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Regulatory Affairs

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March 13, 2023

Advice No. 6108
(U 904 G)

Public Utilities Commission of the State of California

Subject: Update - SoCalGas Revisions to Rules Regarding Gas Service Extension Practices Pursuant to Decision (D.) 22-09-026 Ordering Paragraph (OP) 4

Southern California Gas Company (SoCalGas) hereby submits with the California Public Utilities Commission (Commission) updated illustrative revisions to its tariffs, applicable throughout its service territory, as shown on Attachment A.

Purpose

Pursuant to Ordering Paragraph (OP) 4 of Decision (D.) 22-09-026, Southern California Gas Company (SoCalGas) hereby submits with the California Public Utilities Commission (Commission) updated illustrative revisions to its tariffs, applicable throughout its service territory, as shown on Attachment A. This Advice Letter (AL) updates Rule No. 20, Rule No. 21, Line Extension Contract (Form 3905-D), and Statement of Applicant's Contract Anticipated Cost for Applicant Installation Project (Form 66602) to modify contracts back to a fixed cost based on estimates, for the reasons described herein. The details of the revised tariff rules are included below, and Attachment A is updated commensurately. SoCalGas will file a separate Tier 1 Advice Letter (AL) to implement the tariff modifications included in Attachment A effective July 1, 2023.

Background

On January 31, 2019, in response to the passage of Senate Bill (SB) 1477, the CPUC initiated the Building Decarbonization rulemaking to support the decarbonization of buildings in California. On May 17, 2019, the assigned Commissioner issued a Scoping Memo and Ruling setting forth the issues to be considered in Phase I of the proceeding (Phase I Scoping Memo). Phase I was resolved in D.20-03-027 which established the two building decarbonization pilot programs required by SB 1477: the Building Initiative

for Low-Emissions Development (BUILD) Program and the Technology and Equipment for Clean Heating (TECH) Initiative.¹

On August 25, 2020, the assigned Commissioner issued an Amended Scoping Memo and Ruling setting forth the issues to be considered in Phase II of this proceeding and included an associated Energy Division Staff Proposal. Phase II was resolved in D.21- 11-002, which adopted: (a) guiding principles for the layering of incentives provided by multiple building decarbonization programs; (b) the Wildfire and Natural Disaster Resiliency Disaster Rebuild Program (WNDRR) Program; (c) guidance on data sharing of customer and other information; and (d) requirements for the three large electric IOUs to conduct studies on bill impacts that result from fuel substitution for water heaters from natural gas to electric.

On November 16, 2021, the assigned Commissioner issued an Amended Scoping Memo and Ruling setting forth the issues to be considered in Phase III of this proceeding (Phase III Scoping Memo). D.22-09-026 adopts the Energy Division's Staff Proposal to eliminate residential and non-residential gas line extension allowances (allowances), the 10-year refundable payment option (refunds), and the 50 percent discount payment option (discounts) (collectively, gas line allowances), effective July 1, 2023. The elimination of the gas line allowances applies to new applications for gas line extensions submitted on or after July 1, 2023. Pursuant to OP 4 of D.22-09-026, Pacific Gas and Electric (PG&E), SoCalGas, San Diego Gas & Electric (SDG&E), and Southwest Gas Corporation shall each submit a Tier 2 AL to revise its tariffs for their respective gas line extension rules that eliminate gas line allowances in conformance with the decision. In addition, the revised tariffs shall include the application process adopted in this decision allowing limited projects meeting the specific eligibility criteria set out in this decision to seek gas line extension allowances, 10-year refunds, or 50 percent discounts payment option.

On October 20, 2022, SoCalGas submitted AL 6048 providing the illustrative tariff changes for Rule No. 20, Rule No. 21, Rule No. 22, Line Extension Contract (Form 3905-D), and Statement of Applicant's Contract Anticipated Cost for Applicant Installation Project (Form 66602) required to implement D.22-09-026. On November 22, 2022, AL 6048 was approved by the Energy Division. Upon review of the submissions by San Diego Gas & Electric Company (SDG&E) and Pacific Gas and Electric Company (PG&E), SoCalGas determined additional revisions to its tariffs and Gas Line Extension Contracts were necessary to clarify new business contracts would be based on fixed cost estimates, consistent with current practice and the direction in D.22-09-026.

Tariff Revisions

The following is a summary of the revisions to the tariffs included in Attachment A in accordance with OP 4 of D.22-09-026 as noted above. Attachment A includes the redlined illustrations, because these tariffs will not be effective until the implementation date of July 1,

¹ See D.20-03-027 at 7.

2023. SoCalGas will submit a separate Tier 1 AL to implement the tariff modifications on July 1, 2023.

Rule No. 20, Gas Main Extensions:

Main extension applications received by SoCalGas on or after July 1, 2023 for residential and non-residential customers will not qualify for gas line allowances, except for Eligible Projects approved by the Commission.

For Eligible Projects approved by the Commission, allowances, discounts, and/or refunds shall be granted to non-residential projects that meet the following conditions:

- a. The non-residential project shows a demonstrable reduction in greenhouse gas emissions; and,
- b. The non-residential project's gas line extension is consistent with California's climate goals, including those articulated in Senate Bill 32 (Pavley, 2016); and,
- c. The non-residential project demonstrates that it has no feasible alternatives to the use of natural gas, including electrification; and,
- d. Utility is provided evidence that construction will proceed promptly and financing is adequate; and,
- e. Applicant has submitted evidence of building permit(s) or lease agreement(s); or,
- f. Where there is equivalent evidence gas usage satisfactory to the Utility.

Rule No. 21, Gas Service Extensions:

Gas service extension applications received by SoCalGas on or after July 1, 2023 for residential and non-residential customers will not qualify for gas line allowances, except for Eligible Projects approved by the Commission.

For Eligible Projects approved by the Commission, allowances, discounts, and/or refunds shall be granted to non-residential projects that meet the following conditions:

- a. The non-residential project shows a demonstrable reduction in greenhouse gas emissions; and,
- b. The non-residential project's gas line extension is consistent with California's climate goals, including those articulated in Senate Bill 32 (Pavley, 2016); and,
- c. The non-residential project demonstrates that it has no feasible alternatives to the use of natural gas, including electrification; and,
- d. Utility is provided evidence that construction will proceed promptly and financing is adequate; and,
- e. Applicant has submitted evidence of building permit(s) or lease agreement(s); or,
- f. Where there is equivalent evidence gas usage satisfactory to the Utility.

Line Extension Contract (Form 3905-D)

SoCalGas amended the Line Extension Contract to accommodate projects with applications received before July 1, 2023 and projects with applications received on or after July 1, 2023. Additionally, signature and contact information lines have been rearranged for better customer experience when completing the contract.

Statement of Applicant Contract Anticipated Cost for Applicant Installation Project (Form 66602)

SoCalGas removes the following words to its Statement of Applicant Contract Anticipated Cost for Applicant Installation Project, as follows:

- Subject to refund
- Refundable

Additionally, signature and title lines have been rearranged for better customer experience when completing the contract and old SoCalGas logo was replaced with current logo.

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 submitted electronically and must be received within 20 days after the date of this Advice Letter, which is April 2, 2023. Protests should be submitted to the attention of the Energy Division Tariff Unit at:

E-mail: EDTariffUnit@cpuc.ca.gov

In addition, protests and all other correspondence regarding this Advice Letter should also be sent electronically to the attention of:

Attn: Gary Lenart
Regulatory Tariff Manager
E-mail: GLenart@socalgas.com
E-mail: Tariffs@socalgas.com

Effective Date

SoCalGas asserts 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. SoCalGas respectfully requests that this submittal become effective April 12, 2023, which is 30 calendar days after the date submitted.

Notice

A copy of this Advice Letter is being sent to SoCalGas' General Order (GO) 96-B service list and the Commission's service list in R.19-01-011. Address change requests to the GO 96-B service list should be directed via e-mail to Tariffs@socialgas.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:
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Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

ATTACHMENT A

Advice No. 6108

**SoCalGas Modifications to Rules Regarding Gas Service Extension
Practices Pursuant to Decision (D.) 22-09-026 (OP) 4**

Rule No. 20
GAS MAIN EXTENSIONS

Sheet 3

(Continued)

B. INSTALLATION RESPONSIBILITIES

1. **APPLICANT RESPONSIBILITY.** In accordance with the Utility's design, specifications, and requirements, Applicant is responsible for:
 - a. **SUBSTRUCTURES.** Furnishing, installing, and upon acceptance by the Utility, conveying to the Utility ownership of all necessary installed Substructures, and,
 - b. **PROTECTIVE STRUCTURES.** Furnishing, installing, and upon acceptance by the Utility, conveying to the Utility ownership of all necessary Protective Structures.
2. **UTILITY RESPONSIBILITY.** Utility is responsible for the installation of Distribution Main, valves, regulators, and other related distribution equipment required to complete the extension, including all necessary Trenching, backfilling, and other digging as required.

The Applicant may elect to provide the trench, as discussed in Section B.3.b. If Applicant chooses to perform the trenching, it must also secure permits from the governmental authority having jurisdiction. Applicant providing trench will receive a credit for the Utility's project-specific estimated cost-per-foot of trench. If Applicant qualifies for an extension allowance under Section C, the Utility will may provide Applicant with a reimbursement or credit for the Utility's project-specific estimated cost-per-foot of trench.

3. INSTALLATION OPTIONS

- a. **UTILITY-PERFORMED WORK.** Where requested by Applicant and mutually agreed upon, the Utility may furnish and install the substructures and/or Protective Structures, provided Applicant pays the Utility its total estimated installed cost.
- b. **APPLICANT-PERFORMED WORK.** Applicant may elect to install that portion of the new extension normally installed by the Utility, in accordance with the Utility's design and specifications, using qualified contractors. (See Section G, Applicant Installation Option.)

C. EXTENSION ALLOWANCES

1. **GENERAL.** New applications for gas line extensions submitted on or after July 1, 2023 will not qualify for allowances, except for Eligible Projects approved by the Commission (see Section C.2.) For Eligible Projects approved by the Commission, Utility will complete an extension without charge provided the Utility's total estimated installed cost does not exceed the allowances as determined, from permanent, bona-fide loads to be served by the extension within a reasonable time, as determined by the Utility. The allowance will first be applied to the Service Extension (including the Meter Set Assemblies), in accordance with Rule No. 21. Any excess allowance will be applied to the Distribution Main Extension to which the Service Extension is connected.

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(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO.
DECISION NO.

