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

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Ratesetting

TO PARTIES OF RECORD IN APPLICATION 16-12-010:

This is the proposed decision of Administrative Law Judges Karl Bemesderfer and Nilgun Atamturk. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's May 10, 2018 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Upon the request of any Commissioner, a Ratesetting Deliberative Meeting (RDM) may be held. If that occurs, the Commission will prepare and publish an agenda for the RDM 10 days beforehand. When the RDM is held, there is a related ex parte communications prohibition period. (See Rule 8.3(c)(4).)

Pursuant to Rule 14.6(c)(2), comments on the proposed decision must be filed within 10 days of its mailing and reply comments must be filed within 5 days of its mailing.

/s/ ANNE E. SIMON
Anne E. Simon
Acting Chief Administrative Law Judge

AES:ek4
Attachment

Decision **PROPOSED DECISION OF ALJ BEMESDEFER AND ALJ ATAMTURK** (Mailed 4/5/2018)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Gas Company (U904G) Requesting Reauthorization of the Customer Incentive Program.	Application 16-12-010

DECISION DENYING APPLICATION

Table of Contents

Title **Page**

DECISION DENYING APPLICATION

Summary

This Decision denies, without prejudice, Southern California Gas Company's application for reauthorization of the Customer Incentive Program. We find that the program as proposed in Application 16-12-010 is likely to lead to an increase in natural gas consumption in Southern California Gas Company's service territory. Even though the utility characterizes this likely potential increase in natural gas consumption as minimal, we find that approving the proposed program at a time when it is uncertain whether or when the Aliso Canyon natural gas storage facility operations will be fully restored is not in the public interest.

This decision directs Southern California Gas Company to make necessary tariff changes to close out existing shareholder funded programs to new customers.

This proceeding is closed.

1. Background

On December 21, 2016, Southern California Gas Company (SoCalGas) filed Application (A.) 16-12-010 seeking reauthorization for its Customer Incentive Program (CIP), previously called the Core Pricing Flexibility Program and the Noncore Competitive Load Growth Opportunities Program, and approval of related tariff changes. The California Public Utilities Commission (Commission) directed SoCalGas to file a new application seeking authorization of these programs in Resolution G-3515 dated May 12, 2016, if SoCalGas intended to continue with these programs beyond 2017.

The Office of Ratepayer Advocates (ORA) and Southern California Generation Coalition (SCGC) filed protests. Protesters expressed concern about:

(1) whether it is appropriate for the Commission to reauthorize a program that potentially reduces system reliability; (2) whether the proposed program is consistent with current California policies that aim to replace fossil fuels with renewable energy resources; and (3) whether the proposed regulatory accounting treatment of the program is reasonable.

On March 2, 2017 a prehearing conference (PHC) was held to determine parties and discuss the scope, schedule, and other procedural matters. During the PHC, parties agreed that either ORA or SCGC, or both jointly, would file a motion to dismiss or other procedural motion, addressing redundancies between this proceeding and other active proceedings before the Commission as well as synergies with section 783.5 of the California Public Utilities Code, regarding disadvantaged communities in the San Joaquin Valley.

On May 12, 2017, ORA and SCGC filed jointly a motion requesting dismissal of Application (A.) 16-12-010. On May 26, 2017, SoCalGas filed a response to the motion filed jointly by ORA and SCGC. On June 9, 2017, ORA and SCGC filed jointly a reply to SoCalGas' response to the motion.

The July 19, 2017 Scoping Memo and Joint Ruling of Assigned Commissioner and Administrative Law Judges denied the motion to dismiss A.16-12-010 due to material facts in dispute. The same ruling also set out the scope and schedule of the proceeding. The following issues were included in the scope of the proceeding:

1) Should the Commission reauthorize SoCalGas' Customer Incentive Program?
    a) Is the Application fully and satisfactorily addressing the Commission's concerns as expressed in Resolution G-3515?
    b) Does the proposed Customer Incentive program support current California state policies?

c) How much load growth is anticipated, in the event that the Customer Incentive Program is reauthorized?

d) If there is anticipated load growth attributed to the Customer Incentive program, will it be significant enough to cause any reliability concerns?

