issued September 30, 2016, clarified that the Winter Demand Response Memorandum Account (WDRMA) is for the purpose of tracking costs associated with the proposed gas DR program. The disposition also noted that "cost recovery and allocation of the WDRMA balance will be determined in a future Commission proceeding." Given this, SoCalGas does not believe further clarification regarding cost recovery of the proposed winter DR programs is necessary.

Disposition

Energy Division agrees with SoCalGas that AL 5223 should be approved expeditiously and approves it here, as modified. ED's reasoning is based on the following: 1.) SoCalGas' proposal is largely the same as one of the programs that was approved last winter in Commission Resolution G-3522. (The only item that is unique in its filing is the $100,000 request for an emerging technology test.) 2.) An advice letter in this instance is reasonable given the circumstances. ORA recommends that the AL be withdrawn by SoCalGas and that the utility find other appropriate avenues for Commission authorization such as an expedited application. Under normal circumstances, ORA's point is valid and should be followed, but in this case ED concludes that an advice letter process provides the best chance for the program to launch before there is an anticipated shortage of gas service. As explained in ED's November 16 letter, if there is high demand in December 2017 or January 2018, SoCalGas will not be able to meet gas demand for core customers. An expedited application process, in ED's opinion, will not be able to address SoCalGas' demand response proposal within the critical timeframe.

ED agrees with SoCalGas and ORA that SoCalGas should use the existing WDRMA to track the costs associated with its proposals in sub-accounts for 2017-2018. We also agree with SoCalGas that ORA's concerns about cost recovery are misplaced at this time. As SoCalGas points out, the disposition letter for AL 5027 indicates that cost recovery for the 2016-2017 winter DR program would be determined in a future Commission proceeding. The same applies for 2017-2018 and 2018-2019 costs. SoCalGas does not ask for relief in AL 5223. We leave it up to a future proceeding to determine how these costs will be recovered.

ORA objects that the results of proposed Emerging Technology Assessment test will not be used until the 2018-2019 season, well after the current reliability concern over gas transmission pipeline outages. The Aliso Canyon natural gas leak occurred in October 2015 and more than two years later we are still facing reliability problems with natural gas service in SoCalGas territory. It is premature to conclude that there will not be any gas reliability issues in SoCalGas; territory in 2018-19. We think it is in the best interest of ratepayers to take this small cautionary measure at this time to prepare for the 2018-2019 winter season.
ED agrees with ORA that it generally contravenes Commission policy to promote a single vendor or manufacturer in an IOU program. However, it is appropriate to do so here because the $100,000 Emerging Technology Assessment is a limited demonstration project. We expect to see a manufacturer and vendor-agnostic approach to any full program proposed for next winter and beyond involving water heater control technology. ORA also objects to this demonstration focusing on one specific technology – water heaters. As the Energy Division director letter states, our understanding is that hot water heaters could be a new DR end use. We think it is important to test the capability to tap this prominent natural-gas-using end use. SoCalGas' proposal to book the costs of the Emerging Technology Assessment to the WDRMA is approved for now. The Commission can determine later if there is a more appropriate place to account for costs of this project.

ED agrees a $150,000 evaluation budget is reasonable, and concludes that SoCalGas provides sufficient information as to the method and nature of the evaluation by noting that it will an ex post evaluation similar to the one it conducted last season.

Lastly, we modify the implementation of SoCalGas' program proposal, which says that it will target for enrollment all customers who do not currently participate in Southern California Edison's (SCE) Save Power Days summer air conditioning program. If Nest, ecobee, SCE and SoCalGas find a way to dual enroll customers in both Save Power Days and winter DR, we would like to see that happen, especially this winter.