ISSUED BY

Dan Skopec
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

SUBMITTED _____
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RESOLUTION NO. _____

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Rule No. 20
GAS MAIN EXTENSIONS

Sheet 4

(Continued)

C. EXTENSION ALLOWANCES (Continued)

2. BASIS OF ALLOWANCES. New applications for gas line extensions submitted on or after July 1, 2023 will not qualify for allowances, except for Eligible Projects approved by the Commission. For Eligible Projects approved by the Commission, a Allowances shall be granted to an Applicant for non-residential Permanent Service; or to an Applicant for a non-residential subdivision or development under the following conditions:

- a. The non-residential project shows a demonstrable reduction in greenhouse gas emissions; and
- b. The non-residential project's gas line extension is consistent with California's climate goals, including those articulated in Senate Bill 32 (Pavley, 2016); and,
- c. The non-residential project demonstrates that it has no feasible alternatives to the use of natural gas, including electrification; and,

ad. Utility is provided evidence that construction will proceed promptly and financing is adequate; and,

be. Applicant has submitted evidence of building permit(s) ~~or fully executed home purchase contract(s)~~ or lease agreement(s); or,

ef. Where there is equivalent evidence ~~of occupancy or~~ gas usage satisfactory to the Utility.

The allowances in Section C.3 and C.4 are based on a revenue-supported methodology using the following formula:

$$\text{ALLOWANCE} = \frac{\text{NET REVENUE}}{\text{COST-OF-SERVICE FACTOR}}$$

3. RESIDENTIAL ALLOWANCES. ~~The No~~ allowance will be provided for Distribution Main Extensions, Service Extensions, or a combination thereof for residential Permanent ~~Residential~~ Service on a per-unit basis ~~is as follows~~ if the application for these residential project types is submitted on or after July 1, 2023:

| | |
|----------------------|--------------------|
| WATER HEATING | \$ 6820 |
| SPACE HEATING | \$ 8180 |
| COOKTOP & OVEN | \$ 1520 |
| DRYER STUB | \$ 1600 |
| SPACE COOLING | \$0 |

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(TO BE INSERTED BY UTILITY)
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Dan Skopec
 Senior Vice President
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Rule No. 20
GAS MAIN EXTENSIONS

Sheet 5

(Continued)

C. EXTENSION ALLOWANCES (Continued)

- 4. NON-RESIDENTIAL ALLOWANCES. For Eligible Projects approved by the Commission, ~~The~~ total allowance for both gas Main and Service extensions for non-residential Permanent ~~Non-Residential~~ service is determined by the Utility using the formula in Section C.2. Utility, at its election, may apply a Non-Residential Allowance Net Revenue Multiplier of three point four (3.4) as defined in Section I, when it serves as a reasonable proxy for the formula in section C.2.

Where the extension of an Eligible Project approved by the Commission will serve a combination of residential and non-residential meters, no residential allowances will be added to the non-residential allowances.

- 5. SEASONAL, INTERMITTENT, INSIGNIFICANT, AND EMERGENCY LOADS. When Applicant of an Eligible Project approved by the Commission requests service that requires an extension to serve loads that are seasonal or intermittent, the allowance for such loads shall be determined using the formula in Section C.2. No allowance will be provided to an Eligible Project approved by the Commission where service is used only for emergency purposes, or for Insignificant Loads.

D. CONTRIBUTIONS OR ADVANCES BY APPLICANT

- 1. GENERAL. Contributions or Advances by an Applicant to the Utility for the installation of an extension to receive Utility service consists of such things as cash payments, the value of the facilities deeded to the Utility, and the value of Trenching performed by Applicant.
- 2. PROJECT-SPECIFIC COST ESTIMATE. The Utility's total estimated installed cost will be based on a project-specific estimated cost.
- 3. CASH PAYMENT. A cash payment ~~will only be~~ is required in advance of Utility commencing work if Applicant's allowance is less than for the Utility's total estimated installed cost (excluding ~~Meter Set Assemblies, services, and~~ Betterments. For Eligible Projects approved by the Commission, a cash payment will only be required in advance of Utility commencing work if Applicant's allowance is less than the Utility's total estimated installed cost (excluding Meter Set Assemblies, services, and Betterments).

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(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO.
DECISION NO.

ISSUED BY

Dan Skopec
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

SUBMITTED _____
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RESOLUTION NO. _____

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Rule No. 20
GAS MAIN EXTENSIONS

Sheet 6

(Continued)

D. CONTRIBUTIONS OR ADVANCES BY APPLICANT (Continued)

- 4. POSTPONEMENT. For Eligible Projects approved by the Commission, at the Utility's option, the payment of that portion of such an Advance that the Utility estimates would be refunded within six (6) months under other provisions of this rule may be postponed for six (6) months if: (1) the Utility is provided evidence the construction will proceed promptly and financing is adequate; (2) Applicant has submitted evidence of building permit(s) ~~or fully executed home purchase contract(s)~~ or lease agreement(s); or (3) where there is equivalent evidence of ~~occupancy~~ or gas usage satisfactory to the Utility; and (4) Applicant agrees in writing to pay at the end of six (6) months all amounts not previously advanced.
- 5. TAX. All Contributions and Advances by Applicant are taxable and shall include an Income Tax Component Contribution and Advances (ITCCA) at the rate provided in the Utility's Preliminary Statement. ITCCA Tax will be either refundable or non-refundable in accordance with the corresponding contribution and Section C.

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6. REFUNDABLE AND NON-REFUNDABLE AMOUNTS. New applications for gas line extensions submitted on or after July 1, 2023 will not qualify for refunds, except for Eligible Projects approved by the Commission. For Eligible Projects approved by the Commission, the Applicant shall contribute or advance, before the start of Utility's construction, the following:

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~~6. REFUNDABLE AND NON-REFUNDABLE AMOUNTS. (Continued)~~

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- a. REFUNDABLE AMOUNT. For Eligible Projects approved by the Commission, the Applicant's refundable amount is the portion of the Utility's total estimated installed cost, including taxes, to complete the extension (excluding Meter Set Assemblies, services, and Betterments), including the estimated value of the Trenching, that exceeds the amount of extension allowance determined in Section C; or,
- b. NON-REFUNDABLE DISCOUNT OPTION. In lieu of contributing the refundable amount determined in Section D.6.a and at the Utility's option, non-r, Residential Applicants have the option of contributing, on a non-refundable basis, fifty percent (50%); ~~Non Residential Applicants may be eligible, at the Utility's option,~~ based on expected revenues of such refundable amounts.
- c. OTHER NON-REFUNDABLE AMOUNTS. Applicant's non-refundable amount is the Utility's estimated value of the Substructures and Protective Structures required by the Utility for the extension under Section B.1.

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7. JOINT APPLICANTS. The total Contribution or Advance from a group of Applicants will be apportioned among the members of the group in such manner as they may mutually agree.

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

ISSUED BY
Dan Skopec
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
SUBMITTED _____
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Rule No. 20
GAS MAIN EXTENSIONS

Sheet 8

(Continued)

E. REFUND BASIS (Continued)

6. UNSUPPORTED EXTENSION COST. For Eligible Projects approved by the Commission, wWhen any portion of a refundable amount has not qualified for a refund at the end of thirty-six (36) months from the date the Utility is first ready to serve, the non-residential Applicant will pay to the Utility an Ownership Charge, as defined in Section I, on the remaining refundable balance. Monthly ownership charges are intended to offset the refundable amount, and will normally be accumulated and deducted from refunds due Applicant. This provision does not apply to individual residential Applicants.

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7. REFUND TIMING. For Eligible Projects approved by the Commission, rRefunds will be made without interest within ninety (90) days after the date of first service to new permanent loads, except that refunds may be accumulated to a fifty dollar (\$50) minimum, or the total refundable balance, if less than fifty dollars (\$50).

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8. MAXIMUM REFUND. No refund shall be made in excess of the refundable amount nor after a period of ten (10) years from the date the Utility is first ready to serve. Any unrefunded amount remaining at the end of the ten (10) year period shall become the property of the Utility.

9. PREVIOUS RULES. ~~Refundable amounts paid, contributed, or advanced under conditions of a rule previously in effect will be refunded in accordance with the provisions of such earlier rule.~~ See Special Conditions H.5.

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10. JOINT APPLICANTS. When two (2) or more parties make joint Contributions or Advances on the same extension of an Eligible Project approved by the Commission, refunds will be distributed to these parties in the same proportion as their individual Contributions or Advances bear to the total refundable amount, or as they may mutually agree.

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11. SERIES OF EXTENSIONS. For gas line extension applications submitted before July 1, 2023 and for Eligible Projects approved by the Commission, wWhere there are a series of extensions, commencing with an extension having an outstanding amount subject to refund, and each extension is dependent upon the previous extension as a direct source of supply, a series refund will be made as follows:

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- a. Additional service connections supplied from an extension on which there is a refundable amount will provide refunds first to the extension to which they are connected; and,
- b. When the amount subject to refund on an extension in a series is fully refunded, the excess refundable amount will provide refunds to the extension having the oldest outstanding amount subject to refund in the series.

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ADVICE LETTER NO.
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Rule No. 20
GAS MAIN EXTENSIONS

Sheet 9

(Continued)

F. APPLICANT DESIGN OPTION FOR NEW INSTALLATIONS

When Applicant selects competitive bidding, the Distribution Line Extension may be designed by Applicant's qualified contractor or sub-contractor in accordance with Utility's design and construction standards. All Applicant Design work of gas facilities must be performed by or under the direction of a licensed professional engineer and all designed work submitted to Utility must be certified by an appropriately licensed professional engineer, consistent with the applicable federal, state, and local codes and ordinances. The applicant design option is available to Applicants for new main extensions. Under this option, the following applies:

F. APPLICANT DESIGN OPTION FOR NEW INSTALLATIONS (Continued)

1. Applicant shall notify Utility, in a manner acceptable to the Utility.
2. Applicant designs shall conform to all applicable federal, state and local codes and ordinances for utility installation design (such as, but not limited to the California Business and Professions Code).
3. Utility may require applicant's designer to meet the Utility's pre-qualification requirements prior to participating in applicant design.
4. Applicant designers shall obtain Utility construction standards and design specifications prior to performing applicant design. The Utility may charge for any of these services.
5. Utility will perform one plan check on each applicant design project at no expense to Applicant. Utility will perform all subsequent plan checks at Applicant's expense.
6. For designs performed by non-utility designers, Utility will credit Applicant with the amount of Utility's design bid less any appropriate charges such as for plan checking, changes, or revisions.
7. In the case of applicant designed projects requiring an advance, Utility will apply the design credit against the Applicant's advance.
8. For Eligible Projects approved by the Commission, if no advance is required, Utility will refund/reimburse the Applicant for the Utility's estimated cost of design after the (Line/Main) Extension project accounting is completed.
9. Utility shall perform all Utility's project accounting and cost estimating.