2) Are the proposed incentives duplicative of, overlapping with, or complementing other programs?

a) Are the program components such as proposed increase in energy efficiency standards, comparable to similar programs, e.g., Self Generation Incentive Program and SoCalGas Distributed Energy Resources Tariff?

b) Is the program properly designed to deter free riders?

3) Is the proposed shareholder/ratepayer split fair and reasonable?

4) Are the proposed cost tracking procedures and regulatory accounting treatment reasonable?

a) Should the Commission approve tariff GO-CIP, which will serve as the sole and stand-alone tariff for the CIP?

b) Should the Commission authorize closure of Rule 38, GO-ET, GTO-ET, GO-IR and GTO-IR to any new customers once a decision is issued in this Application?

Pursuant to the September 6, 2017 Administrative Law Judge's (ALJ) Ruling revising the schedule, parties served opening testimony on October 11, 2017 and rebuttal testimony on November 3, 2017. During November 28-29, 2017, parties participated in two days of evidentiary hearings. Parties filed opening briefs on December 20, 2017 and reply briefs on January 26, 2018.

The ALJ's Ruling issued on February 21, 2018 approved the transcript corrections requested by the motion jointly filed by SoCalGas, ORA, and SCGC on December 20, 2017. The record of this proceeding was submitted on January 26, 2018.

Exhibit COA-7, Aliso Canyon Winter Risk Assessment Technical Report 2017-18 Supplement (CEC-100-2017-002) prepared by the staff of the California Public Utilities Commission, California Energy Commission, California Independent System Operator, and Los Angeles Department of Water and Power, was marked for identification on November 29, 2017. SoCalGas objected to the exhibit as lacking foundation and hearsay. In response, SCGC counsel stated that he would ask for official notice of the document, if he used it in the briefings.[1] SCGC did not request official notice of Exhibit COA-7. Therefore, the issue is moot and Exhibit COA-7 is not admitted into the record of this proceeding.

2. Motion to Strike

In its Opening Brief, SCGC referred to and cited a report titled "Policy Implications of Deep Decarbonization in the United States" by Energy and Environmental Economics and the Deep Decarbonization Pathways Project (Decarbonization Report). On January 26, 2018, SoCalGas filed a motion to strike the portion of SCGC's opening brief that quoted the Decarbonization Report. SoCalGas argued that that the cited portion of the SCGC brief was not supported by the evidentiary record. SoCalGas added that it has not been provided the opportunity to examine the Decarbonization Report through discovery, rebuttal testimony, or cross-examination at evidentiary hearings. SoCalGas also argued that the Decarbonization Report is hearsay and requested that it not be admitted into the record due to the lack of foundation. SCGC argued that the SoCalGas

[1] Transcript at 214 lines 4-10.

motion should be denied, or in the alternative, that only specific quotations and associated citations from the Decarbonization Report should be stricken.

For reasons discussed below, we will grant SoCalGas' motion to strike the Decarbonization Report from the evidentiary record of this proceeding. As the Commission stated in Decision 88-09-061:

> The purpose of a post-hearing brief is to provide the parties with an opportunity to put forth their views of the appropriate interpretation of the evidence presented in the hearing in the light of applicable law. It is not a forum for producing new evidence, whether or not it is relevant and authentic. Such evidence might be the subject of a motion to reopen or some similar procedural device, if there is good cause why the evidence could not have been produced in a timely manner....As with any other evidence the request that it be recognized should properly be made during a hearing, not afterward. (*See*, by analogy, California Evidence Code, Sections 452 and 455.)

The Decarbonization Report is not part of the evidentiary record and SoCalGas had no opportunity to review it prior to the discovery cut-off date of December 12, 2017. The Decarbonization Report was not moved into the evidentiary record as a sponsored exhibit and SoCalGas had no opportunity to cross-examine a sponsoring witness.