Ronald van der Leeden
Director
Regulatory Affairs

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SoCalGas
A Sempra Energy utility

November 28, 2017

Advice No. 5223
(U 904 G)

Public Utilities Commission of the State of California

Subject: Approval of Southern California Gas Company's Demand Response Programs

Southern California Gas Company (SoCalGas) hereby requests approval from the California Public Utilities Commission (Commission) to implement a suite of demand response programs for the 2017-2018 and 2018-2019 winter seasons. Pursuant to the Commission's General Order (GO) 96-B Rule 1.3, and at the discretion provided to the Energy Division Director, SoCalGas requests a shortened protest period of seven days.

Purpose

The purpose of this Advice Letter is to seek approval for the implementation of a suite of demand response programs in the SoCalGas territory for the 2017-2018 and 2018-2019 winter seasons. SoCalGas requests authority to spend $3,478,000 for winter 2017-2018 to implement its portfolio of demand response programs, including: SoCalGas Rush Hour Rewards Demand Response Program, SoCalGas Smart Control Thermostat Program; and Natural Gas Demand Response Emerging Technology Assessments. In this Advice Letter, SoCalGas presents a pathway to continue to develop natural gas demand response programs for the 2018-2019 winter season and beyond.

Background

On November 16, 2017, the Commission's Energy Division Director, Edward Randolph, issued a letter (Energy Division Letter) directing SoCalGas to file an expedited Tier 2 Advice Letter proposing a device-based demand response program by November 28, 2017. The Energy Division Letter notes that a natural gas demand response program can contribute to mitigating any natural gas reliability issues in Southern California this winter – and continue to operate next winter to support reliability. As such, the Energy

Division Letter directs SoCalGas to design a demand response program based on the smart thermostat treatment group in the 2016-2017 Natural Gas Conservation Pilot Rebate Program, approved in Resolution G-3522. Furthermore, the Energy Division Letter directs SoCalGas to outline a program where it can dispatch tens of thousands of smart thermostats that are already installed at a customer's premise; and include a research proposal for hot water heaters so that they may be used in the program for winter 2018-2019.

Discussion

SoCalGas supports demand-side programs as part of our normal energy efficiency activities. While these programs may marginally contribute to mitigating natural gas reliability issues in Southern California, they will not fully mitigate reliability risks posed with having 42% of SoCalGas' natural gas import capacity reduced. SoCalGas respectfully requests approval to implement the following demand response programs:

1. SoCalGas Rush Hour Rewards Program

a. **Program Overview:** SoCalGas proposes to partner with Nest to launch a Rush Hour Rewards program to reduce natural gas heating load during periods of system constraint. SoCalGas will incentivize customers for their help in reducing natural gas consumption during periods of system constraint. During a Natural Gas Conservation event,[1] program participants will have their Nest thermostats adjusted to a lower temperature by no more than four degrees, to reduce natural gas consumption, while continuing to keep customers comfortable. Customers who enroll in the program will receive an incentive, as well as an incentive after the winter season for actively participating in the program. SoCalGas will utilize Advanced Meter and smart thermostat data to determine if these customers have greater load drops when a natural gas event is called. The Rush Hour Rewards program is the same program used with electric utilities during the summer season.[2]

b. **Eligibility Criteria:** SoCalGas proposes to target all customers throughout its entire service territory that have a Nest thermostat and do not currently participate in SCE Save Power Days program. After consultation with its implementing partner, Nest, it is not technically feasible at this time for a customer with a Nest thermostat to participate in two Rush Hour Rewards programs offered by two utility companies.[3] Customers with an existing Nest

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[1] A Natural Gas Conservation event is initiated to stimulate voluntary reductions in gas usage on forecasted gas system stressed days, similar to the statewide California Independent System Operator "Flex Alerts" campaign.

[2] Southern California Edison Company (SCE) also runs its Save Power Days program during the winter season in collaboration with SoCalGas. SCE customers in the program, who are also SoCalGas customers, receive an additional $50 in the winter season.

