

PUBLIC UTILITIES COMMISSION
505 Van Ness Avenue
San Francisco CA 94102-3298



Southern California Gas Company
GAS (Corp ID 904)
Status of Advice Letter 5654G
As of August 10, 2020

Subject: Joint Tier 2 Advice Letter to Propose a Post-Pandemic Return to Service (PPRS)
Percentage in Compliance with Resolution E-5074

Division Assigned: Energy

Date Filed: 06-29-2020

Date to Calendar: 07-01-2020

Authorizing Documents: E-5074

Disposition:	Accepted
Effective Date:	06-29-2020

Resolution Required: No

Resolution Number: None

Commission Meeting Date: None

CPUC Contact Information:

edtariffunit@cpuc.ca.gov

AL Certificate Contact Information:

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PUBLIC UTILITIES COMMISSION
505 Van Ness Avenue
San Francisco CA 94102-3298



To: Energy Company Filing Advice Letter

From: Energy Division PAL Coordinator

Subject: Your Advice Letter Filing

The Energy Division of the California Public Utilities Commission has processed your recent Advice Letter (AL) filing and is returning an AL status certificate for your records.

The AL status certificate indicates:

- Advice Letter Number
- Name of Filer
- CPUC Corporate ID number of Filer
- Subject of Filing
- Date Filed
- Disposition of Filing (Accepted, Rejected, Withdrawn, etc.)
- Effective Date of Filing
- Other Miscellaneous Information (e.g., Resolution, if applicable, etc.)

The Energy Division has made no changes to your copy of the Advice Letter Filing; please review your Advice Letter Filing with the information contained in the AL status certificate, and update your Advice Letter and tariff records accordingly.

All inquiries to the California Public Utilities Commission on the status of your Advice Letter Filing will be answered by Energy Division staff based on the information contained in the Energy Division's PAL database from which the AL status certificate is generated. If you have any questions on this matter please contact the:

Energy Division's Tariff Unit by e-mail to
edtariffunit@cpuc.ca.gov



Ronald van der Leeden
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June 29, 2020

Advice No. 5654-G
(Southern California Gas Company - U 904-G)

Advice No. 2878-G/3563-E
(San Diego Gas & Electric Company – U 902-E)

Advice No. 4239-E
(Southern California Edison Company – U 338-E)

Advice No. 4268-G/5864-E
(Pacific Gas & Electric Company – U 39-E)

Advice No. 1138-G
(Southwest Gas Corporation – U 905-G)

Advice No. 621-E
(PacifiCorp d/b/a Pacific Power - U 901-E)

Advice No. 149-E
(Liberty Utilities (CalPeco Electric) - U 933-E)

Advice No. 57-G
(Alpine Natural Gas Company – U 909-G)

Advice No. 396-E
(Bear Valley Electric Service – U 913 E)

Subject: Joint Tier 2 Advice Letter to Propose a Post-Pandemic Return to Service (PPRS) Percentage in Compliance with Resolution E-5074

Purpose

Pursuant to California Public Utilities Commission (Commission or CPUC) Resolution E-5074, Southern California Gas Company (SCG) submits this Tier 2 Advice Letter (AL) in compliance with Ordering Paragraph (OP) 9, which directed SCG, Pacific Gas & Electric Company (PG&E), Southern California Edison (SCE), San Diego Gas & Electric Company (SDG&E), Alpine Natural Gas Operating Company, Bear Valley Electric Service (BVES), a division of Golden State Water Company, Liberty Utilities (CalPeco Electric) LLC (Liberty CalPeco), PacifiCorp d/b/a Pacific Power (PacifiCorp), and Southwest Gas Corporation (Southwest Gas) (joint investor-owned utilities or IOUs) to jointly submit a proposed percentage value of the Post-Pandemic Return to Service (PPRS) credit, the methodology used to calculate the PPRS credit, timeframe and logistics for how the PPRS credit mechanism will be integrated into current invoicing procedures, and reporting system to track the PPRS credit mechanism adopted to address the unique challenges created by COVID-19 for the Energy Savings Assistance (ESA) Program. While not stated in OP 9, this Joint Tier 2 AL also includes a reporting of “funds advanced to, and accepted by, ESA Prime Contractors (ESA Contractors) for labor costs and other employee costs critical to sustaining the workforce, and the portion of total balance of funds advanced that PPRS credits may be applied to” as stated on page 11 of Resolution E-5074.