SoCalGas' motion to strike the Decarburization Report is granted. Arguments based on statements made in the Decarbonization Report will be accorded no weight.

3. SoCalGas Application

SoCalGas' existing shareholder funded incentive programs, the Core Pricing Flexibility Program (CPFP) and Non-Core Competitive Load Growth Opportunities Program (NCCLGOP), were initially authorized in D.97-07-054 and D.00-04-060, respectively. While CPFP provided discounted natural gas transportation rates to both new and existing customers for up to five years, NCCLGOP provided the customers discounts or subsidies up to 50 percent of the cost of qualifying equipment and/or feasibility studies to evaluate the potential benefits of high efficiency gas equipment.[2] Resolution G-3515, adopted May 26, 2016, authorized SoCalGas to continue with these programs, provided that the programs offered incentives to projects that offered energy efficiency benefits. Resolution G-3515 also directed SoCalGas to file an application, if the utility intended to continue with these programs beyond 2017. Consequently, SoCalGas filed A.16-12-010 and sought authorization for the Customer Incentive Program, a modified version of the existing programs.

In A.16-12-010, SoCalGas proposes to replace CPFP and NCCLGOP (jointly, existing programs) with the Customer Incentive Program (CIP). SoCalGas describes the CIP as a shareholder-funded, fully elective, optional, and nondiscriminatory tariff service that will offer incentives to customers who wish to procure a more energy-efficient technology or a technology that will improve greenhouse gas (GHG) or criteria air-pollutant emissions than an alternative option the customer would have chosen in absence of the CIP.[3]

The CIP offers a shareholder-funded subsidy for natural gas technology that is cleaner or more energy efficient than a less expensive alternative; offers an additional incentive for using renewable natural gas; provides customers either an upfront payment or a rate discount, which is based on the amount of incremental revenue from the increased load; and allows shareholders to receive

[2] Resolution G-3515 at 5.

[3] Application at 1.

100% of the incremental transportation revenue for up to five years. Residential customers are not eligible for this program.[4] Eligible technologies may include steam systems, furnaces, boilers, crucibles, pumps, onsite generation, including combined heat and power (CHP), and other industrial type equipment.[5]

SoCalGas proposes five eligibility criteria for the CIP:

(1) The customer must have an active core/non-core gas account or concurrently apply for new service with SoCalGas.

(2) The customer must demonstrate the intent to install new or refurbish underutilized technology that utilizes gas by an application process, including a purchase order.

(3) The customer must either be more energy efficient than what the customer would have otherwise installed or reduce GHG emissions and/or criteria pollutants. A customer can meet the preceding criterion through one of four ways: (a) The technology must achieve GHG emissions or criteria air pollutant reductions; (b) onsite generation or CHP system must meet the Federal Energy Regulatory Commission efficiency standards; (c) technology must qualify for Leadership in Energy and Environmental Design (LEED) points; or, (d) technology must be at least 10% more efficient than the lower cost alternative.

(4) The customer must demonstrate that the CIP incentive was a material factor for installing the technology through a payback analysis and affidavit.

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[4] ORA-01 at 6.

[5] Transcript Vol.1 (T.Nguyen) at .83, ln.8 through at 84, ln.18.

(5) The customer must commit to a utilization level with SoCalGas through execution of a contract and an established Minimum Annual Quantity (MAQ).[6]

The CIP differs from the existing programs, because it offers new eligibility criteria for customers or for the technology to qualify for the CIP, as listed above; it provides a shareholder funded guarantee for any shortfall in the Public Purpose Program surcharge; and it also offers an additional incentive for using renewable natural gas a renewable. A customer qualifies for the renewable natural gas incentive only if they meet their MAQ and will be a five percent discount off the transmission charge for every therm of renewable natural gas used above the baseline. A comparison table showing the differences between the CIP and the programs that will be replaced by the CIP is provided below.

