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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
Southern California Gas Company
(U904G) Regarding Year 25 (2018-2019)
of Its Gas Cost Incentive Mechanism.

Application 19-06-009

ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING

This scoping memo and ruling sets forth the category, issues to be addressed, and schedule of the proceeding pursuant to Public Utilities Code Section 1701.1 and Article 7 of the Commission's Rules of Practice and Procedure.

1. Regulatory Background

The California Public Utilities Commission (Commission) uses the annual Gas Cost Incentive Mechanism (GCIM) as the primary tool for ensuring that the costs that Southern California Gas Company (SoCalGas) incurs to purchase and transport gas for its retail core customers are reasonable. SoCalGas' tariff describes the GCIM as follows:

The [GCIM] replaces the Reasonableness Review as a means of reviewing the Utility Gas Procurement Department's... natural gas purchasing activities for retail core (core) customers. The purpose of the GCIM is to provide market-based incentives to reduce the cost of gas to core customers and to provide appropriate objective standards against which to measure the Utility Gas Procurement Department's performance in gas procurement and transportation functions on behalf of core customers.

On an annual basis, the GCIM provides the Utility Gas Procurement Department with an incentive to achieve a cost of gas that is at or below the prevailing market price for gas, by establishing an annual benchmark budget. The actual gas costs incurred to meet the needs of core customers are measured against the annual benchmark budget. If the actual total gas cost is less than the annual benchmark budget, the cost savings is shared between ratepayers and shareholders based on a tiered formula... subject to a cap on shareholders' benefit (see Section C.9). If the actual total gas cost is greater than the annual benchmark budget plus a specified tolerance, the excess cost penalty is split equally between shareholders and ratepayers. See Section C.9 for the detailed methodology used to calculate these components.¹

SoCalGas is required to submit a GCIM annual report to the Commission in June for the previous April 1 to March 31 period. The GCIM annual report must: (i) address the SoCalGas Utility Gas Procurement Department's operations; (ii) provide a calculation of the variance between actual gas costs and the benchmark; (iii) identify the GCIM shareholder award or penalty; and (iv) describe any deviation from GCIM gas storage targets.²

The Public Advocates Office of the California Public Utilities Commission (Cal Advocates)³ is required to conduct an annual audit and issue a monitoring and evaluation report by October 15 of each year.⁴

2. Procedural Background

SoCalGas filed Application (A.) 19-06-009 on June 14, 2019. Notice of A.19-06-009 appeared in the Commission's Daily Calendar on June 18, 2019. In

¹ SoCalGas Tariff Preliminary Statement, Part VIII, Section A.

² SoCalGas Tariff Preliminary Statement, Part VIII, Sections D, and E.3.

³ The Office of Ratepayer Advocates was renamed the Public Advocates Office in 2018.

⁴ SoCalGas Tariff Preliminary Statement, Part VIII, Section D.

A.19-06-009, SoCalGas requests a shareholder award of \$16,798,695 for GCIM Year 25, which covers the 12-month period ending on March 31, 2019. SoCalGas' Annual Report for GCIM Year 25 is attached to A.19-06-009.⁵

Shell Energy North America (US), L.P. (Shell Energy) filed a protest on July 17, 2019. Cal Advocates filed a response on July 18, 2019. SoCalGas filed a reply to Shell Energy's protest and Cal Advocates' response on July 29, 2019. A prehearing conference (PHC) was held on August 14, 2019, to determine the parties, discuss the scope and schedule of the proceeding, and address other matters.

3. Issues

Based on SoCalGas' application, Cal Advocates' response, Shell Energy's protest, SoCalGas' reply and discussion at the PHC, the following issues are within the scope of this proceeding:

1. Whether to approve SoCalGas' requested shareholder award of \$16,798,695 for GCIM Year 25.
2. Whether SoCalGas has calculated its requested shareholder award of \$16,798,695 in accordance with applicable Commission decisions and SoCalGas' GCIM tariff.
3. Issues and recommendations that may be raised by Cal Advocates in its forthcoming Monitoring and Evaluation Report for GCIM Year 25.

Shell Energy proposes that the scope of this proceeding should include a broad evaluation of the GCIM and consideration of whether there is a continuing need for the GCIM.⁶ Shell Energy made a similar request with regards to the

⁵ SoCalGas Application at 1 to 2.

⁶ Shell Energy Protest at 1; PHC Transcript at 6 to 14.

scope of the A.18-06-009 (GCIM Year 24) and the Commission considered the issue within that proceeding. However, due to an absence of record that supported evaluation of the GCIM, the Commission declined to authorize an evaluation of the GCIM.⁷

The pleadings in this docket do not allege any new facts or evidence beyond that deemed insufficient to authorize evaluation of the GCIM in A.18-06-009. Furthermore, I do not believe that this is the proper proceeding to consider the issue raised by Shell Energy. As discussed at the PHC, the issue is more properly considered in the ongoing Triennial Cost Allocation Proceeding for SoCalGas and San Diego Gas & Electric (A.18-07-024), or via another procedural vehicle.⁸ Therefore, the scope of this proceeding will not include a broad evaluation of the GCIM.