G. APPLICANT INSTALLATION OPTION

1. COMPETITIVE BIDDING. When Applicant selects competitive bidding, the extension may be installed by the Applicant's qualified contractor or subcontractor in accordance with the Utility's design and specifications. Under this option, the following applies:

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(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO.
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(TO BE INSERTED BY CAL. PUC)
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Rule No. 20
GAS MAIN EXTENSIONS

Sheet 10

(Continued)

G. APPLICANT INSTALLATION OPTION (Continued)

1. COMPETITIVE BIDDING (Continued)

- a. Upon completion of Applicant's installation, and acceptance by Utility, ownership of all such facilities will transfer to Utility.
- b. Applicant shall provide to Utility, prior to Utility preparing the gas main extension contract, the Applicant's Contract Anticipated Costs ~~subject to refund~~ to perform the work normally provided by Utility. The Applicant shall submit, on a form provided by Utility, a statement of such costs. If the Applicant elects not to provide such costs to Utility, the Applicant shall acknowledge its election on the form and Utility will use its estimated costs.
- c. Applicant shall pay to the Utility, subject to the ~~refund and allowance~~ provisions of Rules 20 and 21, the Utility's estimated cost of work performed by Utility for the Gas Main Extension, including the estimated costs of design, administration, and installation of any additional facilities.
- d. The lower of Utility's estimated ~~refundable~~ costs or Applicant's Contract Anticipated Costs, as reported in G.1.b, for the work normally performed by Utility, shall be subject to the ~~refund and allowance~~ provisions of Rules 20 and 21.
- e. Applicant shall pay to the Utility the estimated cost of Utility's inspection ~~which shall be a fixed amount, not subject to reconciliation.~~ For Eligible Projects approved by the Commission, sSuch inspection costs may be subject to otherwise available allowances up to the difference between the Applicant's Contract Anticipated Cost as reported in G.1.b and Utility's estimated costs for performing the same work, but not to exceed the Utility's estimated costs.
- f. Only duly authorized employees of the Utility are allowed to connect to, disconnect from, or perform any work upon the Utility's facilities.

2. MINIMUM CONTRACTOR QUALIFICATIONS. Applicant's contractor or subcontractor (QC/S) shall:

- a. Be licensed in California for the appropriate type of work, such as, but not limited to, gas and general.
- b. Employ workmen properly qualified for the specific skills required (plastic fusion, welding, etc.).
- c. Comply with applicable laws (Equal Opportunity regulations, OSHA, EPA, etc.).

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

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SUBMITTED _____
EFFECTIVE _____
RESOLUTION NO. _____

Rule No. 20
GAS MAIN EXTENSIONS

Sheet 12

(Continued)

H. SPECIAL CONDITIONS (Continued)

3.EXCEPTIONAL CASES. When the application of this rule appears impractical or unjust to either party or the ratepayers, the Utility or Applicant may refer the matter to the Commission for a special ruling, or for the approval of special condition(s) which may be mutually agreed upon.

4.SERVICE FROM HIGH PRESSURE LINES. The Utility will not tap a gas transmission line except at its option when conditions in its opinion justify such a tap. Such taps are made in accordance with the provisions of this rule.

5. PREVIOUS RULES. For applications submitted before July 1, 2023 under conditions of a rule previously in effect, the provisions of the previous rule would apply.

I. DEFINITIONS

ADVANCES. Cash payments made to the Utility prior to the initiation of any work done by the Utility which is not covered by allowances.

APPLICANT. A person or agency requesting Utility to supply gas service.

APPLICANT’S CONTRACT ANTICIPATED COST. The cost estimate provided by the Applicant's contractor to the Applicant for performing the applicable refundable work, as stated on the Applicant's cost statement form (Form 66602), or in the case where the work is performed by the Applicant, the Applicant's own cost estimate on the signed form.

BETTERMENTS. Facilities installed for the Utility's operating convenience such as, but not limited to, the following: to improve gas flow or correct poor pressure conditions, to increase line capacity available to an existing system, to permit pressure conversion of an area, or to install proportionally larger pipe than necessary to provide for future load growth, will be installed at the expense of the Utility.

CONTRIBUTION. In-kind services, and/or the value of all property conveyed to the Utility at any time during the Utility's work on an extension which is part of the Utility's total estimated installed cost of its facilities, or cash payments not covered by Applicant's allowances.

I. DEFINITIONS (Continued)

COST-OF-SERVICE FACTOR. The Cost-of-Service (COS) factor is divided into the Net Revenue to determine the Utility’s line extension allowance. The COS factor includes depreciation, authorized return, income taxes, property taxes, Operation and Maintenance (O&M) expense, Administrative and General (A&G) expense, Franchise Fees and Uncollectibles (FF&U), property insurance, and replacement of facilities, if needed, for 60 years at no additional cost to customer. For the purpose of calculating allowances, a COS factor of 16.97% will be used.

(Continued)

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO.
DECISION NO.

ISSUED BY

Dan Skopec
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

SUBMITTED _____
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Rule No. 20
GAS MAIN EXTENSIONS

Sheet 13

(Continued)

I. DEFINITIONS (Continued)

CUSTOMER-DRIVEN SCOPE OF WORK MODIFICATION. The modifications required to accommodate the construction design needs of a new extension-of-main project for a specific customer.

DATE THE APPLICATION IS APPROVED. The earlier of either the effective date of the contract for the extension of gas main or the date when the Utility first invoices the customer for the extension of gas main.

DISTRIBUTION MAINS. Mains which are operated at distribution pressure, and supply two (2) or more services or run parallel to the property line in a public right-of-way.

ELIGIBLE PROJECT. A non-residential project meeting the criteria outlined in section C.2. may receive line extension allowances and/or a 10-year refundable payment option or a 50-percent discount payment option if the Commission approves the Utility's application filing for the Eligible Project to receive such allowances, refunds, or discounts.

EXCAVATION. All necessary trenching, backfilling, and other digging to install extension facilities, including furnishing of any imported backfill material and disposal of spoil as required, surface repair and replacement, and landscape repair and replacement.

FRANCHISE AREA. Public streets, roads, highways, and other public ways and places where Utility has a legal right to occupy under franchise agreements with governmental bodies having jurisdiction.

INSIGNIFICANT LOADS. Small operating loads such as log lighters, barbecues, outdoor lighting, etc.

INTERMITTENT LOADS. Loads which, in the opinion of the Utility, are subject to discontinuance for a time or at intervals.

INVOICE. When a gas corporation presents an offer to the customer for the extension of gas main in response to an application for an extension of gas main pursuant to Section 783(f) of the Public Utilities Code.

JOINT TRENCH. Excavation that intentionally provides for more than one service, such as gas, electricity, cable television, or telephone, etc.

MAIN EXTENSION. The length of main and its related facilities required to transport gas from the existing distribution facilities to the point of connection with the service pipe.

A Main Extension consists of new distribution facilities of the Utility that are required to extend service into an open area not previously supplied to serve an Applicant. It is a continuation of, or branch from, the nearest available existing permanent Distribution Main, to the point of connection of the last service. The Utility's Main Extension includes any required Substructures and facilities for transmission taps but excludes service connections, services, and meters.

(Continued)

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO.
DECISION NO.

ISSUED BY

Dan Skopec
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

SUBMITTED _____
EFFECTIVE _____
RESOLUTION NO. _____

Rule No. 20
GAS MAIN EXTENSIONS

Sheet 14

(Continued)

I. DEFINITIONS (Continued)

METER SET ASSEMBLY. Meter, service pressure regulator, and associated fittings.

NET REVENUE. That portion of the total rate that supports Utility's extension costs and excludes such items as fuel costs, transmission, storage, public purpose programs, and other energy adjustment costs that do not support the extension costs.

NON RESIDENTIAL ALLOWANCES NET REVENUE MULTIPLIER. This is a revenue-supported factor determined by Utility that is applied to the net revenues expected from non-residential loads to determine non-residential allowances.

OWNERSHIP CHARGE. The monthly ownership charge is a percentage rate applied against the remaining refundable balance after thirty-six (36) months from the date the Utility is first ready to serve. This charge recovers the cost of operating and maintaining customer-financed facilities that are not fully utilized. The Ownership Charge includes property taxes, Operation and Maintenance (O&M), Administrative and General (A&G), Franchise Fees and Uncollectibles (FF&U), property insurance, and replacement for 60 years at no additional cost. For the purpose of calculating Ownership Charge, a 0.67% per month factor will be used.

PERMANENT SERVICE. Service which, in the opinion of the Utility, is of a permanent and established character. This may be continuous, intermittent, or seasonal in nature.

PROTECTIVE STRUCTURES. Fences, retaining walls (in lieu of grading), barriers, posts, barricades, and other structures as required by the Utility.

RESIDENTIAL DEVELOPMENT. Five (5) or more dwelling units in two (2) or more buildings located on a single parcel of land.

RESIDENTIAL SUBDIVISION. An area of five (5) or more lots for residential dwelling units which may be identified by filed subdivision plans or an area in which a group of dwellings may be constructed about the same time, either by a builder or several builders working on a coordinated basis.

SEASONAL SERVICE. Gas service to establishments which are occupied seasonally or intermittently, such as seasonal resorts, cottages, or other part-time establishments.

SUBSTRUCTURES. The surface and subsurface structures which are necessary to contain or support the Utility's gas facilities. This includes, but is not limited to, equipment vaults and boxes, required sleeves for street crossings, and enclosures, foundations, or pads for surface-mounted equipment.

TRENCHING. See Excavation.

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO.
DECISION NO.

ISSUED BY

Dan Skopec
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

SUBMITTED _____
EFFECTIVE _____
RESOLUTION NO. _____

Rule No. 21
GAS SERVICE EXTENSIONS

Sheet 5

(Continued)

B. METERING FACILITIES (Continued)

3. MULTIPLE OCCUPANCY (Continued)

- b. NON RESIDENTIAL. Utility will individually meter gas service to each tenant in a non-residential building or group of buildings or other development on a single Premises with multiple tenants or enterprises (such as, but not limited to, an office building or shopping center complex). Alternative metering arrangements, as determined by Utility, may be allowed only as specified in Rule No. 13, Meters and Appliances and applicable rate schedules.

C. SERVICE LATERAL FACILITIES

1. GENERAL LOCATION. The location of the Service Lateral facilities shall extend:

- a. FRANCHISE AREA. From the point of connection at the Distribution Main to Applicant's nearest property line abutting upon any street, highway, road, or rights-of-way, along which it already has or will install Distribution Main; and,
- b. PRIVATE PROPERTY. On private property, along the shortest, most practical and available route (clear of obstructions) as necessary to reach a Service Delivery Point designated by Utility.

2. NUMBER OF SERVICE LATERALS. Utility will not normally provide more than one Service Lateral, including associated facilities, for any one building or group of buildings, for a single enterprise on a single Premises, except:

- a. TARIFF SCHEDULES. Where otherwise allowed or required under Utility's tariff schedules; or,
- b. UTILITY CONVENIENCE. At the option of, and as determined by, Utility for its operating convenience, consistent with its engineering design, or when replacing an existing service; or,
- c. ORDINANCES. Where required by ordinance or other applicable law, for such things as gas-powered fire pumps, etc.
- d. OTHER. Utility may charge for additional services provided under this paragraph as special or added facilities.

3. BRANCH SERVICE. For additional approved Service Delivery Points to serve another Applicant on the same or adjoining Premises, Utility may install a branch service at the option of Utility, and ~~will~~ may grant allowances if Applicant qualifies under the conditions as set forth in Section E.

