

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 23, 2022

Advice Letter 5853-A

Joseph Mock
Director Regulatory Affairs
The Southern California Gas Company
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011

SUBJECT: Southern California Gas Company Advice Letter 5853-A Request for Approval of On-Bill Financing Changes

Dear Mr. Mock:

This disposition approves Southern California Gas Company's (SoCalGas) request to modify its On-Bill Financing (OBF) program as described in Advice letter (AL) 5853-A filed on November 17, 2021. Specifically, SoCalGas's request to modify the loan limits for business customers, align multifamily loan limits between mainstream energy efficiency (EE) and low-income EE programs, and increase the OBF loan pool from \$5.5 million to \$10 million is approved.

Background

The Commission through D.19-03-001 modified its decade-old OBF rules originally put forward in D.09-09-047 and allowed the investor-owned utilities (IOUs) to modify their OBF programs to be more responsive to the market needs and conditions necessary for expansion of energy efficiency financing projects. Among these modifications, it authorized the IOUs, with appropriate safeguards and controls, to lengthen terms and increase the caps of their OBF loans.

On August 4, 2021, SoCalGas filed AL 5853, which was suspended for further staff review. On November 17, 2021, SoCalGas filed supplement AL 5853-A and replaced AL 5853 in its entirety. On December 7, 2021, the AL was suspended again to give staff further time to review. Since the AL was filed the Commission moved forward in financing proceeding R.20-08-022 in which SoCalGas and other IOUs and parties submitted proposals for new financing programs.

In this AL, SoCalGas requests the following changes to its OBF program to provide more program flexibility and create more opportunities to finance EE projects:

1. Raise the loan limits for business customers to align them with those of PG&E and SCE customers.
2. Align multifamily loan limits between mainstream EE and low-income EE programs to set multifamily loan limits at \$250,000 as they are with other EE programs for consistency. This enhancement will also align SoCalGas with the other three California investor-owned utilities' multifamily OBF offerings.

3. Increase the SoCalGas OBF loan pool from \$5.5 million to \$10 million to provide the program with sufficient funds to implement the increased loan limits for customers pursuing EE projects.
4. Finally, SoCalGas details customer protections as required per D.19-03-001.¹

Protest and Reply

Public Advocates Office (Cal Advocates)

Cal Advocates submitted its timely filed protest on December 7, 2021. Cal Advocates did not oppose the SoCalGas advice letter on the first two changes as stated in the background section above, but Cal Advocates stated that D.19-03-001 did not grant authority to SoCalGas to increase the size of the OBF loan pool. Cal Advocates argued that “the total amount of funding in an IOU’s OBF loan pool was not a term or condition of the tariff by which the IOU offers OBF to its customers” and not allowed via a Tier 2 advice letter. Therefore, it recommended the Commission reject SoCalGas’ request to increase the size of its OBF funding pool.

SoCalGas reply to Cal Advocates’ protest

SoCalGas replied to Cal Advocates’ protest on December 14, 2021. SoCalGas stated “the omission of the specific term ‘loan pool’ from D.09-09-047 and Ordering Paragraph 61 does not imply that SoCalGas may not increase their OBF loan pool via the Tier 2 advice letter mechanism. Increasing the loan pool is a reasonable request that follows the intent of increasing the OBF loan limits.” It further argued that D.09-09-047 provided instructions for seeking OBF program changes via Tier 2 advice letter. Therefore, SoCalGas requested that the Commission reject the Cal Advocates protest and approve AL 5853-A.

Discussion and Disposition

Upon review and analysis, Energy Division staff finds that:

- D.19-03-001 authorized the IOUs to submit advice letters to increase the loan limits on their OBF loans. To do so, the IOUs necessarily need to increase the amount of their loan pools. Even though D.19-03-001 did not specifically give direction on the size of loan pools, the decision was clear about enabling the expansion of OBF through increased loan limits and the expansion of loan pools is an inherent part of that modification. Prohibiting the expansion of loan pools would prohibit the implementation of the language in D.19-03-001 that allows for increased loan limits.
- SoCalGas, through filing AL 5853-A, is the third major IOU (following PG&E and Southern California Edison (SCE)) to act on D.19-03-001 to modify its OBF program to better meet the financing needs of customers upgrading their eligible energy efficiency projects.
- The CPUC has already approved the higher loan limits for two other utilities.² In this instance, each utility should have the same opportunity to increase loan limits as the underlying Decision gave no guidance on treating the utilities differently.