Background

On March 4, 2020, Governor Gavin Newsom (Governor) declared a State of Emergency in response to the outbreak of novel coronavirus, COVID-19.¹ On March 13, 2020, President Trump signed an Emergency Declaration to facilitate a federal response to the emerging COVID-19 pandemic.² On March 19, 2020, to protect public health, Governor Newsom ordered all individuals living in the State of California to stay at home or at their place of residence to slow the spread of COVID-19. In order to comply with this order, the IOUs temporarily suspended all face-to-face ESA Program activities.

On March 23, 2020, Executive Director, Alice Stebbins of the CPUC sent a letter requesting all IOUs offer a 30-day advance payment to ESA Contractors to help maintain the economic stability of the ESA Program’s workforce.

On April 7, 2020, Executive Director Stebbins sent a second letter to the IOUs clarifying guidance of the March 23, 2020 letter, and requesting all four large IOUs offer a second 30-day advance payment (total of 60-days) to ESA Contractors to continue efforts to help maintain the economic stability of the ESA Program’s workforce.

On April 24, 2020, the Commission issued Draft Resolution E-5074 to affirm and clarify the March 23, 2020 and April 7, 2020 letters sent by Executive Director Stebbins

¹ Available at <https://www.gov.ca.gov/2020/03/04/governor-newsom-declares-state-of-emergency-to-help-state-prepare-for-broader-spread-of-covid-19/>

² Available at <https://www.whitehouse.gov/presidential-actions/proclamation-declaring-nationalemergency-concerning-novel-coronavirus-disease-covid-19-outbreak/>

and provided further direction in response to additional elements proposed by the ESA Contractors.

On May 28, 2020, the Commission adopted Res. E-5074 ratifying elements of the Executive Director Stebbins's March 23, 2020 and April 7, 2020 letters. Specifically, Res. E-5074: 1) ratifies the 60-day advance payment to ESA Contractors, 2) approves with modification a pay-for-performance mechanism for repayment known as the PPRS credit, 3) approves expedited IOU invoice payments, and 4) requires all IOUs (including Small and Multi-Jurisdictional Utilities (SMJUs)) to offer the advance payment to their ESA Contractors.

On June 12, SDG&E on behalf of the IOUs and notified the appropriate service lists and all ESA Contractors of the proposed percentage for the PPRS credit pursuant to OP 8 of Resolution E-5074.³

On June 15, the four large IOUs provided 30-day advance notice to ESA Contractors signifying July 15, 2020 as the start of the six-month PPRS credit-earning period in accordance with OP 7 of Resolution E-5074.⁴

Introduction

Similar to the unique impacts that the COVID-19 pandemic is having on many small businesses, ESA Contractors are likely facing challenges that may impact their ability to provide ESA Program services. For instance, ESA Contractors have had to deal with difficulties sustaining a skilled and trained workforce and paying operating costs while non-critical, in-person activities were suspended. These difficulties may continue as the ESA Program ramps back up with potentially fewer customers than previously expected as customers weigh the risks of allowing ESA Contractors in their homes. Additionally, ESA Contractors that have accepted advance payments pursuant to Res. E-5064 will likely face additional incremental costs associated with returning to work after the suspension of in-person program activities is lifted, such as difficulty borrowing money due to worse credit metrics. Given these potential difficulties, providing an advanced payment and method to repay the advance is essential for ESA Contractors to remain in business and maintain program continuity.

In recognition of these unique circumstances, in Res. E-5074, the Commission created a mechanism under which ESA Contractors who accepted an advance payment may receive a PPRS credit to offset the repayment of those advances for work performed in

³ Pursuant to discussions with counsel for BVES, Liberty CalPeco, PacifiCorp, and Alpine Natural Gas Company, those entities will not be making advance payments pursuant to Res. E-5074 and were therefore not included in the PPRS credit joint notice.

⁴ Southwest Gas anticipates the six-month PPRS credit-earning period applicable to its Prime Contractors to begin August 3, 2020.

ESA Program-eligible households.⁵ The PPRS credit is designed to reflect equitable opportunity for ESA Contractors to earn a PPRS credit so that a feasible path exists to reasonably alleviate debts or liabilities accrued due to the advance payment.⁶ Res. E-5074 allows the ESA Contractors to earn a PPRS credit through actual work performed in ESA Program eligible households for a six-month period after the suspension of in-person program activity is lifted⁷ and the ESA Program workforce is able to return to servicing households.⁸

In compliance with Res. E-5074 and applicable laws, the IOUs have shared no proprietary industry knowledge in generating this proposal. The IOUs continue the commitment to complying with directions from the Commission to provide continuity and certainty to ESA Contractors during the evolving pandemic.