Rule 2.1(c) of the Commission's Rules of Practice and Procedures requires an application to identify any relevant safety considerations associated with the authority or relief requested in the application. SoCalGas does not identify any safety issues in A.19-06-009.⁹ Therefore, consistent with SoCalGas' application, this Scoping Memo finds that there are no safety issues that need to be considered in this proceeding, unless Cal Advocates raises safety issues in its Monitoring and Evaluation Report for Year 25.

4. Need for Evidentiary Hearing

The Commission preliminarily determined in Resolution ALJ 176-3440, dated June 27, 2019, that hearings are needed in this proceeding. I confirm that

⁷ Decision (D.) 19-03-014 at 10.

⁸ PHC Transcript at 22-26.

⁹ SoCalGas Application at 14.

hearings may be needed. Following the submittal of Cal Advocates’ report, parties will have an opportunity to file motions for evidentiary hearings as set forth in Section 5 of this Scoping Memo. The assigned Administrative Law Judge (ALJ) will rule on any such motions and set hearings, if appropriate.

5. Schedule

The following schedule is adopted here and may be modified by the ALJ as required to promote the efficient and fair resolution of A.19-06-009:

EVENT	DATE
Cal Advocates files and serves its Monitoring & Evaluation Report.	October 15, 2019
Comments on Cal Advocates’ Report filed and served.	October 30, 2019
Reply Comments on Cal Advocates’ Report filed and served.	November 10, 2019
Deadline to file and serve motions for evidentiary hearings. Such motions shall address the matters listed below this schedule.	November 18, 2019
Deadline to file and serve responses to motions for evidentiary hearings.	November 25, 2019
Proposed Decision Mailed (if no hearings).	December 2019
Hearings (if needed), Briefs, Requests for Final Oral Argument, and Proposed Decision Mailed (if hearings are held).	To be determined
Submission Date (if hearings are held)	To be determined

Motions for evidentiary hearings of the above schedule, if any, shall include the following:

1. A list and description of all material issues of fact for which a hearing is requested.
2. An explanation of why a hearing should be held in addition to the submittal of verified written comments and reply comments in the proceeding schedule.

3. A general description of the evidence that the moving party intends to offer at the hearing.
4. A schedule for all hearing-related events, including service of written testimony (in addition to verified written comments and reply comments), the number of days and dates for evidentiary hearings, and opening and closing briefs.

The proceeding will stand submitted upon the filing of reply briefs, if evidentiary hearings are held, unless the ALJ requires further evidence or argument. Based on this schedule, the proceeding will be resolved within 18 months as required by Public Utilities (Pub. Util.) Code Section (§) 1701.5.

6. Category of Proceeding/Ex Parte Restrictions

This ruling confirms the Commission's preliminary determination that this is a ratesetting proceeding. (Resolution ALJ 176-3440.) Accordingly, *ex parte* communications are restricted and must be reported pursuant to Article 8 of the Commission's Rules of Practice and Procedure.

7. Oral Argument

Unless comment is waived pursuant to Rule 14.6(c)(2) for granting the uncontested relief requested, motion for oral argument shall be by no later than the time for filing opening comments on the proposed decision.

8. Public Outreach

Pursuant to Pub. Util. Code § 1711(a), I hereby report that the Commission sought the participation of those likely to be affected by this matter by noticing it in the Commission's monthly newsletter that is served on communities and businesses that subscribe to it and posted on the Commission's website.

9. Intervenor Compensation

Pursuant to Pub. Util. Code § 1804(a)(1), a customer who intends to seek an award of compensation must file and serve a notice of intent to claim compensation by September 13, 2019, 30 days after the prehearing conference.

10. Public Advisor

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or has questions about the electronic filing procedures is encouraged to obtain more information at <http://consumers.cpuc.ca.gov/pao/> or contact the Commission's Public Advisor at 866-849-8390 or 415-703-2074 or 866-836-7825 (TYY), or send an e-mail to public.advisor@cpuc.ca.gov.

11. Service of Documents on Commissioners and Their Personal Advisors

Rule 1.10 requires only electronic service on any person on the official service list, other than the ALJ.

When serving documents on Commissioners or their personal advisors, whether or not they are on the official service list, parties must only provide electronic service. Parties must NOT send hard copies of documents to Commissioners or their personal advisors unless specifically instructed to do so.

12. Assignment of Proceeding

Genevieve Shiroma is the assigned Commissioner and Marcelo Poirier is the assigned ALJ and Presiding Officer for the proceeding.

IT IS RULED that:

1. The scope of this proceeding is described above.
2. The schedule of this proceeding is as set forth above.
3. Evidentiary hearings may be needed.
4. The Presiding Officer is Administrative Law Judge (ALJ) Marcelo Poirier.

5. The category of the proceeding is ratesetting.
6. Parties shall provide assigned ALJ paper copies of documents filed and served in this proceeding.

Dated September 10, 2019, at San Francisco, California.

/s/ GENEVIEVE SHIROMA
Genevieve Shiroma
Assigned Commissioner