[3] Nest is currently considering the possibility to enroll customers in both SCE and SoCalGas' Rush Hour Rewards Program. *See* Attachment A for further details.

thermostat will receive a SoCalGas/Nest co-branded email inviting them to join the program. SoCalGas may also promote the program through other marketing channels, including email, paid social media, bill inserts, My Account banner ads, and SoCalGas' online marketplace. New Nest owners will get a targeted email and in-app notification that the program is available. Instructions and links to the enrollment page will be provided, along with customer terms & conditions (T&C's) and program details. Once a customer has enrolled into the program, the customer's information will be sent to SoCalGas via a utility portal to verify the customer is Advanced Meter billed and has an active account.

c. **Customer Enrollment:** After consultation with Nest, there are approximately 183,000 Nest thermostats throughout SoCalGas' service territory that would be eligible to participate in the program as they control natural gas heating devices, and do not currently participate in SCE's Save Power Days program.

   SoCalGas also worked with Nest to identify expected uptake in the program. Based on Nest's experience in delivering the Rush Hour Rewards to their electric utility partners, they indicate that the Rush Hour Rewards program has a typical opt-in (enrollment) rate of approximately 10%. As a result, SoCalGas expects 18,300 customers to participate in the 2017-2018 program, with that number steadily increasing over time due to additional marketing and promotional activities.

d. **Notification Mechanisms:** When system conditions warrant, SoCalGas will call a "Natural Gas Conservation" event.[4] Program participants will receive an e-mail notice two-hours prior to the start of the event. The notice will inform customers of the pending adjustment to their Nest thermostat.

e. **Event Windows:** The Rush Hour Rewards program will run from January 2018 to March 2018 and from December 2018 to March 2019.[5] While a Natural Gas Conservation event day may be called at any time, the Rush Hour Rewards program will take place either between the hours of 5am-9am or 5pm-9pm. No more than five natural gas conservation events will be called during the program periods.

f. **Incentive Structure:** Program participants will be offered $50 for enrolling in the program, and an additional $25 for staying in the program until the end of the winter period for:
   - Not opting out during Natural Gas Conservation program; and

[4] A Natural Gas Conservation event may be initiated by SoCalGas in instances where the SoCalGas System Operator determines specific system conditions warrant a curtailment or curtailment watch.
[5] Launch of the Nest Rush Hour Rewards program is dependent on approval of this Advice Letter.

- Allowing SoCalGas and Nest to remotely lower thermostat set-points during events called in this same timeframe.

g. **Proposed Budget:** The overall budget for the Rush Hour Rewards program is $2,960,000. This program budget, including major cost categories, is presented in Table 1, below:

Table 1: SoCalGas Rush Hour Rewards Program Budget (2017-2018 Season)

Administrative	$28,000
Marketing	$124,600
Direct Implementation (Incentives)	$2,607,750
Direct Implementation (Non-Incentives)	$199,650
Total Budget	**$2,960,000**

h. **Metrics for Success:** SoCalGas will utilize Advanced Meter and smart thermostat data to determine if participating customers have greater load drops when a natural gas conservation event is called.

2. **SoCalGas Smart Control Thermostat Program**

a. **Program Overview:** SoCalGas proposes to partner with ecobee to launch a SoCalGas Smart Control Thermostat program to reduce natural gas heating load for residential customers with an installed and registered ecobee smart thermostat. During a Natural Gas Conservation event, ecobee will automatically adjust a customer's thermostat by no more than four degrees. Customers who enroll in the program will receive an incentive, as well as an incentive after the winter season for actively participating in the program. SoCalGas will utilize Advanced Meter and smart thermostat data to determine if these customers have greater load drops when a natural gas event is called.

