STATE OF CALIFORNIA

EDMUND G. BROWN JR., *Governor*

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

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Ratesetting

TO PARTIES OF RECORD IN APPLICATION 12-08-007 et al.:

This is the proposed decision of Administrative Law Judge Roscow. 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 July 12, 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.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, ex parte communications are prohibited pursuant to Rule 8.3(c)(4)(B).

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

AES:jt2

Attachment

Decision **PROPOSED DECISION OF ALJ ROSCOW (Mailed 6/12/2018)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of 2013-2014 Statewide Marketing, Education and Outreach Program and Budget. (U39M)	Application 12-08-007
And Related Matters.	Application 12-08-008 Application 12-08-009 Application 12-08-010

DECISION REGARDING 2018 ALISO CANYON-RELATED MESSAGING

Summary

This decision determines that no funds should be authorized for marketing, education and outreach activities in the Los Angeles Basin in 2018 for the purpose of reducing the risk of natural gas and electricity curtailments in the Los Angeles area this year. First, no further funding is authorized for Southern California Gas Company to continue to implement the targeted marketing, education, and engagement campaign, "Conserve Energy SoCal," that it developed in 2016 pursuant to Commission authorization and direction in Decision 16-04-039. Second, no further funding is authorized to support paid Flex Alert advertising by the California Independent System Operator that would focus on customers in the Los Angeles area.

1. Procedural Background

The scope of this proceeding encompasses the Flex Alert program and the Commission's statewide marketing education and outreach program (ME&O). These broadly interrelated programs concern the ME&O messages that are directed toward the energy consumers served by the gas and electric utilities regulated by the Commission.

First, the Flex Your Power brand and its associated brand Flex Alert were created during the California energy crisis of 2000 and 2001, inspired by emergency energy shortages necessitating emergency conservation by consumers. Today, the Flex Alert program continues to support emergency efforts for summer preparedness in the event of system emergencies or power shortages.

In Decision (D.) 15-11-033, the Commission approved a proposal by the California Independent System Operator (CAISO) to begin to administer and fund the Flex Alert program in 2016. Up until that point, the program was funded by ratepayers of the regulated electric utilities, and administered by one of those utilities in collaboration with the CAISO. The Commission agreed that as part of the 2016 transfer of responsibilities: (1) the CAISO would not continue the paid media program that had previously been funded by ratepayers of the investor-owned utilities; (2) the CAISO will maintain the Flex Alert brand in order to ensure that the Flex Alert program is an effective tool to maintain grid reliability; and (3) the CAISO shall maintain the ability to revise, modify, expand or discontinue Flex Alert activities as necessary to ensure reliable operation of the electric transmission grid.

Second, in D.13-12-038, the Commission adopted a statewide ME&O plan, "Energy Upgrade California" (EUC), intended primarily to foster increased and more effective energy management by residential and small business customers. In D.16-03-029 and D.16-09-020, the Commission authorized continued implementation of statewide ME&O. Cost responsibility for the total 2017-2019 budgets was allocated to the ratepayers of Southern California Gas Company (SoCalGas), Southern California Edison Company, San Diego Gas & Electric Company, and Pacific Gas & Electric Company (PG&E).

SoCalGas owns and operates the Aliso Canyon gas storage facility (Aliso Canyon). A major gas leak was discovered at Aliso Canyon natural gas storage facility on October 23, 2015. On January 6, 2016, the Governor ordered SoCalGas to maximize withdrawals from Aliso Canyon to reduce the pressure in the facility. Among other actions, the Governor directed this Commission and the California Energy Commission, in coordination with the CAISO, to take all actions necessary to ensure the continued reliability of natural gas and electricity supplies during a moratorium on gas injections into the Aliso Canyon storage facility.

In response to the Governor's declaration and acting within the broad scope of this proceeding, the Commission initially authorized SoCalGas to provide up to $11 million of funding for 2016 ME&O activities in the Los Angeles Basin, for the purpose of reducing the risk of natural gas and electricity curtailments in the Los Angeles area.[1] Of this funding, $5 million was used to support paid Flex Alert advertising by the CAISO, focused on customers in the Los Angeles area. The Commission also authorized SoCalGas to utilize up to an additional $6 million to implement the targeted marketing education, and

[1] D.16-04-039, Ordering Paragraphs 1 and 2.

Engagement (ME&E) campaign it proposed in its March 25, 2016 comments in this proceeding, "Conserve Energy SoCal." In 2017, the Commission authorized SoCalGas to spend an addtional $11 million for the same purposes, to address the same concerns about 2017 curtailments.[2]

On March 5, 2018, the assigned Administrative Law Judge (ALJ) issued a ruling (ALJ Ruling) noting that if the funding for SoCalGas was not re-authorized by the end of March 2018 or shortly thereafter, funding for the Conserve Energy SoCal campaign and Flex Alerts would end. The ruling invited comments from parties in this proceeding regarding whether additional funding should be authorized and, if so, where the Commission should direct the funds. Parties were asked to respond to the following questions:

1. Does the current state of natural gas supply in Southern California, in light of expected storage inventory and pipeline supplies, necessitate further targeted marketing, education, and engagement in 2018 in the affected region? Why or why not?
2. If so, should the Commission continue to direct funds to Conserve Energy SoCal messaging, or should funds be directed to EUC to conduct targeted marketing in Southern California with the goal of reducing natural gas consumption, in addition to what the EUC campaign is already doing?
3. Does the current state of natural gas supply in Southern California, in light of expected storage inventory and pipeline supplies, necessitate continued funding for Flex Alerts in 2018?