TABLE I A Comparison between the Current Programs and CIP[7]

Proposed Modification	**Current Programs**	**CIP**
Number of Schedules	4 tariffs (GO-ET, GTO-ET, GO-IR and GTO-IR); 1 Rule (Rule 38)	1 tariff (GO-CIP)
Rate Discount Offering	Offered to core customers only	Offered to core and noncore customers
Funding of PPP Surcharge	None	Shareholder funded
Technology Eligibility Criteria	Emerging technology, emerging market, energy efficient technology,	Energy efficiency and emissions reductions

[6] Minimum Annual Quantity is the minimum amount of natural gas that a customer must consume under the CIP. It is a function of the baseload quantity and anticipated incremental load associated with the new technology use. The customer has to meet the minimum annual quantity every year or the incentive will be adjusted.

[7] Based on ORA-01-SA at 3 and 4.

Proposed Modification	**Current Programs**	**CIP**
	underutilized technology, increase off-peak usage, and load retention	
Demonstration of qualification for incentive funds	Affidavit demonstrating that incentive is a material factor	Affidavit, expanded minimum annual quantities, and payback analysis
RNG adder	None	In addition to the proposed incentive
Tracking of CIP development, costs, credit to ratepayers	None	Internal order established to track development costs and credit back to ratepayers

4. Parties' Positions

4.1. ORA

ORA asks the Commission to deny the application, arguing that the any programs that incentivize increased natural gas consumption are now obsolete. ORA also asserts that: (1) SoCalGas' existing programs do not conform to the State's current energy and environmental policies on GHG emissions reductions; (2) there is no benefit in CIP being shareholder-funded; and, (3) the CIP would provide an incentive for increases in gas consumption. Furthermore, ORA asserts that SoCalGas failed to address the Commission's concerns that the Aliso Canyon natural gas storage facility will likely not operate at normal capacity for the foreseeable future and concludes that given the uncertainty on the future of Aliso Canyon natural gas storage facility, it is unwise to authorize programs that incentivize increased gas usage. ORA also considers the CIP to be susceptible to fraud and abuse, because customers can become eligible for the CIP program through self-certification without further proof of eligibility.

4.2. SCGC

SCGC also asks us to reject SoCalGas' application, arguing that the proposed program would provide incentives for load growth on "the severely crippled SoCalGas transmission and storage system." SCGC believes that "this is precisely the wrong time to provide incentives for gas load growth on the SoCalGas system."[8] In addition, SCGC notes that the CIP achieves energy savings mainly by substituting natural gas for electricity and/or diesel fuel, in new CHP projects. SCGC argues that such projects do not conform to current state policies to reduce emissions and decarbonize electricity generation.

In the event that we grant A.16-12-010, SCGC asks that we restrict the size of new CHP projects to no greater than 20 megawatts, and allow the shareholders to retain no more than 20 percent of the incremental revenues.

5. Discussion

The two primary questions before us are:

(1) To what extent will the CIP increase load growth?

(2) What impact will such incremental load growth have on the reliability of the energy system in southern California?

The next two sections address these questions.

5.1. How much load growth is anticipated, in the event that the Customer Incentive Program is authorized?

In support of its application, SoCalGas did not analyze how many customers may be interested in the CIP, how many projects may come to fruition, and how much incremental load might be expected from such projects. Nor did SoCalGas submit any study of the expected total benefits of the

[8] SCGC Opening Brief at iv.

program. Instead, SoCalGas simply asserts that "….while there may be some load growth on a case-by-case customer basis, the net impact of the CIP would be a decrease in gas load as compared to what customers would have chosen to do without CIP."[9] SoCalGas characterizes any potential increase in gas use as "de minimis."[10]

The following example illustrates SoCalGas' view of how the CIP will work: Suppose a customer intends to expand her business and install a furnace. The customer has two options: She can install a more efficient but more costly furnace, or install a less costly and less efficient furnace. SoCalGas observes that regardless of whether the customer installs the more efficient technology with the CIP incentive or the less efficient technology without the CIP incentive, the gas consumption at the customer site would increase. However, with the more efficient technology, the increase in load at the customer's site will be at least ten percent less than it would have been. Therefore, the net effect is a decrease in gas use.