SoCalGas proposes to send program re-enrollments to approximately 340 SoCalGas residential customers who participated in the 2016-2017 Winter Demand Response Programs.[6] SoCalGas residential customers who participated in the program during the 2016-2017 winter will be "welcomed back" to the program via e-mail communication from SoCalGas, with an opt-out option. Customers who do not opt-out will receive an incentive at the conclusion of the winter season. SoCalGas will expand the program to new ecobee thermostat customers prior to January 2018.

b. **Eligibility Criteria:** SoCalGas proposes to target all customers throughout its entire service territory with an ecobee thermostat who don't currently participate in SCE's Save Power Days program. After consultation with its implementing partner, EnergyHub, it is not technically feasible at this time for a customer with

[6] The 2016-2017 EnergyHub/ecobee program was part of SoCalGas' Natural Gas Conservation Program approved by Resolution G-3522.

an ecobee thermostat to participate in two demand response programs offered by two utility companies. The customer will be required to have an installed and registered ecobee thermostat as well as an activated SoCalGas Advanced Meter. Customers with an existing ecobee thermostat will receive a SoCalGas/ecobee co-branded email inviting them to join the program. SoCalGas may also promote this program through its marketing channels, including email, paid social media, bill insert, My Account banner ads, and SoCalGas' online marketplace. New ecobee owners will get a targeted email and in-app notification that the program is available. Instructions and links to the enrollment page are provided, along with customer T&C's and program details. A utility portal provided by EnergyHub to SoCalGas will be reopened so participants' service accounts can be re-validated, and confirmation that ecobee devices are online can be made.

c. **Customer Enrollment:** After consultation with ecobee, there are approximately 5,000 ecobee thermostats throughout SoCalGas' service territory that would be eligible to participate in the program as they control natural gas heating devices, and do not currently participate in SCE's Save Power Days program.

   SoCalGas also worked with ecobee to identify expected uptake in the program. Based on ecobee's experience in delivering opt-in (enrollment) demand response programs to their electric utility partners, they indicate that the typical opt-in rate of approximately 10%. As a result, SoCalGas expects 500 customers to participate in the 2017-2018 program, with that number steadily increasing over time due to additional marketing and promotional activities.

d. **Notification Mechanisms:** When system conditions warrant, SoCalGas will call a "Natural Gas Conservation" event. Program participants will receive an e-mail notice two-hours prior to the start of the event. The notice will inform customers of the pending adjustment to their ecobee thermostat.

e. **Event Windows:** The SoCalGas Smart Control Thermostat program will run from December 2017 to March 2018 and from December 2018 to March 2019.[7] While a Natural Gas Conservation event day may be called at any time, the SoCalGas Smart Control Thermostat program will take place either between the hours of 5am-9am or 5pm-9pm. No more than five natural gas conservation events will be called during the program periods.

f. **Incentive Structure:** Program participants will be offered $50 for enrolling in the program, and an additional $25 for staying in the program until the end of the winter period for:
   - Not opting out during Natural Gas Conservation program; and

[7] Launch of the Smart Control Thermostat Program is dependent on approval of this Advice Letter.

- Allowing SoCalGas and ecobee to remotely lower thermostat set-points during events in this same timeframe.

g. **Proposed Budget:** The overall budget for the SoCalGas Smart Control Thermostat program is $268,000. This program budget, including major cost categories, is presented in Table 2, below:

Table 2: SoCalGas Smart Control Thermostat Program Budget (2017-2018 Season)

Administrative	$6,500
Marketing	$84,600
Direct Implementation (Incentives)	$64,975
Direct Implementation (Non-Incentives)	$111,925
Total Budget	**$268,000**

h. **Metrics for Success:** SoCalGas will utilize Advanced Meter and smart thermostat data to determine if participating customers have greater load drops when a natural gas conservation event is called.