[2] D.17-05-004, Ordering Paragraphs 1 and 2.

Opening comments were filed and served on March 16, 2018 by SoCalGas, PG&E, the CAISO, the Commission's Office of Ratepayer Advocates (ORA), The Utility Reform Network (TURN), and the Center for Accessible Technology. ORA filed and served reply comments on March 21, 2018.

2. Positions of the Parties

2.1. Does the current state of natural gas supply in Southern California necessitate further targeted marketing, education, and engagement in 2018 in the affected region?

Parties' comments do not indicate strong support for additional ME&O funding in 2018.

SoCalGas asserts that ME&O funding will not markedly improve energy reliability because SoCalGas "already engages in programs and operations which encourage the efficient use of natural gas, and mitigate potential and actual supply constraints as they arise."[3]

SoCalGas also cites a Commission-ordered evaluation of the 2016 ME&O efforts, asserting that "the results of the evaluation indicated high awareness of energy conservation tactics, but did not indicate any measurable energy savings which resulted from the ME&O campaign."[4]

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[3] SoCalGas Comments at 3. SoCalGas cites its energy efficiency programs, its Emergency Flow Orders and Operational Flow Orders, the noncore curtailment protocol established in D.16-07-008, and demand response programs for residential customers. SoCal Gas also notes that "in accordance with the Aliso Canyon Withdrawal Protocol, SoCalGas coordinates with applicable Balancing Authorities, the CAISO and the Los Angeles Department of Water and Power, to limit and/or reduce demand in constrained areas."

[4] *Id*. at 3-4, generally citing Opinion Dynamics, Aliso Canyon Marketing, Education and Outreach Effectiveness Study, August 2017 (CALMAC Study CPU0171.01). The Commission directed its Energy Division to lead an evaluation of the 2016 Flex Alert messaging and the marketing, education, and engagement campaign in D.16-04-039, Ordering Paragraph 5.

ORA states that without other interventions, reliability will continue to be a concern in the winter 2018-2019 period if Aliso Canyon is not operating at full capacity and limits on injections and withdrawals at the facility continue. In this situation, ORA sees ME&O as a useful tool to address shortages by reducing demand, particularly during peak usage events. ORA recommends that ME&O should continue through winter 2018-2019 unless the Commission determines that Aliso Canyon should resume normal operations.

TURN suggests that funding Conserve Energy SoCal may not be a useful response for 2018-2019. TURN bases its conclusions on the Opinion Dynamics evaluation and the Commission's "Aliso Canyon Demand-Side Resource Impact Report," dated May 2017. The latter document found that 95.6% of the total reduction in peak day gas use in the summer of 2016 was due to summertime gas balancing rules, whereas Conserve Energy SoCal and Flex Alerts contributed 2.5% of the total reduction.[5]

2.2. If so, should the Commission continue to direct funds to Conserve Energy SoCal messaging, or should funds be directed to EUC?

No party supported directing authorized funding to EUC.

SoCalGas and PG&E note that EUC is a statewide initiative that is tied to State goals and messaging (i.e., to help advance California's clean energy goals), and is not designed or intended to provide utility- or region-specific energy management and energy efficiency.

[5] Aliso Canyon Demand-Side Resource Impact Report, May 2017 Update, at 5 and 20-21.

While ORA recommends that the Commission should order SoCalGas to continue funding in 2018 for Conserve Energy SoCal messaging, ORA also notes that "the existence of two marketing campaigns with largely overlapping messaging has the potential to confuse the public and may create redundancies in the use of ME&O funds." Thus, ORA also recommends that the Commission should develop a longer-term strategy for integrating the Conserve Energy SoCal campaign into EUC under a single management structure.[6]

CforAT recommends that if the Commission determines that further targeted marketing, education, and engagement is needed in 2018, any such funding should be directed to the Conserve Energy So Cal program rather than to EUC.[7]

2.3. Does the current state of natural gas supply in Southern California necessitate continued funding for Flex Alerts in 2018?

Parties offered contrasting recommendations regarding continued funding for Flex Alerts in 2018.

The CAISO recommends that the Commission again direct SoCalGas to provide funding to support paid advertisements for the Flex Alert campaign in 2018. The CAISO called Flex Alert events on June 20 and 21, August 29, and September 1, 2017. Paid media advertising supported these Flex Alert calls, which resulted in capacity reductions. The CAISO suggests that the natural gas and electric systems will continue to face reliability challenges in 2018 due to the limited availability of the Aliso Canyon storage facility. The CAISO estimates

[6] ORA Comments at 2-3.