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

ISSUED BY
Dan Skopec
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
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EFFECTIVE _____
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Rule No. 21
GAS SERVICE EXTENSIONS

Sheet 6

(Continued)

C. SERVICE LATERAL FACILITIES (Continued)

4. OTHER SERVICE CONNECTIONS. Where Applicant or customer requests another type of service connection, such as stub services, curb meters and vaults, or service from transmission lines, Utility will consider each such request and may will grant appropriate allowances if Applicant qualifies under the conditions as set forth in Section E as it may determine.
5. UNUSUAL SITE CONDITIONS. In cases where Applicant's building is located a considerable distance from the available Distribution Main, or where there is an obstruction or other deterrent obstacle or hazard, such as plowed land, ditches, or inaccessible security areas between Utility's Distribution Main and the building or facility to be served that would prevent Utility from prudently installing, owning, and maintaining its Service Facilities, Utility may at its discretion, modify the normal Service Delivery Point location. In such cases, the Service Delivery Point shall be at such other location on Applicant's property as may be mutually agreed upon; or, alternatively, the Service Delivery Point may be located at or near Applicant's property line, as close as practical to the available Distribution Main.

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D. RESPONSIBILITIES FOR NEW SERVICE FACILITIES

1. APPLICANT RESPONSIBILITY. In accordance with Utility's design, specifications, and requirements for the installation of Service Facilities, subject to Utility's inspection and approval, Applicant is responsible for:
- a. SERVICE LATERAL FACILITIES.
- (1) CLEAR ROUTE. Applicant shall provide (or pay for) a route on any private property that is clear of obstructions which would inhibit the construction of the Service Facilities.
- (2) SUBSTRUCTURES.
- (a) Furnishing, installing, owning, and maintaining all support pads, meter or regulator vaults, or other Substructures on Applicant's Premises;
- (b) Furnishing and installing any Substructures in Utility's Franchise Area (or rights-of-way, if applicable) as necessary to install Applicant's Service Lateral; and,
- (c) Convey ownership to Utility upon its acceptance of those Substructures not on Applicant's Premises.
- (3) PROTECTIVE STRUCTURES. Furnishing, installing, owning, and maintaining all necessary Protective Structures, as specified by the Utility, for the Utility's facilities on Applicant's Premises.

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

ISSUED BY
Dan Skopec
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
SUBMITTED _____
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RESOLUTION NO. _____

Rule No. 21
GAS SERVICE EXTENSIONS

Sheet 9

(Continued)

D. RESPONSIBILITIES FOR NEW SERVICE FACILITIES (Continued)

1. APPLICANT RESPONSIBILITY (Continued)

h. REASONABLE CARE. Applicant shall exercise reasonable care to prevent Utility's Service Lateral, meters, and other facilities owned by Utility on Applicant's Premises from being damaged or destroyed, and shall refrain from interfering with Utility's operation of the facilities and shall notify the Utility of any obvious defect. Applicant may be required to provide and install suitable protection (barriers, posts, etc.) as required by Utility.

2. UTILITY RESPONSIBILITY.

a. INSTALL SERVICE FACILITIES. Utility will furnish, install, own, and maintain the Service Facilities including trenching, as applicable, after Applicant meets all requirements to receive service.

Applicant may elect to provide the trench. If Applicant chooses to perform the Trenching, it must also secure permits from the governmental authority having jurisdiction. Applicant providing trench will receive a credit for the Utility's project-specific estimated cost-per-foot of trench. If Applicant qualifies for a service allowance, Utility ~~will~~ may provide Applicant with a reimbursement ~~or~~ (refunded credit) for the Utility's project-specific estimated cost-per-foot of trench.

b. GOVERNMENT INSPECTION. Utility will establish gas service to Applicant following notice from the governmental authority having jurisdiction that the customer-owned facilities have been installed and inspected in accordance with any applicable laws, codes, ordinances, rules, or regulations, and are safe to pressurize.

3. INSTALLATION OPTIONS.

a. UTILITY PERFORMED WORK. Where requested by Applicant and mutually agreed upon, Utility may perform that portion of the new service extension work normally the responsibility of Applicant according to Section D.1, provided Applicant pays the Utility its total estimated installed cost.

b. APPLICANT-PERFORMED WORK. Applicant may elect to use competitive bidding to install that portion of the new Service Facilities normally installed and owned by Utility, in accordance with the same provisions outlined in Rule No. 20, Gas Main Extensions.

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(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO.
DECISION NO.

ISSUED BY

Dan Skopec
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

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RESOLUTION NO. _____

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Rule No. 21
GAS SERVICE EXTENSIONS

Sheet 10

(Continued)

E. ALLOWANCES AND PAYMENTS BY APPLICANT

1. GENERAL. New applications for gas line extensions submitted on or after July 1, 2023 will not qualify for allowances, except for Eligible Projects approved by the Commission (see Rule No. 20, section C.2.). For Eligible Projects approved by the Commission, Utility will provide the Service Lateral extension without charge provided the Utility's total estimated installed cost (including Meter Set Assembly) does not exceed the allowances as determined from permanent, bona-fide loads to be served by the extension within a reasonable time as determined by the Utility. N
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2. ALLOWANCES. The allowances for Distribution Main Extensions, Service Extensions, or a combination thereof, for ~~Permanent Residential and Non-Residential Services~~ Eligible Projects approved by the Commission is determined by Utility using the formula and conditions outlined in Rule No. 20, section C. The allowances will first be applied to the Service Extension (including the metering). Any excess allowance will be applied to the Distribution Main Extension, in accordance with Rule No. 20, to which the Service Extension is connected. For applications submitted before July 1, 2023 under conditions of a rule previously in effect, the provisions of the previous rule would apply. D,N
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3. SEASONAL, INTERMITTENT, INSIGNIFICANT, AND EMERGENCY LOADS. When Applicant of an Eligible Project approved by the Commission requests service that requires an extension to serve loads that are seasonal or intermittent, the allowance for such loads shall be determined by using the formula and conditions outlined in section C.2. of Rule No. 20. No allowance will be provided to an Eligible Project approved by the Commission where service is used only for emergency purposes, or for insignificant loads. N

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4. PAYMENTS. A cash payment is required in advance of Utility commencing work for the Utility's total estimated installed cost. For Eligible Projects approved by the Commission, a cash payment will only be required in advance of Utility commencing work if Applicant's allowance is less than the Utility's total estimated installed cost. Applicant is responsible to pay Utility the following The following costs Applicant is responsible to pay are non-refundable costs, as applicable under this rule and in advance of Utility commencing its work: N
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(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO.
DECISION NO.

ISSUED BY
Dan Skopec
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
SUBMITTED _____
EFFECTIVE _____
RESOLUTION NO. _____

Rule No. 21

Sheet 11

GAS SERVICE EXTENSIONS

(Continued)

E. ALLOWANCES AND PAYMENTS BY APPLICANT (Continued)

4. PAYMENTS. (Continued)

- a. EXCESS SERVICE. For Eligible Projects approved by the Commission, Utility's total estimated installed cost (including trenching and appurtenant facilities such as fittings, valves, etc.) for the excess service cost beyond the allowance.
- b. TAX. Any payments or contribution of facilities by Applicant are taxable Contributions in Aid of Construction (CIAC) and shall include an Income Tax Component of Contribution and Advances (ITCCA) for state and federal tax at the rate provided in Utility's Preliminary Statement.
- c. OTHER. Utility's total estimated cost for any work that it performs which is the Applicant's responsibility, or performs for the convenience of Applicant.

5. REFUNDS. No refunds apply to the installation of Gas Service Lateral under this Rule.

F. EXISTING SERVICE FACILITIES

1. SERVICE REINFORCEMENT.

- a. UTILITY-OWNED. When Utility determines that its existing Service Facilities require replacement the existing Service Facilities shall be replaced as new Service Facilities under the provisions of this rule.
- b. APPLICANT-OWNED. The Applicant shall replace or reinforce that portion of the Service Lateral which the customer will continue to own, under the provisions of this rule.

2. SERVICE RELOCATION OR REARRANGEMENT

- a. UTILITY CONVENIENCE. When, in the judgment of Utility, the relocation or rearrangement of a service is necessary for the maintenance of adequate service, or for the operating convenience of Utility, Utility normally will perform such work at its own expense, except as provided in Sections F.2.b, F.3 and F.4.
- b. APPLICANT CONVENIENCE. Any relocation or rearrangement of Utility's existing Service Facilities at the request of Applicant (aesthetics, building additions, remodeling, etc.), and agreed upon by Utility, the work shall be performed in accordance with Section D, except that Applicant shall pay Utility its total estimated costs.

In all instances, Utility shall abandon or remove the existing facilities at the option of Utility rendered idle by the relocation or rearrangement.

(Continued)

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO.
DECISION NO.

ISSUED BY

Dan Skopec
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

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Rule No. 21
GAS SERVICE EXTENSIONS

Sheet 12

(Continued)

F. EXISTING SERVICE FACILITIES (Continued)

3. IMPAIRED ACCESS AND CLEARANCES. Whenever Utility determines that:
- a. ACCESS. Its existing Service Lateral facilities have become inaccessible for inspections, operating, maintenance, meter reading, or testing; or,
 - b. CLEARANCE. A hazardous condition exists, or any of the required clearances between the existing Service Facilities and any object become impaired, under any applicable laws, ordinances, rules, regulations of Utility or of public authorities, then the following applies:
 - c. CORRECTIVE ACTION. Applicant or owner shall, at Applicant's or owner's expense, either correct the access or clearance infractions, or pay Utility its total estimated cost to relocate its facilities to a new location which is acceptable to Utility. Applicant or owner shall also be responsible for the expense to relocate any equipment which Applicant owns and maintains. Failure to comply with corrective measures within a reasonable time may result in discontinuance of service.
4. DAMAGED FACILITIES. When Utility's facilities are damaged by others, the repair will be made by Utility at the expense of the party responsible for the damage. Applicants are responsible for repairing their own facilities.
5. SUBDIVISION OF PREMISES. When Utility's Service Facilities are located on private property, and such private property is subsequently subdivided into separate Premises, with ownership transferred to other than Applicant or customer, the subdivider is required to provide Utility with adequate rights-of-way, satisfactory to Utility, for its existing facilities, and to notify property owners of the subdivided Premises of the existence of the rights-of-way.

When adequate rights-of-way are not granted as a result of the property subdivision, Utility shall have the right, upon written notice to the current customer, to discontinue service without obligation or liability. The existing owner, Applicant, or customer shall pay to Utility the total estimated cost of any required relocation of Utility's facilities. A new gas service will be re-established in accordance with the provisions of Section D for new services and the provisions of any other applicable Utility rules.

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

ISSUED BY
Dan Skopec
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
SUBMITTED _____
EFFECTIVE _____
RESOLUTION NO. _____

Rule No. 21

Sheet 14

GAS SERVICE EXTENSIONS

(Continued)

I. DEFINITIONS (Continued)

FRANCHISE AREA. Public streets, roads, highways, and other public ways and places where Utility has a legal right to occupy under franchise agreements with governmental bodies having jurisdiction.

INSIGNIFICANT LOADS. These are small operating loads, such as log lighters, barbecues, outdoor lighting, etc.