3. Natural Gas Demand Response Emerging Technology Assessments

In preparation for future natural gas demand response programs, SoCalGas proposes to accelerate development of innovative natural gas demand response technologies. Specifically, for the 2017-2018 winter season, SoCalGas proposes to conduct a research and demonstration project on natural gas Wi-Fi-enabled water heater equipment. In parallel to the research and demonstration project, through its energy efficiency programs, SoCalGas will offer an energy efficiency rebate for customers to purchase an energy-efficient Rheem water heater with the EcoNet wi-fi module or the individual EcoNet wi-fi module for their existing water heater. The energy efficiency rebates will support an expanded technology-enabled customer base for future natural gas demand response programs.

a. **Project Objective:** SoCalGas proposes to conduct a research and demonstration project of wi-fi-enabled natural gas water heater technology in collaboration with Rheem to identify and develop a future natural gas demand response program. In the case of a Natural Gas Conservation event, the wi-fi module would receive a signal to adjust the temperature of the gas water heater for the duration of the event. This project will be a comprehensive assessment of the technical and operational feasibility of a natural gas water heater wi-fi module to perform this function in such a Natural Gas Conservation event. The results of the project will be used to develop a natural gas demand response program for the 2018-2019 season.

b. Scope:

- Task 1: Technology Software Update (April-May 2018) – SoCalGas will work with Rheem to identify capabilities required to operate a natural gas demand response program. Rheem will update their EcoNet algorithm to add the capabilities.
- Task 2: Site Selection and Design Work (May 2018) – SoCalGas will collaborate with Rheem to design testing methodology and identify success metrics. Both companies will work together to identify sites to test the Rheem water heaters with updated wi-fi module units.
- Task 3: Installation, Testing and Evaluation (June-July 2018) – Install units at site, monitor, test, and evaluate results for feasibility to perform a demand response function with updated capabilities.
- Task 4: Final Report (July 2018) – SoCalGas to provide a concise Final Report summarizing the demonstration results.

c. Proposed Budget: The overall budget for the research and demonstration project proposal is $100,000. This program budget, including major cost categories, is presented in Table 3, below:

Table 3: Natural Gas Demand Response Emerging Technology Assessments (2017-2018 Season)

Administrative	$0
Marketing	$0
Direct Implementation (Incentives)	$0
Direct Implementation (Non-Incentives)	$100,000
Total Budget	**$100,000**

4. New Demand Response Program Development for 2018-2019 Winter Season

Throughout 2018, SoCalGas intends to engage electric DR providers to develop similar and innovative gas demand response programs for the next winter season. This would include different ways to engage customers to participate in winter gas conservation events other than through smart thermostats as proposed above. Utilizing third-party providers and technology applications will be a key area in which SoCalGas will be looking to pilot innovative ideas. For example, utilizing mobile and web applications to share gas usage data by appliances can alter customer behavior especially during winter events.

In summary, SoCalGas will conduct the following throughout 2018:

Research: Engage other utilities and third-party providers on potential gas demand response programs. This will include studying program results and barriers to participation.

Development: SoCalGas will use research findings to develop new programs for the 2018-2019 winter season.

Test Phase: Where feasible, SoCalGas will look to pilot program ideas and functionality with third-party providers during 2018.

Program Launch: SoCalGas will pilot and implement programs that pass the development and/or testing phase for the 2018-2019 winter season and beyond.

5. **Program Evaluation**

SoCalGas requests authority to contract with an Evaluation, Measurement, & Verification (EM&V) consultant to perform an evaluation of the *ex post* savings from the proposed programs requested herein. SoCalGas expects this effort will cost $150,000.

Integration of Energy Efficiency and Demand Response

The Commission, in D.07-10-032 expressed an intent to integrate customer demand-side programs, such as energy efficiency and demand response, to achieve maximum savings while avoiding duplication of efforts, reducing transaction costs, and diminishing customer confusion.[8] Furthermore, in the Energy Division Staff Proposal on Limited Integration of EE and DR activities, issued June 26, 2017, Energy Division introduced an integration element focused on residential customers that encourage the inclusion of demand response-enabled HVAC and lighting controls or energy management systems in EE Programs.