¹ D.19-03-001, OP 2

² In addition to approval of PG&E’s loan limits through D.19-03-001 OP 1, the Commission approved SCE’s AL 4051-E to increase loan caps for its OBF program on October 4, 2019.

- In 2013, SoCalGas submitted AL 4449-G to request an increase in its OBF loan pool from \$3.5 million to \$5.5 million, and the AL was approved.³
- SoCalGas is not requesting to change the mechanism of the OBF revolving funding pool. The funds in the loan pool are paid back by customers as their loans mature, barring defaults. These OBF funds paid back are not lost but are made available for new loans and could eventually be returned to ratepayers if the Commission chooses to do so. Funds used for rebates or other incentives are lost to ratepayers whereas the loan pool funds are conserved. Default rates among California OBF programs are very low.
- Staff finds that the request in this AL from SoCalGas is consistent with the goals of the CPUC's financing proceeding R.20-08-022 to make increased amounts of financing available to California utility customers for equipment that can contribute to the state's goals of reducing greenhouse gas emissions in an equitable manner. Staff also finds that the request in the AL is consistent with SoCalGas' proposal for expanded energy financing programs submitted separately in R.20-08-022.

Therefore, Cal Advocates' protest is rejected, and SoCalGas' request to modify its OBF program, as described in AL 5853-A, is approved.

Sincerely,



FOR

Pete Skala
 Interim Deputy Executive Director for Energy and Climate Policy /
 Interim Director, Energy Division
 California Public Utilities Commission

Cc:

Joseph Mock, SoCalGas: JMock@socalgas.com;
 Grisel Juarez Velazquez, SoCalGas: GJuarezVelazquez@socalgas.com
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 Hal Kane, CPUC: hal.kane@cpuc.ca.gov
 Kevin Feizi, CPUC: kevin.feizi@cpuc.ca.gov; EDTariffUnit@cpuc.ca.gov
 Service lists: R.13-11-005 and R.20-08-022
Tariffs@socalgas.com

³ Disposition letter of the Director of Energy Division dated June 12, 2013.



Joseph Mock
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
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November 17, 2021

Advice No. 5853-A
(U 904 G)

Public Utilities Commission of the State of California

Subject: Supplement - Southern California Gas Company Request for Approval of On-Bill Financing Changes

Purpose

Southern California Gas Company (SoCalGas) hereby submits this supplemental Advice Letter for approval with the California Public Utilities Commission (Commission or CPUC) to modify the loan limits for business customers, align Multifamily loan limits between mainstream Energy Efficiency (EE) and Low-Income, and increase the On-Bill Financing (OBF) loan pool from \$5.5 million to \$10 million. Advice No. 5853 was submitted on August 4, 2021, to modify certain terms of SoCalGas' SCG3735 OBF program to provide flexibility for the program and increase levels of adoption which would result in additional customer energy savings.¹ Advice No. 5853-A herein replaces Advice No. 5853 in its entirety.

Background

SoCalGas' OBF program offers loans to non-residential customers who utilize a SoCalGas rebate program to implement qualifying EE projects. The current SoCalGas OBF program offers zero-percent interest loans to non-residential customers, where the following terms vary depending on the customer segment:

1. Business customers currently may apply for loans up to \$100,000 per meter with a maximum payback period of 10 years.

¹ This program modification is being requested by SoCalGas and is not a directive nor a requirement from the Commission.

2. Multifamily customers currently may apply for loans up to \$100,000 per meter with a maximum payback period of 10 years.
3. Currently, Low-Income Multifamily customers may apply for loans up to \$250,000 with a maximum payback period of 10 years.
4. Institutional customers may apply for loans up to \$250,000 per meter with a maximum payback period of 15 years.
5. State entities may apply for loans up to \$1,000,000 per meter with a maximum payback period of 15 years.

Changes to SoCalGas' OBF Program

SoCalGas is requesting the following changes to its current program to provide easier access to affordable capital for customers, increase adoption rate of the program, and help meet state EE goals. These changes are expected to provide more program flexibility and create opportunities for more EE projects to qualify.