INTERMITTENT LOADS. Loads which, in the opinion of the Utility, are subject to discontinuance for a time or at intervals.

INVOICE. When a gas corporation presents an offer to the customer for the extension of gas service in response to an application for an extension of gas service pursuant to Section 783(f) of the Public Utilities Code.

METER SET ASSEMBLY. Meter, service pressure regulator, and associated fittings.

PREMISES. All of the real property and apparatus employed in a single enterprise on an integral parcel of land undivided (excepting in the case of industrial, agricultural, oil field, resort enterprises, and public or quasi-public institutions) by a dedicated street, highway, or other public thoroughfare, or a railway. Automobile parking lots constituting a part of, and adjacent to, a single enterprise may be separated by an alley from the remainder of the premises served.

PROTECTIVE STRUCTURES. Fences, retaining walls (in lieu of grading), barriers, posts, barricades and other structures as required by the Utility.

SEASONAL SERVICE. Gas service to establishments which are occupied seasonally or intermittently, such as seasonal resorts, cottages, or other part-time establishments.

SERVICE DELIVERY POINT. Where Utility's Service Lateral is connected to Applicant's pipe (house line), normally adjacent to the location of the meter(s)

SERVICE LATERAL. The pipe, valves, Meter Set Assembly, and associated equipment extending from the point of connection at the Distribution Main to the Service Delivery Point, which is normally on Applicant's Premises.

SUBSTRUCTURES. The surface and subsurface structures which are necessary to contain or support Utility's gas facilities. This includes, but is not limited to, equipment vaults and boxes, required sleeves for street crossings, and enclosures, foundations or pads for surface-mounted equipment.

TRENCHING. See Excavation.

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO.
DECISION NO.

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Dan Skopec
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

SUBMITTED _____
EFFECTIVE _____
RESOLUTION NO. _____

LINE EXTENSION CONTRACT
(Form 3905-D, 02/22)

(See Attached Form)

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO.
DECISION NO.

ISSUED BY

Dan Skopec
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

SUBMITTED _____
EFFECTIVE _____
RESOLUTION NO.



Line Extension Contract

Reference:

SoCalGas Project #: 0000000000
Project Location: 831 E. Any Street

00/00/20XX

Peter Applicant
Powder Tools, Inc.
831 E. Any Street
Los Angeles, CA 90001

Project Scope:

(1) Residential, (2) single family, project located at (3) 685 San Benito Ln. and (4) Yolo Way, in the city of Lake Arrowhead (5), county of San Bernardino, (6) Tract #####. (7)

Install (8) Main, Stub, Service / Meter, Additional Meter, Service Reinforcement, 2nd Service, Temporary Service to (9) [41] planned dwelling units (10) Applicant Design, Applicant Install, in Applicant provided joint trench.

The engineering required for the installation of the gas facilities as described above in the Project Scope, based on the information you have provided us, has been completed. The attached "Exhibit A" dated 00/00/20XX details the estimated costs and allowances, if applicable, and also indicates any advances and contributions, if required at this time.

Please provide us with an address list for the property, if applicable, including any internal apartment or unit numbers or letters as quickly as possible. This will assist us in providing timely installation of the requested gas meters and/or refunds of your refundable advances, if applicable.

To acknowledge your receipt of the **Exhibit A, confirmation of the scope of the Project, and receipt and agreement with the enclosed General Conditions**, please have this letter executed by your authorized representative(s) (owner or corporate officer) and return all pages to the SoCalGas New Business Process Team at either NewBusinessProcessTeam@esign.sempra.com, if you are executing these documents through the electronic signature portal, or NewBusinessProcessTeam@semprautilities.com, if you are not executing these documents through the electronic signature portal. Your return of the executed copy of this letter plus any required advance made through one of the designated SoCalGas payment channels (e.g., online at www.socalgas.com/exhibitA, in person at a SoCalGas Branch Office, mailed to SoCalGas Mail Payments: P.O. Box 2007, ML711D, Monterey Park, CA 91754-0957), will constitute your request to SoCalGas to schedule the installation and your agreement to Exhibit A and the General Conditions. Timely return of this letter will ensure that your construction is not delayed. A copy of the letter has been provided for your records.

Thank you for this opportunity to provide you with natural gas to serve your energy requirements. We are pleased to have you as a SoCalGas customer and want to provide you with the best possible service. If you have any questions, please contact me at (000) 000-0000.

Sincerely,

Mr. Patrick Planner
FIELD PLANNING ASSOCIATE
3124 W. 36TH STREET
LOS ANGELES, CA 90018

SOUTHERN CALIFORNIA GAS COMPANY - GENERAL CONDITIONS FOR LINE EXTENSIONS

These are the general conditions under which Southern California Gas Company ("SoCalGas") will provide line extensions for Applicants.

I. COSTS

A. **Estimates and Duration.** The enclosed Exhibit A estimate is valid for 90 days and may be revised after that time if the installation of gas facilities for the Project has not begun. Once SoCalGas begins the installation, the estimated cost will remain in effect for twelve (12) months. If at the end of the twelve (12) months the work is not complete, SoCalGas reserves the right to calculate its costs for the work completed, less applicable allowances, and issue a new project and Line Extension Contract for the remaining installation work. If additional monies are due, Applicant agrees to pay them within 30 days after invoice. Applicant will be responsible for costs of engineering, planning, surveying, right of way acquisition and other associated costs. **Estimated excludes Betterments and Utility Convenience.**

B. **Allowances.** Applicant(s) receiving allowances as an offset to the installation costs are responsible for these costs and may be billed subject to the following: line extension(s) where allowances have been granted to the Applicant based on future gas load(s) must have the gas meter(s) installed and turned on with bona fide load within six (6) months for main/main and service(s) installations and twelve (12) months for service(s) only installations. These time frames commence from the date SoCalGas completed the installation of gas facilities. If Applicant fails to comply, the Applicant will be billed for the difference between estimated allowances and authorized allowances, as described in Tariff Rule Nos. 20 and/or 21. The bill amount will include Income Tax Component Contribution and Advances (ITCCA /CIAC) Tax. Applicant requested temporary service(s) are fully collectible. Refunds shall be made and calculated in accordance with Rule No. 22.

C. **Attorney's Fees and Offset.** If SoCalGas is required to bring an action to collect monies due or to enforce any other right or remedy, Applicant agrees that SoCalGas is entitled to recover its reasonable attorneys' fees and costs. SoCalGas may withhold from any payments due Applicant any amounts Applicant owes SoCalGas.

II. INDEMNITY

A. **General.** Applicant shall indemnify and hold SoCalGas harmless from and against all liability (excluding only Pre-Existing Environmental Liability) connected with or resulting from injury to or death of persons, including but not limited to employees of SoCalGas or Applicant, injury to property of SoCalGas, Applicant or a third party, or violation of local, state or federal laws or regulations (excluding environmental laws or regulations) (including attorneys' fees) arising out of the performance of this Contract, except only for liability to the extent it is caused by the negligence or willful misconduct by SoCalGas.

B. **Environmental.** Applicant shall indemnify and hold SoCalGas harmless from and against any and all liability (including attorneys' fees) arising out of or in any way connected with the violation or compliance with of any local, state, or federal environmental law or regulation as a result of pre-existing conditions at the Project site, release or spill of any pre-existing hazardous materials or waste, or out of the management and disposal of any pre-existing contaminated soils or groundwater, hazardous or nonhazardous, removed from the ground as a result of SoCalGas' work performed ("Pre-Existing Environmental Liability"), including, but not limited to, liability for the costs, expenses, and legal liability for environmental investigations, monitoring, containment, abatement, removal, repair, cleanup, restoration, remedial work, penalties, and fines arising from the violation of any local, state, or federal law or

regulation, attorneys' fees, disbursements, and other response costs. As between Applicant and SoCalGas, Applicant agrees to accept full responsibility for and bear all costs associated with Pre-Existing Environmental Liability. Applicant agrees that SoCalGas may stop work, terminate it, redesign the gas facilities to a different location, or take other action reasonably necessary to complete its work without incurring any Pre-Existing Environmental Liability.

C. Withhold Rights. In addition to any other rights to withhold, SoCalGas may withhold from payments due Applicant such amounts as, in SoCalGas' reasonable opinion, are necessary to provide security against all loss, damage, expense and liability covered by the foregoing indemnity provisions.

III. WARRANTY

SoCalGas requires that Applicant warrant all materials and workmanship performed by Applicant (directly or through a contractor other than SoCalGas) shall be free of all defects and fit for their intended purpose. A one-year warranty on any materials and a two-year warranty on any installation work provided are required. If Applicant's work or materials fail to conform to the warranty, Applicant shall reimburse SoCalGas for the total cost of repair and/or replacement or SoCalGas may give Applicant the opportunity to fix within a reasonable time such defect(s). Such reimbursements are non-refundable and the amount of such reimbursements may be withheld by SoCalGas and offset against refundable amounts owed Applicant, when applicable.

IV. TARIFF RULES / COMMISSION

A. This Line Extension Contract ("Contract") consists of and incorporates by reference the line extension contract letter, Exhibits A, General Conditions and all of SoCalGas' applicable tariff schedules and rules as submitted from time to time with the California Public Utilities Commission ("Commission"), including but not limited to, the Preliminary Statement and Rule Nos. 1, 2, 4, 9, 13, 20, 21 and 22. Copies of these rules may be obtained by visiting the SoCalGas' Internet site at www.socalgas.com or by requesting copies from your SoCalGas representative.

B. This Contract is at all times subject to such changes or modifications as the Commission may direct from time to time in the exercise of its jurisdiction.

C. No agent of SoCalGas has authority to make any terms or representations not contained in this Contract and the tariff schedules and Applicant hereby waives them and agrees neither SoCalGas nor Applicant shall be bound by them.

V. JOINT AND SEVERAL LIABILITY

Where two or more parties are Applicants for a Project, SoCalGas shall direct all communications, bills and refunds, when applicable, to the designated Applicant, but all Applicants shall be jointly and severally liable to comply with all terms and conditions herein.

VI. STUB EXTENSIONS

For Applicant(s) receiving allowances, sStub costs are refundable only to the extent the allowances generated by stub extensions exceed the main to meter installation costs, and only for ten years from the date of the stub installation. Refunds will be made without interest, and no refund will be made in excess of the amount advanced.

VII. AUTHORIZED SIGNATURE

If Applicant is a corporation, partnership, joint venture, or a group of individuals, the subscriber hereto represents that he has the authority to bind said corporation, partners, joint venture, or individuals as the case may be.

My signature below represents my agreement and acceptance of the Project confirmation, Exhibit A and SoCalGas' General Conditions For Line Extension. I acknowledge and agree that SoCalGas' cost estimates and allowances estimates, if applicable, for this Project were based on information provided by me or my authorized representative. I further acknowledge and agree that my signature represents my/my company's agreement and understanding that subsequent changes in Project scope may affect the installation price **and further, that if allowances have been granted, an additional contribution may be required if the future loads on which the allowances were based do not materialize.**

APPLICANT: **POWDER TOOLS, INC.**

Address:
(Future bills, refunds, and correspondence will be mailed to the address provided)

By:

(Print Name)

(Title)

Authorized Signature:

Telephone:

Social Security or Federal Tax ID No.