In response to the Commission's intent to integrate all demand-side programs, where feasible, SoCalGas sees similar opportunities for natural gas equipment. SoCalGas will continue to provide energy efficiency incentives for smart thermostats and energy-efficient natural gas waters (including those that are wi-fi enabled). SoCalGas will also develop a workpaper for energy-efficient natural gas water heater retrofit modules. Through the utilization of energy efficiency programs for technologies that save energy and have potential demand response capabilities, SoCalGas will expand the potential customer participation base.

Moreover, SoCalGas will continue to leverage its relationship with product manufacturers to accelerate their development of natural gas energy efficiency and demand response technologies for future residential and commercial programs.

Future Platform to Share Customer Data with Third-Party DR and EE Providers

Pacific Gas and Electric Company ("PG&E"), San Diego Gas & Electric Company ("SDG&E"), and SCE (together, "Utilities") were required in D.11-07-056 to develop data sharing platforms to share advanced meter data with third-party providers.[9] Additionally, Resolution E-4868 ("Resolution") required the Utilities to develop a click-

[8] D.07-10-032, p. 6.
[9] D.11-07-056, OP 8.

through authorization process to release customer data to third-party demand response providers.

SoCalGas intends to seek funding through the appropriate regulatory process to develop a data sharing platform with click-through authorization to share advanced meter usage data with third-party energy efficiency and demand response providers. Data sharing is vital to demand response programs and will help SoCalGas and third-parties develop and implement innovative programs in the future.

Continuation of Demand Response Programs for the 2018-2019 Winter Season

In this Advice Letter, SoCalGas is not requesting a specific budget for the 2018-2019 winter season. Due to uncertainties, including the ongoing expansion of smart thermostat adoption by customers, the viability and scope of a natural gas connected water heater program, and the development of app-based natural gas demand response programs, SoCalGas cannot estimate the budgetary need of the demand response programs for 2018-2019 at this time. Following the completion of the suite of programs identified above for the 2017-2018 winter season, SoCalGas intends to file a more formal filing in 2018 requesting approval of a suite of demand response programs for the 2018-2019 winter season and beyond.

Winter Demand Response Memorandum Account (WDRMA)

SoCalGas provides the following changes to its WDRMA to appropriately track all costs associated with the Demand Response Programs, as shown in Attachment A.

- WDR Subaccount for 2016-2017
- WDR Subaccount for 2017-2018
- WDR Subaccount for 2018-2019

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. At the direction of the Commission's Energy Division Director, SoCalGas hereby requests that the protest must be made in writing and received by December 5, 2017, which is seven days after the date this Advice Letter was filed with the Commission. 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 Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). A copy of the protest should also be sent via both mail and facsimile to the addresses shown below on the same date it is mailed or delivered to the Commission.

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

Attn: Corinne Sierzant
Regulatory Affairs Case Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
E-mail: CSierzant@SempraUtilities.com

Effective Date

SoCalGas believes that this Advice Letter is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. SoCalGas respectfully requests that it be approved by the Commission at the earliest opportunity, and before year-end 2017, so that the Demand Response Programs can be implemented in time for the 2017-2018 winter season.

Notice

A copy of this Advice Letter is being sent to SoCalGas' GO 96-B service list and the Commission's service lists for R.13-11-005. Address change requests to the GO 96-B should be directed by electronic mail to Tariffs@socalgas.com or call 213-244-2837. 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:
☐ ELC ☒ GAS
☐ PLC ☐ HEAT ☐ WATER

Contact Person: Ray B. Ortiz
Phone #: (213) 244-3837
E-mail: ROrtiz@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 5223

Subject of AL: Approval of Southern California Gas Company's Demand Response Programs

Keywords (choose from CPUC listing): Energy Efficiency

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

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: After Commission Approval

No. of tariff sheets: 4

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: Preliminary Statement VI – Memorandum Accounts – Winter Demand Response Memorandum Account (WDRMA) and TOCs

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: Ray B. Ortiz
555 West 5th Street, GT14D6
Los Angeles, CA 90013-1011
ROrtiz@semprautilities.com
Tariffs@socalgas.com

[1] Discuss in AL if more space is needed.