ORA and SCGC argue that natural gas load growth will necessarily occur if the CIP functions as intended. Referring to the increase in gas consumption volumes associated with the current programs dating back to 2010, ORA characterizes the increase as hardly insignificant.[11] Table II displays the incremental volumes associated with the current programs from 2010 through 2016.

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[9] SoCalGas Opening Brief at 1.

[10] SoCalGas Opening Brief at 13.

[11] ORA-01 at 27.

TABLE II Incremental Volumes Associated with Current Programs[12]

Year	Incremental Volumes from Current Programs in therms
2010	32,675,442
2011	35,884,029
2012	35,673,237
2013	28,204,423
2014	31,221,629
2015	20,620,878
2016	23,057,184

The record also shows that for years 2014 through 2016 new CHP projects received most of the funding under the existing programs: 9 out of 11 projects in 2014, 6 out of 8 projects in 2015, and 9 out of 12 projects in 2016 were CHP projects.[13]

SCGC argues that "For a customer who receives an incentive payment to fund CHP equipment, there will be an absolute increase in gas load with no alternative installation to be a point of comparison."[14] SCGC further argues that the energy efficiency gains by noncore customers under the CIP are most likely to be derived from offsetting the use of electricity by CIP customers. SCGC points out that at the time Resolution G-3515 was issued, May 12, 2016, nearly all

[12] ORA Opening Brief at 23.

[13] ORA-01-SA at 3.

[14] SCGC Reply Brief at 4.

of the Noncore Load Growth Program contracts were for CHP systems. In response to SoCalGas' assertion that the anticipated increase associated with the CIP will be minimal, SCGC replies that because there is no limit on the size of CHP programs that may qualify for a CIP incentive payment, such new CHP projects could impose a very large new gas load on the SoCalGas system.

SoCalGas' anticipation of reduced gas use or insignificant increase in gas use as an outcome of the CIP incentives is based on the following rationale:

(1) Energy efficiency is a mandatory requirement for three of the four eligibility criteria of the CIP. The fourth criterion (GHG reduction) may result in energy efficiency, but is not mandatory. Under the CIP, customers can receive an incentive to convert from diesel generation to natural gas. Because natural gas is cleaner than diesel, emission reductions will occur even as natural gas use at customer site increases. Similarly, a new CHP project incentivized by the CIP may improve the overall efficiency of a customer's site by utilizing waste heat while producing electric power, but at the cost of increasing natural gas use at the site.

(2) Using data from the last six years, SoCalGas shows that the incremental increase in natural gas consumption due to the existing customer incentive programs is insignificant, as the incremental gas usage has been less than the daily fluctuation SoCalGas observes in its system. SoCalGas does not explain why it anticipates a similarly insignificant increase in natural gas consumption as a result of implementing the CIP. SoCalGas also does not indicate at what level the increase in natural gas use due to the CIP becomes significant.

5.2. If there is anticipated load growth attributed to the Customer Incentive Program, will it be significant enough to cause any reliability concerns?

Whether additional load growth due to the CIP will reduce system reliability is a complex question and depends on many factors such as the availability of gas supply, pipeline capacity availability, weather, and others. No party has provided any quantitative projection of the anticipated load growth associated with the CIP and any quantitative assessment of whether the load growth would be significant enough to cause any reliability concerns. Predictions were speculative at best, relying on past data associated with the existing programs or educated guesses based on the program features of the CIP. Therefore, the question of whether the anticipated load growth, if any, would be significant enough to cause any reliability concerns remains unanswered.

SoCalGas argues that the CIP would not materially impact reliability, because: 1) the net effect of the CIP would likely decrease the natural gas throughput; 2) any potential increase in annual throughput from CIP (based on historical high-end estimates) would only be approximately 0.2% of the total throughput; and, 3) such potential increase in the daily gas throughput from CIP would be 15 times less than the average daily fluctuations on SoCalGas' system in 2017.[15]

In response, both ORA and SCGC draw attention to the existing reliability concerns associated with Aliso Canyon natural gas storage facility and the efforts to reduce the load in small quantities. SCGC asserts that the SoCalGas transmission and storage system is severely constrained, making it especially

[15] SoCalGas Reply Brief at 5.

important to reduce rather than increase gas demand in Southern California. For winter 2017-2018, SoCalGas holds about 65 billion cubic feet of gas in its storage fields, which SoCalGas reports as being "the lowest on record for this time of year since 2001, and far below the 118 billion cubic feet of the system has averaged over the past five years." SCGC argues that the program can put customers at an operational risk, jeopardizing reliability.