Date:

Date Mailed
00/00/20XX

Project ID 00000000000

Exhibit A

COST AND ALLOWANCE CALCULATION (ESTIMATES)

| | | |
|----------------------------|--------------------------|-----------------------|
| (x) Trenching by Applicant | () Trenching by Company | () Applicant Design |
| (x) Joint Trench | () Gas Only Trench | () Applicant Install |

| | | | | | | |
|------------|---|------------|---|---------|---|---------|
| \$ 0000.00 | - | \$ 0000.00 | - | \$ 0.00 | = | \$ 0.00 |
|------------|---|------------|---|---------|---|---------|

| | | |
|---------------------|---------------------------|--------------------------|
| Project Cost | * Site Preparation | Allowance Applied |
|---------------------|---------------------------|--------------------------|

| | |
|-------------------------------|---------|
| Advance Required (Refundable) | \$ 0.00 |
|-------------------------------|---------|

| | |
|-----------------------------------|---------|
| Advance Required (Non-Refundable) | \$ 0.00 |
|-----------------------------------|---------|

| | | | | | |
|------------------|---------|----------|------|---|---------|
| ITCCA (CIAC Tax) | \$ 0.00 | x | 24 % | = | \$ 0.00 |
|------------------|---------|----------|------|---|---------|

| | |
|------------------|---------|
| Payment Received | \$ 0.00 |
|------------------|---------|

| | |
|-------------------------|---------|
| Total Amount Due | \$ 0.00 |
|-------------------------|---------|

* Site preparation reimbursement for applicant provided trench will be treated per
Tariff Rule Nos. 20 & 21 and payments, if any, will be based on the agreed upon
price per foot times the actual footage of the trench used.

Line Extension Contract #: 00000000000-1

Date Mailed
00/00/20XX

If paying online, go to www.socalgas.com/exhibitA. If paying by mail
or in person, detach and return this portion with your payment.

THIS BILL IS NOW DUE AND PAYABLE



APPLICANT'S NAME
STREET ADDRESS
CITY, STATE ZIP CODE

NBMS Project ID 00000000000-1

| | |
|------------------------|------|
| PLEASE PAY THIS AMOUNT | 0.00 |
|------------------------|------|

9200000000001000000000000060000

92 00000000 6

**Line Extension Contract
Reference:**

**STATEMENT OF APPLICANT'S CONTRACT ANTICIPATED COST
FOR APPLICANT INSTALLATION PROJECT, Form 66602**

(See Attached Form)

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO.
DECISION NO.

ISSUED BY

Dan Skopec
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

DATE FILED _____
EFFECTIVE _____
RESOLUTION NO. _____



STATEMENT OF APPLICANT'S CONTRACT ANTICIPATED COST
FOR APPLICANT INSTALLATION PROJECT

(PLEASE PRINT OR TYPE)

Applicant Name: _____

Applicant Address: _____

Applicant Contact Name: _____ Contact Telephone Number: _____

Installer Name: _____

Installer Address: _____

Installer Contact Name: _____ Contact Telephone Number: _____

Project Name: _____ Tract Number: _____

Project Location: _____ City: _____

| | | |
|--|--------------------|----------------------|
| SoCalGas Use Only: | Project ID # _____ | Work Request # _____ |
| SoCalGas' estimated installed cost (bid) subject to refund is, main \$ _____, stub(s), \$ _____, service(s) \$ _____. | | |

The Applicant's reported costs, as indicated below, will be compared with SoCalGas' estimated installed cost for the same work, as indicated above, the lower of which will be used to determine the amount subject to allowances and refunds, **if applicable**, in accordance with SoCalGas' Rules 20, 21 and/or 22.

If the Applicant chooses not to provide the project cost, Applicant must complete the last section of this form and return to SoCalGas. SoCalGas will not proceed with contract development or any construction until Applicant either provides these costs, or returns this form indicating that they decline to do so.

| APPLICANT'S CONTRACT ANTICIPATED COST | |
|---|--|
| Applicant's contract anticipated cost for the same work is, main \$ _____, Stub(s) \$ _____, service(s) \$ _____. | |

Applicant's Contract Anticipated Costs includes the incremental trenching cost to modify the trench to accommodate the installation of gas facilities, materials, labor, and equipment necessary for the installation of pipes, valves, and fitting facilities.

Applicant's Contract Anticipated Costs are not to include work performed or materials provided by SoCalGas to complete the installation, such as, but not limited to, connecting to or disconnecting from the existing gas facilities, and the installation of gas meters and associated fittings.

DECLARATION BY APPLICANT (check one)

- I declare under penalty of perjury that the foregoing is true and correct.
- I choose not to provide to SoCalGas my **refundable** cost for this project and acknowledge that SoCalGas will use its estimate of the **refundable** cost when preparing the Line Extension Contract for the above referenced project.

| | |
|-----------------------|-------------|
| Applicant Name: _____ | |
| Title: _____ | |
| Signature: _____ | Date: _____ |

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION G-3598

June 8, 2023

RESOLUTION

G-3598. Southern California Gas Company: Resolution addressing Advice Letter 6108-G to update existing tariffs regarding gas pipeline extensions modified pursuant to Ordering Paragraph 4 of Decision 22-09-026. Resolves discrepancy between utilities' advice letter filings with varying interpretations of whether actual or estimated gas pipeline extension costs should be paid by the applicant.

PROPOSED OUTCOME:

- Rejects Southern California Gas Company (SoCalGas) request to update its existing tariffs regarding gas pipeline extension rules, wherein SoCalGas proposes that the applicant installing a natural gas pipeline only pay the estimated costs while any excess actual costs be recovered by the utility from the general rate base.
- Requires Pacific Gas and Electric Company (PG&E) and San Diego Gas and Electric Company (SDG&E), to submit new advice letters with tariff changes to reflect that the applicant installing a gas pipeline shall be required to pay for the full actual installation cost and not the estimated cost only.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this resolution.

ESTIMATED COST:

- Estimated average annual savings of about \$26.8 million for California ratepayers.

By Advice Letter 6108-G, filed on March 13, 2023.

SUMMARY

In Decision (D.) 22-09-026 of Rulemaking (R.) 19-01-011, the California Public Utilities Commission (CPUC or Commission) directed elimination of all gas pipeline extension subsidies as of July 1, 2023, unless otherwise exempted. It directed California's four large gas investor-owned utilities ("the utilities") to submit advice letters with revised gas pipeline extension rules reflecting elimination of the subsidies.¹ The utilities timely submitted their advice letters, which were approved by Commission Energy Division staff, but differed in their methods and principles for determining what costs should be paid by the applicant. SoCalGas submitted a subsequent advice letter to replace its original, approved advice letter proposing to revise its costing principles to match PG&E's and SDG&E's approved advice letters. This resolution provides direction for making gas line extension costing principles consistent across all four utilities. It requires that the utilities change their existing tariffs such that the applicant at whose behest the natural gas pipelines are being extended, pay for the total actual costs of the extension and not the initial estimated costs only.

BACKGROUND

Procedural Background

On September 13, 2018, Governor Jerry Brown signed into law Senate Bill (SB) 1477 (Stern, 2018).² SB 1477 promotes California's building-related greenhouse gas (GHG) emission reduction goals, and makes available \$50 million annually for four years, for a total of \$200 million, dedicated towards two building electrification pilot programs. The funds are derived from the revenue generated from the GHG emission allowances directly allocated to gas corporations and consigned to auction as part of the California Air Resources Board (CARB) Cap-and-Trade program.³ In response to passage of SB 1477, the CPUC initiated R.19-01-011.

Phase I: On May 17, 2019, the Assigned Commissioner issued a Scoping Memo and Ruling setting forth the issues to be considered in Phase I of R.19-01-011 (Phase I Scoping Memo). The Phase I Scoping Memo was amended on July 16, 2019, to include

¹ D.22-09-026, Ordering Paragraph (OP) 4 at 82:.

<http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=496987290>

² SB 1477 was codified as Public Utilities (Pub. Util.) Code Section 748.6, Section 910.4, and Sections 921-922.

³ Four gas corporations currently participate in California's Cap-and-Trade program: SoCalGas, PG&E, SDG&E, and Southwest Gas Corporation (SWG).

additional issues. Phase I issues were resolved in D.20-03-027, which established the two building decarbonization pilot programs required by SB 1477: the Building Initiative for Low--Emissions Development (BUILD) Program and the Technology and Equipment for Clean Heating (TECH) Initiative.⁴

Phase II: On August 25, 2020, the Assigned Commissioner issued an Amended Scoping Memo and Ruling setting forth the issues to be considered in Phase II of R.19-01-011 and included an associated Energy Division Staff Proposal. Phase II issues were resolved in D.21-11-002, which: (1) adopted guiding principles for the layering of incentives when multiple programs fund the same equipment; (2) established a new Wildfire and Natural Disaster Resiliency Rebuild (WNDRR) program to provide financial incentives to help victims of wildfires and natural disasters rebuild all electric properties; (3) provided guidance on data sharing; and (4) directed California's three large electric investor-owned utilities to each study energy bill impacts that result from switching from gas water heaters to electric heat pump water heaters, and to propose a rate adjustment in a new Rate Design Window application if their study reflected a net energy bill increase (resolved in Resolution E-5233). D.21-11-002 also directed the IOUs to collect data on fuels used to power various appliances, including propane.

Phase III: On November 16, 2021, the Assigned Commissioner issued an Amended Scoping Memo and Ruling setting forth the issues to be considered in Phase III of R.19-01-011. Phase III issues were resolved in D.22-09-026, which eliminated gas pipeline extension allowances, refunds, and discounts for all new applications submitted on or after July 1, 2023, for all customers in all customer classes, unless otherwise exempted.

Resolution Background

On October 20, 2022, the utilities each filed advice letters in compliance with OP 4 of D.22-09-026 ("the decision").⁵

The decision states:

"Within 30 days of the date of this order, Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall each submit a Tier 2 Advice Letter to revise tariffs for their respective gas line extension rules that eliminate gas line extension subsidies in conformance with this decision. The revised tariffs shall

⁴ See D.20-03-027 at 7.

⁵ SoCalGas Advice Letter 6048; PG&E Advice Letter 4669G/6742E; SDG&E Advice Letter 3130G; SWG Advice Letter 1231.

include the application process adopted in this decision allowing limited projects meeting the specific eligibility criteria set out in this decision to seek gas line extension allowances, 10-year refunds, or 50 percent discounts payment option.”