ATTACHMENT A
Advice No. 5223

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 54472-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, WINTER DEMAND RESPONSE MEMORANDUM ACCOUNT (WDRMA)	Original 53173-G*
Original 54473-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, WINTER DEMAND RESPONSE MEMORANDUM ACCOUNT (WDRMA)	
Revised 54474-G	TABLE OF CONTENTS	Revised 54466-G
Revised 54475-G	TABLE OF CONTENTS	Revised 54139-G

WINTER DEMAND RESPONSE MEMORANDUM ACCOUNT (WDRMA)

1. Purpose

The WDRMA is an interest-bearing memorandum account recorded on SoCalGas' financial statements. Pursuant to the Letter from Energy Division to SoCalGas on 2016-2017 Winter Demand Response (WDR) Programs, SoCalGas establishes the WDR 2016-2017 subaccount of the WDRMA to track all costs associated with the proposed gas demand response programs in its service territory for the winter of 2016 as directed by the Director of Energy Division on September 13, 2016. Pursuant to the Letter from Energy Division to SoCalGas on 2017-2018 and 2018-2019 WDR Programs, SoCalGas establishes the WDR 2017-2018 and WDR 2018-2019 subaccounts of the WDRMA to track all costs associated with the proposed gas demand response programs in its service territory for the winters of 2017-2018 and 2018-2019, as directed by the Director of Energy Division on November 16, 2017. SoCalGas' 2016-2017 WDR Program is established in response to the uncertainty surrounding the availability of gas storage and withdrawal capabilities at Aliso Canyon during the upcoming winter of 2016-2017. SoCalGas' 2017-2018 and 2018-2019 WDR Programs are established to support reliability. The WDRMA is effective September 15, 2016.

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2. Applicability

This account shall apply to all gas customers except for those specifically excluded by the Commission.

3. Rates

See Disposition Section.

4. WDR 2016-2017 Subaccount - Accounting Procedures T

SoCalGas shall maintain this subaccount by recording entries at the end of each month, net of FF&U, as follows:

a. A debit entry equal to actual operating and maintenance (O&M) costs associated with SoCalGas' 2016-2017 WDR Program; D,N
b. A debit entry equal to the capital-related costs (e.g., depreciation, return and taxes) associated with SoCalGas' 2016-2017 WDR Program; D,N
c. An entry to amortize the subaccount balance as authorized by the Commission; and D,N
d. An entry equal to interest on the average balance in the subaccount during the month, calculated in the manner described in Preliminary Statement, Part I, J.

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5. WDR 2017-2018 Subaccount - Accounting Procedures N

SoCalGas shall maintain this subaccount by recording entries at the end of each month, net of FF&U, as follows:

a. A debit entry equal to actual O&M costs associated with SoCalGas' 2017-2018 WDR Program;
b. A debit entry equal to the capital-related costs (e.g., depreciation, return and taxes) associated with SoCalGas' 2017-2018 WDR Program;
c. An entry to amortize the subaccount balance as authorized by the Commission; and
d. An entry equal to interest on the average balance in the subaccount during the month, calculated in the manner described in Preliminary Statement, Part I, J.

6. WDR 2018-2019 Subaccount - Accounting Procedures

SoCalGas shall maintain this subaccount by recording entries at the end of each month, net of FF&U, as follows:

a. A debit entry equal to actual O&M costs associated with SoCalGas' 2018-2019 WDR Program;
b. A debit entry equal to the capital-related costs (e.g., depreciation, return and taxes) associated with SoCalGas' 2018-2019 WDR Program;
c. An entry to amortize the subaccount balance as authorized by the Commission; and
d. An entry equal to interest on the average balance in the subaccount during the month, calculated in the manner described in Preliminary Statement, Part I, J. N

7. Disposition L,T

The disposition of the WDRMA balance will be addressed in SoCalGas' next General Rate Case or other future proceeding.