Similarly, ORA argues that SoCalGas has not met its burden of proof to show that any additional load growth will not impact system reliability negatively. According to ORA, it is unclear whether SoCalGas has considered the uncertainty and the reduced capacity of Aliso Canyon natural gas storage facility with its request for CIP authorization.[16] ORA notes that according to

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[16] SoCalGas owns and operates the Aliso Canyon natural gas storage facility. A major gas leak was discovered at Aliso Canyon natural gas storage facility on October 23, 2015. Aliso Canyon natural gas storage facility is an integral part of the SoCalGas system and is essential for meeting the demand in the Los Angeles Basin. In addition to ensuring a reliable supply of natural gas for essential uses, Aliso Canyon natural gas storage facility has contributed to the gas supply needed for gas-fired electric generators in the Los Angeles Basin during hot summer days when electricity demand increases to meet cooling needs that are met by electric air conditioning.

In Resolution G-3515, which led SoCalGas to file the application under consideration, the Commission expresses its concerns about the problems with Aliso Canyon and incentivizing increased gas usage by the existing programs. In Resolution G-3515 the Commission states that the Aliso Canyon natural gas storage facility may not be able to operate at its normal capacity in 2016 and beyond, due to the concerns raised by the facility's gas leak. The Commission finds that without the gas storage provided by the Aliso Canyon facility, there is a greater likelihood that SoCalGas will be unable to provide sufficient gas to all customers during times of system stress. The Commission also finds that given the uncertainty on the future of the Aliso Canyon natural gas storage facility, it is unwise to continue programs that incentivize increased gas consumption without providing any corresponding energy efficiency benefits.

In 2017, the Commission instituted an investigation, Order Instituting Investigation (I.) 17-02-002, to determine the feasibility of minimizing or eliminating the use of Aliso Canyon natural gas storage facility while maintaining energy reliability. More recently, in D.17-05-004 the Commission stated the following:

Footnote continued on next page

SoCalGas, the cogeneration projects are not included in the forecasts prior to the equipment startup.[17] Since any increased load will not appear in SoCalGas' demand forecast until the projects are operational, the increased demand from the proposed CIP eligible projects may not manifest itself until the system is already under stress from increased load.

6. Conclusion

In summary, the two primary questions in this proceeding, how much the CIP will increase load growth and whether such load growth will have a significant impact on the reliability of the energy system in southern California, have not been definitively answered in this proceeding.

However, based on the testimony of the parties, we find that it is more likely than not that the CIP will lead to an increase in natural gas consumption in Southern California Gas Company's service territory and that depending on what kind of projects will seek the CIP incentives, the level of load growth will

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> "The reduced availability of Aliso Canyon threatened gas and electric reliability in Southern California. In response, the Commission enacted a series of policies to increase [the] reliability by reducing demand for natural gas. As of the date of today's ruling, it is uncertain if or when Aliso Canyon will resume normal operations. For these reasons, as was the case in 2016, beginning this summer it may be difficult for SoCalGas to respond to increases in electric generation demand, in particular, and therefore it is possible that electric generation in the Los Angeles Basin relying on gas from Aliso Canyon could be curtailed on days of high peak demand for electricity."[16]

In D.17-05-004, the Commission also authorized SoCalGas to provide up to $11 million of funding for marketing, education and outreach activities in the Los Angeles Basin in 2017, for the purpose of reducing the risk of natural gas and electricity curtailments in the Los Angeles area this year and due to the ongoing effects of the 2015 natural gas leak at SoCalGas' Aliso Canyon natural gas storage facility.

