

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



October 30, 2018

Advice Letter 5303

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

**SUBJECT: Southern California Gas Company's Demand Response Programs Budgets
and Activities for the 2018-2019 Winter Season**

Dear Mr. van der Leeden:

Advice Letter 5303 is effective as of October 25, 2018 per Resolution G-3541 Ordering Paragraphs.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph
Director, Energy Division



A  Semptra Energy utility

Ronald van der Leeden
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
Tel: 213.244.2009
Fax: 213.244.4957

RvanderLeeden@semprautilities.com

May 31, 2018

Advice No. 5303
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Southern California Gas Company's Demand Response Programs
Budgets and Activities for the 2018-2019 Winter Season**

Purpose

In compliance with the California Public Utilities Commission (Commission) Energy Division's directive, Southern California Gas Company (SoCalGas) hereby requests approval of an operating budget for SoCalGas' Demand Response (DR) Programs for the 2018-2019 winter season. SoCalGas identifies \$5,870,000 budget needed for the winter 2018-2019 Smart Thermostat Load Control Demand Response program (Smart Savings Program) to implement the Energy Division directive. SoCalGas also submits for approval modifications to its Preliminary Statement, Part VI., Memorandum Accounts, applicable throughout its service territory, as shown in Attachment A. The Preliminary Statement modifications are in compliance with the Energy Division directive.

Background

On April 12, 2018, the Commission's Energy Division Director, Edward Randolph, issued a letter requesting SoCalGas to submit an advice letter by June 2018 to continue its 2017-2018 device-based winter Demand Response program submitted in Advice No. (AL) 5223, Approval of Southern California Gas Company's Demand Response Programs,¹ through the winter of 2019. This letter is included as Attachment B.

AL 5223 requested approval to implement the following suite of demand response programs for the 2017-2018 and 2018-2019 winter seasons:²

¹ AL 5223 was approved, effective December 21, 2017.

² See AL 5223 at pp. 2-8.

- Smart Thermostat Load Control Demand Response Programs - SoCalGas implemented two separate smart thermostat programs (Rush Hour Rewards Program and Smart Control Thermostat Program).
- Natural Gas Demand Response Emerging Technology Assessments – SoCalGas to conduct a research and demonstration project on natural gas Wi-Fi-enabled water heater equipment.³

AL 5223 also requested funding specifically for the 2017-2018 Demand Response programs, indicating that budget information for the 2018-2019 winter season was unknown at the time due to uncertainties in 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.⁴

SoCalGas' Smart Savings Program

SoCalGas supports the use of demand-side management (DSM) activities to help customers better optimize their energy use. SoCalGas' DSM programs include Energy Efficiency, solar thermal, and demand response programs.

SoCalGas will implement its Smart Savings Program for the 2018-2019 winter season, incentivizing customers for their help in reducing natural gas consumption during periods of system constraint.

- a. Program Overview:** SoCalGas proposes to partner with open automated demand response (OpenADR) enabled smart thermostat vendors to continue to implement a device-based Demand Response program to reduce natural gas heating load during periods of system constraint. During a Natural Gas Conservation Event,⁵ program participants will have their smart thermostats adjusted to a lower temperature by no more than four degrees to reduce natural gas consumption during the peak event. Customers who enroll in the program will receive an incentive, as well as an incentive after the winter season for participating in the program. SoCalGas will utilize Advanced Meter and smart thermostat data to determine load reduction impact from participating customers when a Natural Gas Conservation Event is called.
- b. Eligibility Criteria:** SoCalGas proposes to target all customers throughout its service territory that have natural gas heating and a qualifying smart thermostat. Customers with an existing smart thermostat will receive an email inviting them to join the program. Customers who purchase new smart thermostats will get a

³ SoCalGas will complete the research and demonstration project in July 2018 pursuant to the schedule identified in AL 5223. See AL 5223 at pp. 6-7.

⁴ AL 5223 at p. 9.

⁵ A Natural Gas Conservation event is initiated to stimulate reductions in gas usage on forecasted gas system stressed days, similar to the statewide California Independent System Operator "Flex Alerts" campaign.

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&Cs) 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 that the customer is Advanced Meter billed and has an active SoCalGas account.

- c. Marketing:** SoCalGas will promote the program through one or more of the following marketing channels: email, paid social media, bill inserts, My Account banner ads, radio ads, and SoCalGas' online marketplace.
- d. Customer Enrollment:** There are approximately 310,000 qualifying smart thermostats throughout SoCalGas' service territory that control natural gas heating devices and would therefore be eligible to participate in the program. SoCalGas is targeting enrollment of 50,000 smart thermostats in the 2018-2019 program, but will not cap the number of enrollees.
- e. Notification Mechanisms:** When system conditions warrant, SoCalGas will call a "Natural Gas Conservation" event.⁶ Program participants will receive notifications of an event via messaging on their smart thermostat, mobile applications, email, and/or text messages. The notice will inform customers of the pending adjustment to their smart thermostat.
- f. Event Windows:** The program will run from December 2018 to March 2019.⁷ Natural Gas Conservation events will take place between the hours of 5am-9am and/or 6pm-10pm on non-holiday weekdays.
- g. Incentive Structure:** New 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. Returning participants who enrolled in previous winters will receive \$25 for staying in the program through March 2019.
- h. Proposed Budget:** The overall budget for the program is \$5,870,000. The budget is based on SoCalGas' target enrollment, but incentive expenses could vary based on the number of customers that ultimately enroll. This program budget, including major cost categories, is presented in Table 1, below. Actual program costs will be recorded in SoCalGas' Winter Demand Response Memorandum Account (WDRMA), 2018-2019 subaccount, which was approved by the Commission in AL 5223. Pursuant to the WDRMA, the disposition of the balance in the WDRMA will be addressed in SoCalGas' next General Rate Case or other future proceeding.