SoCalGas Advice Letter 6048 amended their gas rules with the following language: “A cash payment based on total estimated costs (excluding Betterments) is required in advance of SoCalGas commencing work and after SoCalGas commences work if SoCalGas’s actual installed costs exceeds its total estimated install costs.” SWG’s advice letter also used the same language.⁶

PG&E Advice Letter 4669G/6742E did not amend the previous language, stating, “Applicant shall pay to PG&E the estimated cost of PG&E’s inspection, which shall be a fixed amount not subject to reconciliation. For Eligible Projects approved by the Commission, such inspection costs may be subject to otherwise available allowances up to the difference between the Applicant’s Contract Anticipated Costs as reported in G.1.b. and PG&E’s estimated costs for performing the same work, but not to exceed PG&E’s *estimated* [emphasis added] costs.”⁷

SDG&E Advice Letter 3130G states, “Where requested by Applicant and mutually agreed upon, utility may perform that portion of new extension work normally the responsibility of the Applicant according to Section D.1, provided Applicant pays utility it’s total *estimated* [emphasis added] installed costs.”⁸

All four advice letters were approved by Energy Division staff in November 2022.

On March 13, 2023, SoCalGas submitted a new advice letter – SoCalGas Advice Letter 6108-G – that proposes to charge estimated, rather than actual costs, from applicants wishing to extend gas pipelines for their developments.

SWG did not submit a new advice letter seeking a similar change as SoCalGas. As such, its original advice letter submitted in response to OP 4 that was approved in November 2022 remains effective and is not affected by this resolution.

D.22-09-026 did not provide specific guidance on whether the applicant (typically the real estate developer, builder, or private homeowner) requesting the extension of new natural gas pipelines should be required to pay actual, or estimated costs, for the line extensions.

Per General Order 96-B, Rule 7.6.1, an advice letter is subject to Industry Division (in this matter, Energy Division) staff disposition so long as a technically qualified

⁶ SoCalGas Advice Letter 6048 at 2; SWG Advice Letter 1231, Section D.3.

⁷ PG&E Advice Letter 4669G/6742E, Sheet 12, G.1.e.

⁸ SDG&E Advice Letter 3130-G, Sheet 9, D.3.a.

person could determine objectively whether the proposed action has been authorized by the statutes or Commission orders cited in the advice letter. Whenever an advice letter disposition requires more than ministerial action from staff, the disposition of the advice letter on the merits will be by Commission resolution.

NOTICE

This resolution is being served on R.19-01-011 service list. Notice of SoCalGas Advice Letter 6108-G was made by publication in the Commission's Daily Calendar. SoCalGas states that a copy of the advice letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

Advice Letter 6108-G was not protested.

DISCUSSION

In January 2023, SoCalGas contacted Energy Division staff with a desire to revise its previous advice letter filing (SoCalGas Advice Letter 6048) to change existing tariffs related to gas pipeline extensions and make it consistent with the manner and principles that were used by PG&E and SDG&E in their advice letter filings. The additional costs to ratepayers and the associated policy implications due to the divergence in approaches between the four utilities were not readily apparent to ED staff from the original filings. To better understand the implications, Energy Division staff issued multiple data requests to each of the utilities to quantify the cost differential to the ratepayer resulting from these differing filings.

The utility responses to the data requests indicated that the cost implications resulting from varying interpretations of the direction in the original decision regarding estimated versus actual costs, were significant. Therefore, staff found that a resolution should be put before the Commission, so that the Commission can engage the public and vote on the appropriate policy.

Energy Division staff data requests asked each of the utilities to answer the following questions:

1. How many total cases were there where the actual costs of the gas line extension exceeded the estimated costs that were communicated to the customer/builder?
2. How many total cases were there where the actual costs of the gas line extension were less than the estimated costs that were communicated to the customer/builder?

3. What is the total dollar amount for the difference between the estimated costs and the actual costs, when actual costs exceeded estimated costs?
4. What is the total dollar amount for the difference between the estimated costs and the actual costs, when the actual cost was less than the estimated cost?

The utilities' responses to data requests relating to the cost differentials are presented in **Table 1**. Based on the data request responses, staff estimated that actual gas line extension costs exceeded estimated costs across the utilities by approximately \$109.2 million in the three years preceding 2022 (i.e., 2019, 2020, and 2021),⁹ or about **\$36.4 million on average, annually**. This Final Resolution is modified based on revised estimated and actual costs submitted as part of the Joint Utilities' comments in response to the Draft Resolution. The revised estimates are presented in Table 2.

- **SDG&E submitted revised actual costs in its comments to this resolution, which state that actual costs have exceeded estimated costs by approximately \$3.7 million in three years:**

Notably, SDG&E initially reported estimated costs being generally higher than the actual costs, for a total of about \$4.7 million over three years, but subsequently submitted a revised response wherein the actual costs were found to be higher than estimated costs by about \$32.5 million based on extrapolation by staff, since only 3% project data was reported in response to staff data request. Per SDG&E's comments, "the [staff's] extrapolation method is inaccurate because SDG&E's customer base includes both residential and non-residential customers, which skews the results... the variance in costs derived from a small subset of projects is significant..."

SDG&E states in its comments that upon review of the Draft Resolution, SDG&E queried the available cost estimated data for the 97% projects available in calendar years 2019 through 2021, and found the approximate variance to be closer to \$3.7 million. SDG&E also notes that their database conversion project was completed approximately two months ago – presumably after the responses to staff data request were submitted – and therefore the submitted comments reflect a more accurate estimate of the cost variance between actual and estimated construction costs.

We revise the Final Resolution to accept SDG&E's new submittal. We note the unreliability of SDG&E's general record-keeping regarding gas pipeline extension subsidies issued in the past. Staff also noted this record-keeping

⁹ At the time of Energy Division staff data request to the utilities in January, the 2022 data was not yet available.

deficiency in the development of D.22-09-026 (see decision footnotes 27, 28, 30, 31, 32, 33, 37, and 40). We anticipate improvement in SDG&E's reported numbers going forward since SDG&E states that it has now completed transferring project data to its new system.

- **PG&E actual costs have exceeded estimated costs by approximately \$15.7 million in three years:**

PG&E did not provide a yearly breakdown. Staff did not issue a follow up data request to balance administrative burden against critical necessity. PG&E provided cost data for projects with and without "betterment," defining "betterment" as projects that include utility-funded work that benefits the system and can be performed in tandem with a gas new business project. Per PG&E's response, betterment work is included in the same PG&E order as the new business project, which may cause total recorded costs for the project to be in excess of the estimated PG&E project costs shown in the contract with the builder even if actual costs for the new business project are equal to the estimated costs. Any amounts collected from the builder are based on PG&E's estimated costs as detailed in PG&E's Gas Rules 15 and 16. For this reason, staff chose to not consider betterment projects for anticipating the differential between actual and estimated costs.

PG&E and SDG&E request that the actual cost billing implementation deadline be extended for one year, or at least six months, and the advice letter deadline to reflect the operational change be extended to near the conclusion of this change. They also request that the Joint Utilities be authorized to establish a Memorandum Account to track costs associated with implementation and ongoing actual cost billing.

Based on publicly available information, staff note that project implementation begins with the signing of a contract between the applicant and the utility, based on estimated costs. The cost estimate is typically developed jointly by the applicant and the utility, for their respective portion of work (on a case-by-case basis). Once the project design is complete, the utility portion of the estimated cost is paid in full upfront by the applicant before construction work commences.¹⁰ Depending on the scale of the project, the construction work can last for several months. In PG&E's and SDG&E's current practice, the estimated cost written in the contract is the only amount that the applicant

¹⁰ PG&E at 2:

https://www.pge.com/includes/docs/pdfs/shared/customerservice/otherrequests/newconstruction/BRSC_Guide_Ne_wGasService.pdf.

SDG&E at 4:

<https://www.sdge.com/sites/default/files/documents/SDG%26E%20Builder%20Guidebook%20v11.4.pdf>.

is expected to pay, even if higher (or lower) actual costs are incurred during project construction.

Considering this typical sequence of project contract, cost estimation, and construction described above, we clarify that the intent of the decision and the goal of this Resolution is only to ensure that actual construction costs are borne by the applicant *at the end of* project completion. Real-time payment of actual costs as they are incurred is not required. This Resolution only requires that the utility sends a final true-up invoice to the applicant after construction is completed and all costs have become known. To achieve this goal, the utility simply needs to modify its current tariff language and contract terms to clarify that the applicant will be required to pay actual costs once construction is complete, or, if estimated costs are found to be higher than actual costs, then the applicant will be reimbursed for the difference.

As such, the utilities are already tracking actual costs for each project as part of their regular business practice to be able to recover the difference between the estimated and actual costs through rate recovery within the General Rate Case (GRC) filings. The difference is that instead of billing the ratepayer, they are now required to bill the applicant.

Further, both PG&E and SDG&E already have online applicant portals, and have an existing process for receiving payments, either online or via check payments. The same process can be used to receive or return a final true-up payment. Therefore, we find it unreasonable to allow utilities to create a balancing account to track costs associated with implementation and ongoing actual cost billing.

Finally, we reiterate that this Resolution only requires PG&E and SDG&E to submit revised tariffs to CPUC reflecting that the applicant shall be required to pay actual construction costs, and starting July 1, 2023, ensure that the corresponding changes to the contract between the applicant and the utility have been made. Since construction for any project will take some time (possibly several months), and the true-up invoices can be generated only once the construction is complete, the utilities can effectuate operational changes in that time.

To allow the utilities more time to reconcile revised tariff and contract language, we extend the submittal deadline for the Tier 1 advice letter to 20 days from the date that this resolution is adopted.

- **SoCalGas actual costs have exceeded estimated costs by approximately \$61.3 million in three years:**

Given that it is SoCalGas whose advice letter refiling initiated this resolution, we note that based on historical data, the cost differential between actual and estimated costs for gas line extension subsidies is the highest and most consistent for SoCalGas territory. In other words, if the Commission does not approve this resolution, then the ratepayer burden would be the highest for SoCalGas customers as compared to other gas utilities. Like PG&E, SoCalGas did not provide a yearly breakdown of the cost data. Further, it only provided data for projects without betterment, which we found to be sufficient for the purposes of this resolution.

- **SWG actual costs have been less than estimated costs by approximately \$278,697 in three years:**

SWG has not requested a reconsideration of their previously approved advice letter (AL 1231), and is not required to submit a new advice letter by this resolution.

In their comments, SoCalGas and SWG request that the CPUC modify the Draft Resolution to authorize SoCalGas and SWG to submit a new Tier 1 advice letter temporarily reverting current tariffs back to estimated cost billing, supposedly to stay consistent with PG&E and SDG&E, until those utilities have updated their systems to implement actual cost billing.¹¹

On one end, the Joint Utilities argue that it will take at least six months to effectuate operational changes necessary to implement actual cost billing and on the other end they propose that two utilities that were already expected to start actual cost billing by July 1, 2023 should be asked to revert back these changes while the other two utilities are making these operational changes.

We reject SoCalGas and SWG request. Because these two utilities were already supposed to be on track to implement actual cost billing starting July 1, 2023, asking them to revert operational changes back to estimated cost billing is opposite to the desired end goal for all utilities.