[17] ORA Opening Brief at 20.

vary significantly. Accordingly, we find that approving the program at a time when there are reliability concerns associated with the Aliso Canyon natural gas storage facility operations is not in the public interest and we will deny without prejudice, Southern California Gas Company's application for reauthorization of the CIP.

At a time when reliability concerns are heightened and given all the efforts the Commission has been taking to reduce load in small quantities to ensure system reliability, it would be irresponsible and imprudent to authorize a program that carries the risk of increasing natural gas usage.

As we deny A.16-12-010, we note that there are other similar if not identical programs that SoCalGas customers take advantage of and our action today does not deprive SoCalGas customers of incentives to acquire energy-efficient technologies. These programs include state energy efficiency programs, Self-Generation Incentive Program (SGIP), AB 1613 Feed-in Tariff, and Distributed Energy Resources tariff.

Because we deny A.16-12-010, the programmatic issues listed in the scoping memo are all moot, including issues related to program design.

7. Next Steps

Schedule Nos. GO-ET, GTO-ET, GO-IR, and GTO-IR contain the tariff provisions under which the Core Pricing Flexibility Program operates.[18] Preliminary Statement Part XI.F also contains provisions under which the Core

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[18] GO-ET (Emerging Technologies Optional Rate for Core Commercial and Industrial); GTO-ET (Transportation-Only Emerging Technologies Optional Rate for Core Commercial and Industrial); GO-IR (Incremental Rate for Existing Equipment for Core Commercial and Industrial); GTO-IR (Transportation-Only Incremental Rate for Existing Equipment for Core Commercial and Industrial); Rule 38 (Commercial/Industrial Equipment Incentive Program).

Pricing Flexibility Program operates and provides for the treatment of revenues derived from the Core Pricing Flexibility Program. Rule 38 is the tariff provision under which the noncore Pricing Flexibility Program operates. Preliminary Statement Part XI.G.2 provides for the treatment of revenues derived from the Noncore Load Growth Program.

Consistent with Ordering Paragraph 6 of Resolution G-3515, upon issuance of this Decision, SoCalGas must close its existing programs to new customers. These include Schedule Nos. GO-ET, GTO-ET, GO-IR, and GTO-IR, and Rule 38. SoCalGas must close Preliminary Statement Part XI.F, "Core Pricing Flexibility," and Preliminary Statement Part XI.G.2, "Noncore Competitive Load Growth Opportunities-Revenue Treatment" as the treatment of revenues derived from the existing programs will cease to be relevant.

8. Comments on Proposed Decision

The proposed decision of ALJ Atamturk in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on ______________, and reply comments were filed on ______________ by ________________.

9. Categorization

In Resolution ALJ 176-3391, dated January 19, 2017, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. The Scoping Memo confirmed the category as ratesetting. Although the Scoping Memo stated that hearings were necessary, no hearings were held.

10. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and Karl J. Bemesderfer and Nilgun Atamturk are the assigned ALJs. Pursuant to Public Utilities Code Section 1701.3 and Rule 13.2 of the Commission's Rules of Practice and Procedure, ALJ Bemesderfer and ALJ Atamturk are designated as the Presiding Officers.

Findings of Fact

1. Resolution G-3515 authorized Southern California Gas Company to file a new application seeking reauthorization of its existing shareholder funded programs, the Core Pricing Flexibility Program and Non-Core Competitive Load Growth Opportunities Program, if the company wished to continue with these programs beyond 2017.

2. In Application 16-12-010, Southern California Gas Company seeks authorization for the Customer Incentive Program, a modified version of its existing shareholder funded programs.

3. Southern California Gas Company describes the Customer Incentive Program as a shareholder funded, fully elective, nondiscriminatory tariff service that will offer incentives to customers who wish to procure a more energy efficient technology or a technology that will improve greenhouse gas or criteria air pollutant emissions than an alternative option the customer would have chosen in absence of the Customer Incentive Program.