⁶ 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.

⁷ Launch of SoCalGas' DR program is dependent on timely approval of this advice letter.

Table 1: SoCalGas Device-Based Program Budget (2018-2019 Season)

Administrative	\$135,000
Marketing	\$330,000
Direct Implementation (Incentives)	\$4,771,000
Direct Implementation (Non-Incentives)	\$484,000
Evaluation, Measurement & Verification (EM&V)	\$150,000
Total Budget	\$5,870,000

- i. **Program Evaluation:** SoCalGas will utilize Advanced Meter and smart thermostat data to determine load reduction impact from participating customers when a Natural Gas Conservation Event is called. SoCalGas requests authority to contract with an EM&V consultant to perform an evaluation of the *ex post* savings from the proposed program requested herein. SoCalGas estimates this effort will cost \$150,000.

Revisions to the WDRMA

In response to the Energy Division directive, SoCalGas requests approval to modify its WDRMA, Preliminary Statement Part VI, as shown in Attachment A, to create a Long-Term Winter Demand Response Program Subaccount for recording the costs associated with the filing of an application and development of a suite of demand response programs beyond the 2018-2019 winter season. Consistent with the existing of the WDRMA balance will be addressed in SoCalGas' next General Rate Case or other future proceeding.

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 June 20, 2018. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is given below.

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

A copy 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 address 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: Joseph Mock
Regulatory Affairs Case Manager
555 West Fifth Street
Los Angeles, CA 90013-1011
E-mail: jmock@SempraUtilities.com

Effective Date

SoCalGas believes this Advice Letter is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to General Order (GO) 96-B. It is in compliance with the April 12, 2018 Commission's Energy Division Director, Edward Randolph, letter. Therefore, SoCalGas respectfully requests that it be made effective on June 30, 2018, which is 30 calendar days from 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 for R.13-11-005 and A.15-06-020. 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:

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) #: 5303

Subject of AL: Southern California Gas Company's Demand Response Programs Budgets and Activities for the 2018-2019 Winter Season

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 AL¹: N/A

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

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 6/30/18

No. of tariff sheets: 3

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 proposed¹: 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. 5303

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 55195-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, WINTER DEMAND RESPONSE MEMORANDUM ACCOUNT (WDRMA), Sheet 1	Revised 54472-G
Revised 55196-G Revised 55197-G	TABLE OF CONTENTS TABLE OF CONTENTS	Revised 55194-G Revised 54888-G

PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
WINTER DEMAND RESPONSE MEMORANDUM ACCOUNT (WDRMA)

Sheet 1

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.

Pursuant to the letter dated April 12, 2018 from the Director of the Energy Division, SoCalGas establishes the Long-Term Winter Demand Response Program Subaccount to record the costs associated with the filing of an application and development of a suite of demand response programs beyond the 2018-2019 winter season.

The WDRMA is effective September 15, 2016.

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

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;
- b. A debit entry equal to the capital-related costs (e.g., depreciation, return and taxes) associated with SoCalGas' 2016-2017 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.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5303
 DECISION NO.

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED May 31, 2018
 EFFECTIVE Oct 25, 2018
 RESOLUTION NO. _____

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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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 Table of Contents--Rate Schedules 55192-G,55193-G,54971-G
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 Table of Contents--List of Contracts and Deviations 54790-G
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(Continued)

(TO BE INSERTED BY UTILITY)
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(TO BE INSERTED BY UTILITY)
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ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
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ATTACHMENT B

Advice No. 5303

**April 12, 2018 Commission's Energy Division
Director, Edward Randolph, Letter**

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



April 12, 2018

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 the following:

- An advice letter by June 2018 to continue its 2017-2018 device-based winter Demand Response program through the winter of 2019, with associated impact evaluation; and
- An Application for a long-term winter demand response program by November 2018.

As I stated in my November 16, 2017 letter to you, it was my hope that a natural gas demand response program could contribute to mitigating natural gas reliability issues in Southern California during the 2017-2018 winter season – and that such a program would continue to operate from December 1, 2018 through March 31, 2019 to support reliability. I am requesting this two-pronged filing approach from SoCalGas to address the ongoing reliability concerns related to Aliso Canyon during the winter of 2018-2019 while providing more time for a proceeding on a long-term winter Demand Response program.

In Advice Letter (AL) 5223 for a device-based winter program, which Energy Division approved on December 21, 2017, SoCalGas said it intended 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.” New activities such as a hot water heater program and any plans to copy a New York program that aggregates control of commercial equipment including furnaces and boilers should be the subject of the application.

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

Sincerely,

A handwritten signature in black ink, appearing to read "ER", written over a light blue horizontal line.

Edward Randolph
Director, Energy Division
California Public Utilities Commission

cc: Aloke Gupta, Energy Division
Franz Cheng, Energy Division