[7] CforAT Comments at 1-2.

that its Flex Alert calls can result in approximately 250-500 MW in capacity savings during hours of critical need. Thus, additional funding for paid Flex Alert advertisements will ensure that the program remains an effective tool to mitigate electric reliability concerns during the summer and beyond.

As noted above, SoCalGas believes that the current natural gas supply challenges do not require additional funding for any marketing or outreach, including Flex Alerts.

TURN sees little value in additional incremental funding for generic statewide Flex Alert messaging. TURN again cites the Opinion Dynamics evaluation report, which "quantified a relatively small impact from Flex Alert messaging" and explained that these numbers were "considerably lower than CAISO-reported demand reductions during Flex Alert event," likely due to the fact that CAISO's estimates of the load reduction benefits of Flex Alerts are based on demand reductions in the entire CAISO service territory, where electric demand reductions may not reduce gas demand by electric generators in the Los Angeles Basin during peak day load conditions.[8]

3. Discussion

We again acknowledge the efforts of parties to prepare thoughtful and well-researched comments in response to the questions posed in the ALJ Ruling. Based on those comments, we conclude that we should not authorize funding in 2018 for additional ME&O activities in the Los Angeles Basin, targeted at reducing the risk of natural gas and electricity curtailments in the Los Angeles area. Therefore, no further funding is authorized for SoCalGas to continue to

[8] TURN Comments at 4-5.

implement Conserve Energy SoCal, and no further funding is authorized to support paid Flex Alert advertising by the CAISO. We base our conclusions on the results of the evaluation of the 2016 impact of these programs, and on SoCalGas' assurances that its existing programs and operations, which encourage the efficient use of natural gas, and mitigate potential and actual supply constraints as they arise, are sufficient.

Finally, although we do not approve funding for 2018, it remains important that SoCalGas continue to actively collaborate with local interests in Southern California and respond to their concerns. In D.16-04-039 we directed SoCalGas to establish an advisory group to act as a partner with the utility during its 2016 and 2017 ME&O campaigns. The membership of the advisory group includes representatives of the CAISO, the Los Angeles Department of Water and Power, other investor-owned, publicly-owned, and municipal utilities in Southern California, and representatives of cities in the region who wished to participate. In today's decision, we direct SoCalGas to continue to convene regular meetings of this advisory group to ensure that its members continue to have a voice as SoCalGas responds to the current state of natural gas supply in Southern California. SoCalGas shall summarize the results of each meeting in a report to the Commission's Energy Division.

4. Comments on Proposed Decision

The proposed decision of Administrative Law Judge (ALJ) Roscow 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 ___________________.

5. Assignment of Proceeding

Carla J. Peterman is the assigned Commissioner and Stephen C. Roscow is the assigned ALJ in this proceeding.

Findings of Fact

1. SoCalGas owns and operates the Aliso Canyon gas storage facility. A massive gas leak was discovered at the facility on October 23, 2015. On February 18, 2016, California state officials announced that the leak was permanently sealed.

2. The Flex Alert program supports the State's and the CAISO's emergency efforts for summer preparedness in the event of system emergencies or power shortages.

3. The CAISO began to administer the Flex Alert program in 2016. The CAISO maintains the ability to revise, modify, expand or discontinue Flex Alert activities as necessary to ensure reliable operation of the transmission grid. The CAISO-administered Flex Alert program does not include paid media, but the CAISO continues its earned media Flex Alert activities, such as issuing notifications via the CAISO website and its smart phone application, news releases, and social media.

4. In D.13-12-038, the Commission adopted a statewide ME&O plan, intended primarily to foster increased and more effective energy management by residential and small business customers.

5. The Commission has already established the 2017-2019 budgets for each utility with respect to statewide ME&O, designated how that funding should be used, and allocated the costs to ratepayers of each utility.

6. In the summer of 2016, 95.6% of the total reduction in peak day gas use was due to summertime gas balancing rules, whereas Conserve Energy SoCal and Flex Alerts contributed 2.5% of the total reduction.

7. It remains important that SoCalGas continue to actively collaborate with local interests in Southern California and respond to their concerns.

Conclusions of Law

1. The Commission should not authorize funding in 2018 for additional ME&O activities in the Los Angeles Basin, targeted at reducing the risk of natural gas and electricity curtailments in the Los Angeles area.

2. SoCalGas should continue to convene regular meetings of the advisory group established in D.16-04-039.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company (SoCalGas) shall continue to convene regular meetings of the advisory group established in Decision 16-04-039, to ensure that its members continue to have a voice as SoCalGas responds to the current state of natural gas supply in Southern California. SoCalGas shall summarize the results of each meeting in a report to the Commission's Energy Division.

2. No funding is authorized for marketing, education and outreach activities targeted at reducing the risk of natural gas or electricity curtailments in the Los Angeles area.

3. Application (A.) 12-08-007, A.12-08-008, A.12-08-009, and A.12-08-010 remain open

This order is effective today.

Dated ____________________________, at San Francisco, California.