4. The Customer Incentive Program would provide customers either an upfront payment or rate discount and allow shareholders to receive 100% of the incremental transportation revenue for up to five years.

5. Southern California Gas Company did not analyze how many customers may be interested in the Customer Incentive Program, how many projects may

come to fruition, and how much incremental load might be expected from such projects.

6. Incremental load growth associated with the existing programs ranges from 32.7 million therms in 2010 to 23.1 million therms in 2016.

7. Under the existing programs, 9 out of 11 projects in 2014, 6 out of 8 projects in 2015, and 9 out 12 projects in 2016 were CHP projects.

8. Fuel switching projects and CHP projects increase gas use at customer sites.

9. No party has provided any quantitative projection on whether the anticipated load growth would be significant enough to cause any reliability concerns.

10. The change in natural gas use as a result of the Customer Incentive Program is a function of the type of projects funded by the program.

11. In Resolution G-3515 the Commission expressed concern about problems with Aliso Canyon natural gas storage facility and incentivizing increased gas usage.

12. In Resolution G-3515 the Commission states that the Aliso Canyon natural gas storage facility will likely not operate at normal capacity for the foreseeable future.

13. Resolution G-3515 finds that without the gas storage provided by the Aliso Canyon natural gas storage facility, there is a greater likelihood that SoCalGas will be unable to provide sufficient gas to all customers during times of system stress.

14. Since October 2015, the Commission has taken numerous measures to reduce natural gas load in small quantities.

15. The two primary questions in this proceeding, how much the CIP will increase load growth and whether such load growth will have a significant impact on the reliability of the energy system in southern California, have not been answered in this proceeding.

16. Approving the CIP program at a time when there are reliability concerns associated with the Aliso Canyon natural gas storage facility operations is not in the public interest.

17. Exhibit COA-7 was identified at the November 29, 2017 evidentiary hearing, but was not admitted into the record.

18. In its Opening Brief, SCGC referred and cited a report titled "Policy Implications of Deep Decarbonization in the United States" by Energy and Environmental Economics and the Deep Decarbonization Pathways Project, without requesting official notice of the report.

Conclusions of Law

1. Based on the testimony of the parties, we find that it is more likely than not that the CIP will lead to an increase in natural gas consumption in Southern California Gas Company's service territory and that depending on what kind of projects will seek the CIP incentives, the level of load growth may vary significantly.

2. Because the Customer Incentive Program is likely to lead to an increase in natural gas consumption in Southern California Gas Company's service territory, the Application for Reauthorization of Customer Incentive Program should be denied without prejudice.

3. SoCalGas should close to new contracts Schedule Nos. GO-ET, GTO-ET, GO-IR, and GTO-IR, and Rule 38.

4. SoCalGas should close Preliminary Statement Part XI.F, "Core Pricing Flexibility," and Preliminary Statement Part X1.G.2, "Noncore Competitive Load Growth Opportunities-Revenue Treatment," upon expiration of existing program contracts.

5. Because SCGC did not request official notice of Exhibit COA-7 in its briefs, we should not admit Exhibit COA-7 into the record.

6. Because the report referred and cited by SCGC was not part of the evidentiary record and SoCalGas had no opportunity to review it prior to the discovery cut-off date of December 12, 2017, we should accord no weight to it.

O R D E R

IT IS ORDERED that:

1. The application by Southern California Gas Company for Reauthorization of Customer Incentive Program is denied without prejudice.

2. Southern California Gas Company shall close to new contracts Schedule Nos. GO-ET, GTO-ET, GO-IR, and GTO-IR, and Rule 38, upon issuance of this decision.

3. Southern California Gas Company shall close Preliminary Statement Part XI.F, "Core Pricing Flexibility," and Preliminary Statement Part X1.G.2, "Noncore Competitive Load Growth Opportunities-Revenue Treatment," upon expiration of existing program contracts.

4. Southern California Gas Company's motion to strike a portion of Southern California Generation Coalition's Opening Brief is granted.

5. Application 16-12-010 is closed.

This order is effective today.

Dated ______________________________, at Fontana, California.