1. **Modify the Loan Limits for Business Customers.** SoCalGas is requesting to modify the loan limit requirements from \$100,000 up to \$250,000 for the following reasons: (1) Increasing the loan limit up to \$250,000 will encourage deeper retrofits which will not only help manage customers' monies but also reduce greenhouse gas emissions with more projects being completed. For example, the increased loan limit could allow commercial buildings to optimize energy performance by bundling multiple measures such as boilers, building controls, and pipe insulation; and (2) the proposed new loan limit will align SoCalGas with Southern California Edison Company and Pacific Gas and Electric Company business customers OBF loan limit of \$250,000.
2. **Align Multifamily Loan Limits between Mainstream EE and Low-Income.** Currently, SoCalGas offers two multifamily OBF options: low-income and mainstream EE. SoCalGas proposes to adjust both options to have the same multifamily loan limit of up to \$250,000 for consistency and ease of participation. This enhancement will also align SoCalGas with the other three California investor-owned utilities' multifamily OBF offering.
3. **Increase OBF Loan Pool from \$5.5 million to \$10 million.** Based on future forecasting, SoCalGas requests an increase in the loan pool from \$5.5 million to \$10 million dollars. From 2017-2019, SoCalGas enrolled an average of 15 OBF loans for a total of \$600,000 annually. SoCalGas is requesting to increase its available pool maximum to \$10 million in anticipation of the increase in demand that would occur from allowing projects that are not bill neutral to apply for financing. SoCalGas anticipates approximately 25 additional OBF loans from just the Food Service market segment. This additional pool of funds will provide the program with sufficient funds to allow the program to scale and reach all customers interested in pursuing EE projects.

The proposed changes will be made available to customers upon approval of this Advice Letter.

Safeguards and Controls

As required by Ordering Paragraph (OP) 2 of Decision (D.) 19-03-001, an Investor-Owned Utility requesting loan caps or term increases via a Tier 2 Advice Letter must demonstrate that it has appropriate safeguards and controls in place to manage any requested increase in the terms or caps on OBF loans. As such, SoCalGas proposes to implement the following:

1. SoCalGas will limit the availability of loans made to any one customer to a maximum of 10 percent of the total OBF budget, so that OBF can serve a large range of customers, including smaller projects, and to mitigate the risk from any one customer defaulting on an OBF loan.
2. In order to minimize the risk of free ridership, SoCalGas will modify its existing OBF application to require customers to sign a declaration confirming that the financed project would not have been undertaken in the same capacity if it were not for the availability of the OBF loan.
3. SoCalGas will modify its existing OBF loan agreement to add a checkbox requiring customers to acknowledge their awareness that loans of more than \$250,000 may not be combined with rebates or other incentives. This will minimize the risk of free ridership, while giving customers the choice between financing and incentives. Customers will still be required to participate in one of SoCalGas' core EE programs to be eligible for an OBF loan.
4. SoCalGas will communicate to market participants (e.g., implementers and trade professionals) that customers with loans exceeding \$250,000 will not be eligible for rebates in order to mitigate free ridership.
5. SoCalGas will educate customers that OBF loans are only available for projects requiring financing and communicate to customers that loans over \$250,000 will be funded without rebates or incentives to deter free ridership.
6. SoCalGas will have available annual OBF default rates, energy savings, status of efforts to replace incentives with loans, and degree of free ridership, if any, associated with projects financed through OBF as required by D.19-03-001 OP 4.

Rate Impacts

The table below summarizes the revenue requirement impact by class of service. In addition, SoCalGas provides herein as Attachment A, the annual Natural Gas

Transportation Rate Revenues table comparing present and proposed rates associated with the additional OBF loan pool funding.

Class of Service	Applicable Rate Schedules	Millions (Includes Franchise Fees & Uncollectibles) Increase/(Decrease)
Core ²	GR, GS, GM, GO-AC, G-NGVR, GL, G10, G-AC, G-EN, G-NGV	\$4.2
Noncore ³	GT-NC, G-TLS	\$0.3
Backbone Transportation Service (BTS) and Other Services	G-BTS	\$0.1
System Total		\$4.6

Protest

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 December 7, 2021. 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, SoCalGas is currently unable to receive protests or comments to this Advice Letter via U.S. mail or fax. Please submit protests or comments to this Advice Letter via e-mail to the addresses shown below on the same date it is mailed or e-mailed to the Commission.

Attn: Grisel Juarez Velazquez
 Sr. Regulatory Tariff Administrator
 555 West Fifth Street - GT14D6
 Los Angeles, CA 90013-1011
 Facsimile No.: (213) 244-4957
 E-mail: GJuarezVelazquez@socalgas.com
 E-mail: Tariffs@socalgas.com

² Per D.86-12-009, core customers are defined as customers using less than 250,000 therms annually. Typically, core customers are residential and small business customers.

³ Per D.86-12-009, noncore customers are typically large commercial and industrial customers.