¹¹ Joint Utilities comments at 4 and A-1.

| Table 1: Utilities' Responses to Energy Division staff data request for estimated and actual historical costs for natural gas line extensions | | | | | | | | | | | | | |
|---|---|--|-------------|--------------|---------------------|------|--------------|---------------------|------|----------------------|--|-------------|--|
| | SDG&E* | | | PG&E** | | | SoCalGas* | | | SWG | | | |
| | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | |
| 1 | How many total cases were there where the actual costs of the gas line extension exceeded the estimated costs that were communicated to the customer/builder? | 1533 | 400 | 3867 | 934 | | 9048 | | | 10 | 10 | 15 | |
| 2 | How many total cases were there where the actual costs of the gas line extension were less than the estimated costs that were communicated to the customer/builder? | 267 | 200 | 1700 | 1001 | | 7756 | | | 22 | 17 | 29 | |
| 3 | What is the total dollar amount for the difference between the estimated costs and the actual costs, when actual costs exceeded estimated costs? | \$14,445,333 | \$2,815,433 | \$33,825,100 | \$22,941,576 | | \$79,700,000 | | | \$77,024 | \$289,568 | \$143,642 | |
| 4 | What is the total dollar amount for the difference between the estimated costs and the actual costs, when the actual cost was less than the estimated cost? | \$2,046,567 | \$3,735,767 | \$12,813,833 | \$7,233,353 | | \$18,400,000 | | | \$236,972 | \$209,903 | \$342,056 | |
| 5 | Difference between actual costs and estimated costs (Row 3 minus Row 4) | \$12,398,767 | (\$920,333) | \$21,011,267 | \$15,708,223 | | \$61,300,000 | | | (\$159,948) | \$79,665 | (\$198,414) | |
| 6 | Total difference between actual and estimated costs per utility | \$32,489,700 | | | \$15,708,223 | | | \$61,300,000 | | | (\$278,697) | | |
| | | * Per SDG&E, its project management system is incapable of extracting project data for all projects. So SDG&E evaluated a sample of 239 projects (approximately 3 percent). ED staff extrapolated their response to approximate the total for all projects, which is presented here. | | | | | | | | | **Only includes projects without betterment. Betterment means projects that include utility-funded work that benefits the system and can be performed in tandem with a gas new business project. | | |
| Total difference between actual and estimated costs across all utilities for 2019-2021 (summation of Row 5) | | | | | | | | | | \$109,219,226 | | | |

| | SDG&E | | | PG&E** | | | SoCalGas* | | | SWG | | |
|---|--------------------|--------------------|--------------------|--------|--|------|-----------|---------------------|------|---------------------|--------------------|-------------|
| | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| 1 How many total cases were there where the actual costs of the gas line extension exceeded the estimated costs that were communicated to the customer/builder? | <u>426</u> | <u>227</u> | <u>518</u> | | 934 | | | 9048 | | 10 | 10 | 15 |
| 2 How many total cases were there where the actual costs of the gas line extension were less than the estimated costs that were communicated to the customer/builder? | <u>235</u> | <u>151</u> | <u>268</u> | | 1001 | | | 7756 | | 22 | 17 | 29 |
| 3 What is the total dollar amount for the difference between the estimated costs and the actual costs, when actual costs exceeded estimated costs? | <u>\$1,539,459</u> | <u>\$528,538</u> | <u>\$2,701,772</u> | | \$22,941,576 | | | \$79,700,000 | | \$77,024 | \$289,568 | \$143,642 |
| 4 What is the total dollar amount for the difference between the estimated costs and the actual costs, when the actual cost was less than the estimated cost? | <u>\$333,620</u> | <u>\$294,929</u> | <u>\$473,332</u> | | \$7,233,353 | | | \$18,400,000 | | \$236,972 | \$209,903 | \$342,056 |
| 5 Difference between actual costs and estimated costs (Row 3 minus Row 4) | <u>\$1,205,839</u> | <u>\$233,609</u> | <u>\$2,228,440</u> | | \$15,708,223 | | | \$61,300,000 | | (\$159,948) | \$79,665 | (\$198,414) |
| 6 Total difference between actual and estimated costs per utility | | \$3,667,888 | | | \$15,708,223 | | | \$61,300,000 | | | (\$278,697) | |
| | | | | | **Only includes projects without betterment. Betterment means projects that include utility-funded work that benefits the system and can be performed in tandem with a gas new business project. | | | | | | | |
| Total difference between actual and estimated costs across all utilities for 2019-2021 (summation of Row 5) | | | | | | | | | | \$80,397,414 | | |

CONCLUSION

Based on recent three-year cost data, if SoCalGas Advice Letter 6108 is approved, it could increase the average annual burden on SoCalGas customers by about \$20.4 million to cover the expense of gas pipeline extensions not borne by the applicant.

If PG&E and SDG&E were not directed to revise their existing tariffs approved via Advice Letters 4669G/6742E and 3130G, respectively, to reflect that the applicant extending the gas pipelines should pay for the total actual costs of the extension and not the initial estimated costs only, then it would increase the annual burden on their customers any time that the actual costs were higher than the estimated costs. These added costs amounted to an annual average of \$5.2 million for PG&E and \$1.2 million for SDG&E over the three-year period covering 2019-2021.

Requiring payment of only estimated costs instead of actual costs would further create a loophole inviting the possibility of persistent underestimation of costs for projects to the detriment of ratepayers.

Using the estimated costs for gas line extension projects rather than the actual costs is a *de facto* loophole that becomes a ratepayer burden by being passed on to the utilities' ratepayers as a GRC expense, instead of to the applicant who is causing the extension of the gas pipeline. This is inconsistent with the intent of D.22-09-026, which requires elimination of *all* subsidies to discourage ratepayer-funded investment in new gas pipeline infrastructure unless otherwise granted a special exemption by the Commission.

Therefore, SoCalGas's Advice Letter 6108-G is rejected. To ensure consistency amongst the utilities, PG&E and SDG&E are required to submit new advice letters within 20 days of the issuance of this resolution. The new advice letters shall change their existing tariffs such that the applicant extending the gas pipelines is required to pay for the total actual costs of the extension and not the initial estimated costs only. The advice letters shall be effective upon filing and the revised tariffs shall be effective on July 1, 2023.

COMMENTS

One comment was received in response to the Draft Resolution – a joint response filed by SDG&E on behalf of itself and the three other large gas utilities (“the Joint Utilities”).

The Joint Utilities state that requiring applicants to pay for actual instead of estimated costs will require operational changes. They state that while they understand the basis for the arguments for this operational change and do not oppose the Draft Resolution,

they do not agree that the absence of this operational change creates a loophole that would lead to persistent or intentional underestimation of costs on the utility's part.¹²

The Joint Utilities also state that the cost variances from 2019 to 2021 were due to unforeseen circumstances such as those arising due to the COVID pandemic including increased material costs due to supply chain shortages.

Finally, the Joint Utilities state that modifying the processes for gas line extension project applicants to pay actual – rather than estimated – costs would represent a significant change that necessitates additional time to educate customers, revise internal processes, perform system updates, and make contractual changes for applicants.

These comments are discussed and addressed in the Discussion section of this Final Resolution and corresponding changes have made in other sections.

Public Utilities Code Section 311(g)(1) provides that this resolution must be served on all parties to R.19-01-011 and subject to at least 30 days' public review. Please note that comments are due 20 days from the mailing date of this resolution. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding. Interested stakeholders do not need to have party status to submit comments on the resolution.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS

1. On October 22, 2022, SoCalGas filed Advice Letter 6048, which made tariff modifications that require the applicant for a gas pipeline extension to pay the total actual costs of gas pipeline extensions rather than estimated costs. Commission Energy Division staff approved Advice Letter 6048 on November 22, 2022.
2. On March 13, 2023, SoCalGas filed Advice Letter 6108-G, which, if approved, would effectively replace Advice Letter 6048, and would only require the applicant for a gas pipeline extension to pay estimated costs, with the difference between the actual costs and the estimated costs to be borne by ratepayers.
3. PG&E and SDG&E current tariffs require the applicant for gas pipeline extensions to pay estimated costs rather than actual costs.

¹² Joint Utilities' comments at 2.

4. Actual gas line extension costs have exceeded estimated costs for the utilities' combined service territories by approximately \$80.4 million in the three years preceding 2022 (i.e., 2019, 2020, and 2021), or about \$26.8 million on average annually.
5. Actual gas line extension costs have exceeded estimated costs for SoCalGas by approximately \$20.4 million in the three years preceding 2022 (i.e., 2019, 2020, and 2021), or about \$6.8 million on average annually.
6. Requiring an applicant to pay actual costs rather than estimated costs is more beneficial for California rate payers and is in alignment with the intent of D.22-09-026.
7. PG&E Advice Letter 4669G/6742E and SDG&E Advice Letter 3130G were not protested.
8. This resolution provides parties the requisite time to comment on staff's proposed requirement for PG&E and SDG&E to refile their Advice Letter 4669G/6742E and Advice Letter 3130G, respectively. Therefore, it is appropriate for PG&E's and SDG&E's new advice letters filed in fulfillment of this resolution to be effective upon filing.
9. It is appropriate for PG&E and SDG&E to each file a Tier 1 advice letter within 20 days of the adoption of this resolution modifying their existing tariffs to be consistent with SoCalGas's and SWG's existing approved tariffs in their treatment of costs to be paid by the applicant extending a gas pipeline.
10. To remain consistent with the requirements of D.22-09-026, it is appropriate for the revisions that will be made to PG&E's and SDG&E's tariffs pursuant to this resolution to be effective on July 1, 2023.

THEREFORE, IT IS ORDERED THAT:

1. Southern California Gas Company's Advice Letter 6108-G is rejected.
2. Within 20 days of the adoption of this resolution, Pacific Gas and Electric Company and San Diego Gas and Electric Company are required to submit new advice letters reflecting changes to their existing tariffs such that the applicant extending the gas pipelines is required to pay for the final actual costs of the extension and not the initial estimated costs only. The applicant shall be reimbursed by the utility when the estimated cost is higher than the final actual cost, or, be required to pay the additional amount when the final actual cost is higher than the estimated cost. The advice letters shall be effective upon filing and the revised tariffs shall be effective on July 1, 2023.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on June 8, 2023; the following Commissioners voting favorably thereon:

/s/ RACHEL PETERSON

Rachel Peterson
Executive Director

ALICE REYNOLDS
President

GENEVIEVE SHIROMA
DARCIE HOUCK
JOHN REYNOLDS
KAREN DOUGLAS
Commissioners

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



Southern California Gas Company
GAS (Corp ID 904)
Status of Advice Letter 6108G
As of June 14, 2023

Subject: Update - SoCalGas Revisions to Rules Regarding Gas Service Extension Practices Pursuant to Decision (D.) 22-09-026 Ordering Paragraph (OP) 4

Division Assigned: Energy

Date Filed: 03-13-2023

Date to Calendar: 03-15-2023

Authorizing Documents: D2209026

| | |
|------------------------|-----------------|
| Disposition: | Rejected |
| Effective Date: | None |

Resolution Required: Yes

Resolution Number: G-3598

Commission Meeting Date: 06-08-2023

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