PPRS Proposed Percentage Value

The IOUs propose the PPRS credit to be a fixed rate of 40 percent of the ESA Contractor's monthly invoice that that would be applied toward all work performed during the 6-month credit period, to be applied against eligible ESA Contractor costs accrued during the suspension period (i.e. labor costs and other employee costs critical to sustaining the workforce).⁹ The 40 percent PPRS percentage was determined based on the amount of credits needed to perform 5 months volume of ESA work during a 6-month period (or 83 percent of average 2019 monthly activity) to offset 2 months of advanced payment. This rate is designed to compensate ESA Contractors for the higher costs of operating in the recovery period and gives ESA Contractors an equitable opportunity to reasonably alleviate the repayment burden from advance payments.

Reasoning behind the proposed percentage for the PPRS credit calculation

The IOUs proposed 40 percent PPRS credit calculation is based on allowing ESA Contractors the opportunity to offset the total entire eligible labor-related portion of their advance payment during the six-month credit period. The IOUs believe this is a reasonable result and best complies with the guidance in Res. E-5074 that "the proposed percentage for the PPRS credit calculation should reflect equitable opportunity for ESA Contractors, whether accepting 30 day or 60 day advance payment, to earn PPRS credit such that a feasible path exists to reasonably alleviate debts and/or liabilities accrued due to the 30 day or 60 day advanced payment."¹⁰

⁵ Res. E-5074 at 9.

⁶ *Id.* at 11.

⁷ SDG&E lifted the program suspension effective May 29, 2020. SoCalGas, PG&E and SCE lifted its ESA Program suspension effective June 1, 2020. Southwest Gas lifted its ESA program suspension effective June 5, 2020.

⁸ Res. E-5074 at 10.

⁹ *Id.* at 11.

¹⁰ *Id.*

To examine the reasoning behind the proposed 40 percent credit, the following hypothetical is instructive:

A contractor with average monthly invoices in 2019 of \$100,000 would have been eligible to receive an advance up to \$200,000 (2 months x \$100,000). Absent the pandemic and program suspension, the same contractor would have been expected to earn \$600,000 in an average six-month period (6 months x \$100,000).

For many ESA Contractors, delivering the same volume of households treated during the recovery from stay-at-home orders that was achieved during the pre-pandemic period is not realistic because of the challenges of new safety procedures as well as serving a customer base that may be less comfortable inviting ESA Contractors into their homes. It is reasonable to assume that ESA Contractors well-positioned to resume where they left off before the program suspension may achieve as much as five months' volume during the six-month period (or 83 percent of average 2019 monthly activity).¹¹ The contractor in this example may thus earn as much as \$500,000 (5 months x \$100,000). In which case, earned PPRS credit would be calculated as:

$$(\text{PPRS } 40\%) \times (\text{6 month credit period invoices of } \$500,000) = \$200,000$$

Thus, under a 40 percent PPRS rate, a contractor able to deliver five months' of 2019 average volume during the six-month credit period may be able to offset the entire eligible labor-related portion of their advance payment.

As required in Res. E-5074, a contractor's PPRS credit will be no greater than the contractor's labor-related costs incurred from the start of the program suspension until the end of the suspension.

Logistics for PPRS Credit

The PPRS credit will be earned on all work performed during the six-month credit earning period. The large IOUs established the credit period as July 15, 2020 through January 14, 2021.¹² All ESA Contractor invoices are submitted through the IOUs' respective central program database or processing systems. Every service billed will be coded with a work completed date, as documented on a customer-signed agreement or work order form. Based on the work completed date, every invoice generated (1) by an

¹¹ This assumption matches that proposed by Energy Efficiency Council (EEC) in its comments on the draft Resolution: "A more reasonable target considering the need for a ramp-up time and the need to fill up the production and submittal pipeline might be to require a minimum of five months of production during the 6-month PPRS Period." Comments of EEC on Draft Resolution E-5074, May 8, 2020, p.6. IOUs note that EEC's proposal was based on an assumption that the six-month credit period would begin immediately following the end of the suspension, whereas Res. E-5074 adopts an IOU-initiated 30-day advance notice to contractors providing additional ramp-up time.

¹² Southwest Gas anticipates a credit period of August 3, 2020 through February 2, 2021.

ESA Contractor that has received an advance and (2) includes work performed during the six-month credit-earning period, will contribute to that ESA Contractor's PPRS credit and will offset the contractor's eligible advance payment amount. In cases where paid invoices are subsequently determined to have invalid charges resulting in chargebacks, the earned PPRS credit from those line items will be forfeited.

Methodology to Account for Duplicate Financial Assistance

In the event contractors receive another source of financial assistance¹³ after contractors have already submitted their initial repayment schedule, contractors must inform the IOU, and request a corresponding acceleration to their repayment schedule, in order to comply with Res. E-5074.¹⁴

In addition, the ESA Contractor must inform the IOU if the amount is offsetting PPRS-eligible expenses, resulting in a reduction to the total amount the contractor may ultimately offset via PPRS credit.