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. SoCalGas respectfully requests that this submittal be approved on December 17, 2021, which is 30 calendar days after 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 R.13-11-005. 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/ Joseph Mock
Joseph Mock
Director - Regulatory Affairs

Attachments



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:

ATTACHMENT A

Advice No. 5853-A

Natural Gas Transportation Rate Revenues

Attachment A
Advice No. 5853-A
Natural Gas Transportation Rate Revenues
Southern California Gas Company
OBF Enhancements \$4.5 million

	Present Rates			Proposed Rates			Changes			
	May-1-21 Volumes Mth	Average Rate \$/therm	May-1-21 Revenues \$000's	Volumes Mth	Proposed Rate \$/therm	Revenues \$000's	Revenue Change \$000's	Rate Change \$/therm	% Rate change %	
	A	B	C	D	E	F	G	H	I	
1	CORE									
2	Residential	2,346,353	\$1.06660	\$2,502,609	2,346,353	\$1.06808	\$2,506,092	\$3,483	\$0.00148	0.1%
3	Commercial & Industrial	992,706	\$0.57926	\$575,032	992,706	\$0.57996	\$575,727	\$696	\$0.00070	0.1%
4										
5	NGV - Pre SempraWide	178,769	\$0.29149	\$52,110	178,769	\$0.29175	\$52,157	\$47	\$0.00026	0.1%
6	SempraWide Adjustment	178,769	\$0.00326	\$583	178,769	\$0.00323	\$578	(\$5)	(\$0.00003)	-0.8%
7	NGV - Post SempraWide	178,769	\$0.29475	\$52,692	178,769	\$0.29499	\$52,734	\$42	\$0.00024	0.1%
8										
9	Gas A/C	416	\$0.22288	\$93	416	\$0.22309	\$93	\$0	\$0.00022	0.1%
10	Gas Engine	22,302	\$0.19777	\$4,411	22,302	\$0.19777	\$4,411	\$0	\$0.00000	0.0%
11	Total Core	3,540,545	\$0.88541	\$3,134,837	3,540,545	\$0.88660	\$3,139,057	\$4,220	\$0.00119	0.1%
12	NONCORE COMMERCIAL & INDUSTRIAL									
13	Distribution Level Service	919,735	\$0.17107	\$157,343	919,735	\$0.17123	\$157,485	\$142	\$0.00015	0.1%
14	Transmission Level Service (2)	626,080	\$0.03647	\$22,835	626,080	\$0.03650	\$22,854	\$19	\$0.00003	0.1%
15	Total Noncore C&I	1,545,814	\$0.11656	\$180,177	1,545,814	\$0.11666	\$180,338	\$161	\$0.00010	0.1%
16										
17	NONCORE ELECTRIC GENERATION									
18	Distribution Level Service									
19	Pre Sempra Wide	331,442	\$0.16343	\$54,168	331,442	\$0.16359	\$54,219	\$51	\$0.00015	0.1%
20	Sempra Wide Adjustment	331,442	(\$0.01195)	(\$3,962)	331,442	(\$0.01198)	(\$3,969)	(\$7)	(\$0.00002)	0.2%
21	Distribution Level Post Sempra Wide	331,442	\$0.15148	\$50,206	331,442	\$0.15161	\$50,250	\$44	\$0.00013	0.1%
22	Transmission Level Service (2)	2,246,336	\$0.03523	\$79,144	2,246,336	\$0.03526	\$79,213	\$69	\$0.00003	0.1%
23	Total Electric Generation	2,577,778	\$0.05018	\$129,350	2,577,778	\$0.05022	\$129,463	\$112	\$0.00004	0.1%
24										
25	TOTAL RETAIL NONCORE	4,123,593	\$0.07506	\$309,528	4,123,593	\$0.07513	\$309,801	\$273	\$0.00007	0.1%
26										
27	WHOLESALE & INTERNATIONAL (excluding SDG&E)	359,267	\$0.03120	\$11,209	359,267	\$0.03123	\$11,220	\$11	\$0.00003	0.1%
28										
29	OTHER SERVICES (SDG&E, UBS, & BTS)	1,118,614		\$399,622	1,118,614		\$399,663	\$41		
30	SYSTEM TOTAL w/BTS	9,142,019	\$0.42170	\$3,855,195	9,142,019	\$0.42220	\$3,859,741	\$4,546	\$0.00050	0.1%
31										
32										
33	EOR Revenues	208,941	\$0.10630	\$22,210	208,941	\$0.10640	\$22,232	\$22	\$0.00010	0.1%
34	Total Throughput w/EOR Mth/yr	9,350,960			9,350,960					

1) These rates are for Natural Gas Transportation Service from "Citygate to Meter." The BTS rate is for service from Receipt Point to Citygate.

2) All rates include Franchise Fees & Uncollectible charges.