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The following listed sheets contain all effective Schedules of Rates and Rules affecting service and information relating thereto in effect on the date indicated thereon.

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PRELIMINARY STATEMENT

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PRELIMINARY STATEMENT (Continued)

(Continued)

STATE OF CALIFORNIA Edmund G. Brown Jr., Governor

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

November 16, 2017

Ronald van der Leeden
Director, Regulatory Affairs
Southern California Gas Company
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011

Dear Mr. van der Leeden,

I am requesting that Southern California Gas Company (SoCalGas) file a Tier II Advice Letter for a device-based demand response program by November 28, 2017, and launch that program immediately upon Energy Division's prompt approval of the Advice Letter.

The California Public Utilities Commission and the California Energy Commission are deeply concerned about the reliability of SoCalGas service this winter, as the presidents of both commissions expressed in a joint letter to SoCalGas on October 17, 2017. The letter outlines specific causes for concern including that three pipelines responsible for importing 42 percent of the natural gas import capacity into the Los Angeles region are out of service. As the letter states:

"We are concerned that SoCalGas will not be able to meet demand for core customers if there are high demand days in December 2017 or January 2018. There may also be problems on lower demand days and service to noncore customers appears to be at risk, including electric generators and refineries. Mitigation measures put into place to reduce the risk of natural gas curtailments after the leak at Aliso Canyon were effective in reducing demand and better managing noncore customers' utilization of the gas transmission system, but they may not be sufficient to mitigate the additional constraints on the system caused by the reduction in import capacity. Additional mitigation measures appear to be required."

It is my hope that a natural gas demand response program can contribute to mitigating any natural gas reliability issues in Southern California this winter – and continue to operate next winter (from December 1, 2018 through March 31, 2019) to support reliability. Please design this program based on the smart thermostat treatment group in the 2016-2017 Natural Gas Conservation Pilot Rebate Program, approved in Resolution G-3522 by the Commission on November 11, 2016. This treatment group pilot never had the opportunity to demonstrate its effectiveness last winter due to delays in its implementation.

Hence, SoCalGas should in its Advice Letter outline a program where it can dispatch tens of thousands of smart thermostats that are already installed at the customer premise through partnerships with major thermostat manufacturers and their vendors. Other program design elements should provide for:

- Several events per season with early morning and evening event periods through March 31;
- Thermostat set-point changes;
- Enrollment of as many smart thermostat customers as possible throughout the **entire** SoCalGas territory; and
- A 50% increase in the rebate amount from what was offered in the 2016-2017 pilot (e.g. from a total of \$50 (\$25 up front and \$25 at the end of the season) to a total of \$75) to facilitate enrollment and participation.

Major components of the Advice Letter (AL) should roughly follow AL 5035-G filed for the 2016-2017 pilot, and include:

- Explanation of the program design, enrollment expectations, geographic scope, rebate and incentive design, budget broken out by major categories such as incentives, and administration;
- Program terms, mechanics and other details that are particular to a thermostat manufacturer;
- Any updates to the memorandum account opened for the 2016-2017 pilot;
- High level evaluation plan and metrics; and
- A request to shorten the protest period to seven days per the discretion provided to the Energy Division director to expedite Advice Letters in GO96-B Rule 1.3.

Lastly it is our understanding that hot water heaters could be another potential source of natural gas demand response but that more research into their capabilities are needed. Please include in the AL a research proposal for hot water heaters so that they might be used in a demand response program for the winter of 2018-19.

If you have questions, contact Bruce Kaneshiro and Jean Lamming of my staff for assistance. Thank you for your prompt and thorough attention to this important matter.

Sincerely,

Edward Randolph
Director, Energy Division