Reporting to Track the PPRS Repayment

Per Section 1.2.3 of Resolution E-5074, the IOUs will work with Energy Division staff to incorporate information on repayment status and the PPRS credit into their respective monthly Low-Income Reports, which provide status updates on the ESA and California Alternate Rates for Energy (CARE) Programs.¹⁵

Balance of Funds Advanced that PPRS Credits May Be Applied To

Res. E-5074 requires the IOUs to report the status of funds advanced to, and accepted by, ESA Contractors for labor costs and other employee costs critical to sustaining the workforce, and thus the portion of total balance of funds advanced that PPRS credits may be applied to.¹⁶ Because Res. E-5074 requires the IOUs to leave advance payment offers open until June 29, 2020, the total advanced payments issued and total PPRS-eligible funds are not available as of the submittal date of this Advice Letter. The IOUs will work with Energy Division to provide this information by either submitting a supplemental Advice Letter with a chart including this data or in the IOUs' Low Income Program monthly report.

¹³ Financial assistance such as the Small Business Administration's Paycheck Protection Program, California Infrastructure and Economic Development Bank or any other relief.

¹⁴ Res. E-5074 at 28.

¹⁵ Per Section 1.2.3, this reporting will begin after the first full month of the PPRS credit-earning period.

¹⁶ *Id.* at 11.

Cost Recovery Mechanism

Res. E-5074 provides direction on cost recovery for incremental costs incurred associated with providing the advance payments.¹⁷ Pursuant to Res. E-5074, the IOUs will record costs associated with providing 60-day advance payments to ESA Contractors in existing ESA Program balancing accounts. Should the balance of unpaid advance payments or incurred costs as a result of advance payments exceed the IOUs' unspent funds in the ESA Program balancing accounts, the IOUs could submit a Tier 2 Advice Letter for tracking and recording these incremental costs in the COVID-19 Pandemic Protections Memorandum Account (CPPMA).¹⁸

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 July 19, 2020. The address for mailing or delivering a protest to the Commission is given below.

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

A copy of the protest should also be sent via e-mail to the attention of the Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). Due to the COVID-19 pandemic and the shelter at home orders, SoCalGas is currently unable to receive protests or comments to this AL via U.S. mail or fax. Please submit protests or comments to this AL via e-mail to the addresses shown below on the same date it is mailed or delivered to the Commission.

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

For SDG&E:

Attn: Greg Anderson
Regulatory Tariff Manager
E-mail: GAnderson@sdge.com

¹⁷ *Id.* at 12.

¹⁸ *Id.* at 30.

For SCE:

Attn: Gary A. Stern, Ph.D.
Managing Director, State Regulatory Operations
Southern California Edison Company
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Facsimile: (415) 973-3582
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For Southwest Gas:

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For Liberty:

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For PacifiCorp:

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Regulatory Affairs Manager
PacifiCorp
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Facsimile: (503) 813-6060
Email: californiadockets@pacificorp.com

Effective Date

This submittal is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to General Order (GO) 96-B. Therefore, the IOUs respectfully request that this submittal become effective on July 29, 2020, which is 30 calendar days from the date submitted.

Notice

A copy of this Advice Letter is being sent to SoCalGas' GO 96-B service list and the Commission's service list in A.19-11-003, A.15-02-001 and A.20-05-017. Address change requests to the GO 96-B service list should be directed via e-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 via e-mail at process_office@cpuc.ca.gov.

/s/ Ronald van der Leeden

Ronald van der Leeden
Director - Regulatory Affairs



ADVICE LETTER SUMMARY

ENERGY UTILITY



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

Company name/CPUC Utility No.:

Utility type:

ELC GAS WATER
 PLC HEAT

Contact Person:

Phone #:
E-mail:
E-mail Disposition Notice to:

EXPLANATION OF UTILITY TYPE

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

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #:

Tier Designation:

Subject of AL:

Keywords (choose from CPUC listing):

AL Type: Monthly Quarterly Annual One-Time Other:

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

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required? Yes No

Requested effective date:

No. of tariff sheets:

Estimated system annual revenue effect (%):

Estimated system average rate effect (%):

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:

Service affected and changes proposed¹:

Pending advice letters that revise the same tariff sheets:

¹Discuss in AL if more space is needed.

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

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

Name:
Title:
Utility Name:
Address:
City:
State: Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

Name:
Title:
Utility Name:
Address:
City:
State: Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email: