ALJ/SCR/ar9 **PROPOSED DECISION** Agenda ID #14792 (Rev. 1)
Ratesetting
Item 35 – 4/21/2016

Decision PROPOSED DECISION OF ALJ ROSCOW (Mailed 4/8/2016)

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 (Filed August 2, 2012)
And Related Matters.	Application 12-08-008 Application 12-08-009 Application 12-08-010

DECISION AUTHORIZING SOUTHERN CALIFORNIA GAS COMPANY TO PROVIDE UP TO $11 MILLION FOR ALISO CANYON-RELATED MESSAGING

Table of Contents

DECISION AUTHORIZING SOUTHERN CALIFORNIA GAS COMPANY TO PROVIDE UP TO $11 MILLION FOR ALISO CANYON-RELATED MESSAGING

Summary

This Decision authorizes Southern California Gas Company (SoCalGas) to provide up to $11 million of funding for marketing, education and outreach activities in the Los Angeles Basin in 2016, for the purpose of reducing the risk of natural gas and ~~electicity~~electricity curtailments in the Los Angeles area this year. Of this funding, $5 million shall be used to support paid Flex Alert advertising by the California Independent System Operator, focused on customers in the Los Angeles area. SoCalGas is authorized to utilize up to an additional $6 million to implement the targeted marketing, education, and engagement campaign it proposed in its March 25, 2016 comments in this proceeding. We take this action due to the ongoing effects of the recent natural gas leak at SoCalGas' Aliso Canyon storage facility.

SoCalGas shall establish a memorandum account, effective immediately, to track all costs associated with the Flex Alert, marketing, education, and engagement activities approved in this Decision. The Commission shall determine at a later time whether the balance in the memorandum account should be incorporated into the rates of SoCalGas customers.

This decision also provides direction to SoCalGas and Commission staff regarding oversight and evaluation of the implementation of SoCalGas' proposed campaign.

1. The Natural Gas Leak at the Aliso Canyon Storage Facility

Southern California Gas Company (SoCalGas) owns and operates the Aliso Canyon gas storage facility. On October 23, 2015, a massive gas leak was discovered at one of the gas wells in Aliso Canyon, which caused Governor Brown to declare a state of emergency on January 6, 2016. On February 18, 2016, California state officials announced that the gas leak was permanently sealed.

Aliso Canyon is an integral part of the SoCalGas system. It is essential for meeting customer demand in the Los Angeles Basin and ensuring a reliable supply of natural gas for space heating, hot water, cooking and other essential uses. Furthermore, on hot summer days when electric demand increases due to cooling needs that are met by electric air conditioning, Aliso Canyon storage is the only source of gas supply for gas-fired electric generators in the Los Angeles Basin. Due to the gas well leak, natural gas has not been injected into Aliso Canyon since October 25, 2015, and injections will remain suspended until a comprehensive safety review of all gas wells in Aliso Canyon is completed by independent experts. As of today's decision, it is uncertain if or when Aliso Canyon will resume normal operations. For these reasons, 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.

In his declaration of a state of emergency, the Governor directed this Commission and the California Energy Commission, in coordination with the California Independent System Operator (CAISO), to take all actions necessary to ensure the continued reliability of natural gas and electricity supplies in the coming months during the moratorium on gas injections into the Aliso Canyon storage facility. One important action is increased customer conservation of both gas and electricity, which could make a significant contribution to ensuring reliability. Two programs within the Commission's jurisdiction, the Flex Alert program and state-level and utility-administered marketing, education and outreach (ME&O) programs, may be well-positioned to encourage increased conservation efforts in the Los Angeles area this year.

2. Procedural Background

The scope of this proceeding encompasses the Flex Alert program and the Commission's Statewide ME&O program. 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 was 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 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, intended primarily to foster increased and more effective energy management by residential and small business customers. In D.15-08-033, the Commission subsequently authorized 2016 bridge funding to enable the Center for Sustainable Energy to continue to implement the program that was authorized in D.13-12-038. Cost responsibility for the total 2016 budget, approximately $23 million, was allocated to the ratepayers of SoCalGas, Southern California Edison Company, San Diego Gas & Electric Company, and Pacific Gas and Electric Company.

3. Implications of the Aliso Canyon Natural Gas Leak for this Proceeding

As noted above, the Commission recently determined that ratepayer funds would not be used to pay for Flex Alert messaging in 2016.[1] The Commission has also already established the 2016 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.[2] Thus, additional funds for Flex Alert and other ME&O cannot be dedicated to Aliso Canyon-related messaging without further Commission action.

In light of the Governor's emergency declaration, the assigned Commissioner in this proceeding determined that the Commission should consider whether or not to authorize SoCalGas to provide additional funds to encourage conservation in response to anticipated supply shortages during the

[1] For 2012-2015, the Commission approved annual Flex Alert budgets of $10 million. These budgets included funding for paid media. In approving this amount, the Commission considered possible supply shortages and reliability issues due to the outages and subsequent shutdown of the San Onofre Nuclear Generating Station. S*ee*, D.12-04-045, D.13-04-021 and D.14-12-026.

[2] For SoCalGas in 2016, D.13-12-038 authorized a total revenue requirement of $2,002,035 for energy efficiency-related statewide ME&O. *See,* D.13-12-038, Ordering Paragraph 10.

Aliso Canyon injection moratorium. On March 15, 2016 the assigned Commissioner issued a ruling asking parties to respond to the following questions:

1. Should the Commission direct SoCalGas to provide new funding for 2016 marketing, education and outreach to encourage customer response to anticipated supply shortages during the Aliso Canyon injection moratorium?
2. If new funding is provided, is $15 million an appropriate amount? Why or why not?
3. If new funding is provided, should a portion be provided to the CAISO to fund paid Flex Alert messaging in southern California? Should an additional portion be used for outreach in southern California that is focused on gas savings and/or as part of coordinated campaigns with electric utilities (including publicly owned utilities) and community-based organizations to encourage conservation of electricity?
4. If new funding is provided, should SoCalGas be authorized to establish a memorandum account to track the funds that SoCalGas provides, or should the funding be accounted for in another manner? By what means should the Commission determine whether, and to what extent, funding tracked by a memorandum account or other means is reasonable and should subsequently be included in the rates paid by SoCalGas customers?

Comments were filed and served on March 25, 2016 by SoCalGas, the CAISO, the Office of Ratepayer Advocates (ORA), The Utilitiy Reform Network (TURN), the Center for Accessible Technology (CforAT) and the Greenlining Institute (Greenlining) (jointly), and the City of Long Beach Gas & Oil Department (Long Beach).[3]

[3] Long Beach filed a Motion seeking Party Status contemporaneously with its Comments. The assigned Administrative Law Judge (ALJ) granted that motion on April 4, 2016.

4. Positions of the Parties

4.1. Should the Commission direct SoCalGas to provide new funding for 2016 marketing, education and outreach to encourage customer response to anticipated supply shortages during the Aliso Canyon injection moratorium?

All responding parties stated that the Commission should direct SoCalGas to provide new funding for 2016 marketing, education and outreach to encourage customer response to anticipated supply shortages during the Aliso Canyon injection moratorium. SoCalGas specified that new funding should be provided by ratepayers, while ORA, TURN, CforAT/Greenlining and Long Beach specified that SoCalGas shareholders should be the source of new funding.

With respect to the merits of providing new funding at all, parties made similar observations that referenced the past record in this proceeding regarding the relative effectiveness of "paid" and "earned" media when used for marketing, education and outreach.[4] That record is not definitive on this question, and this lack of certainty is reflected in parties' recommendations.

SoCalGas recommends that it be designated by the Commission to "administer and lead a consortium of local investor-owned, publicly-owned, and municipal utilities to implement a targeted marketing, education, and engagement campaign leveraging its existing digital and social media channels"

[4] "Earned media" refers to publicity gained through promotional efforts other than advertising, as opposed to "paid media", which refers to publicity gained through paid advertising. *See*, Research Into Action, "Final Report: Process Evaluation of the 2013 Statewide Flex Alert Program", May 2, 2014. (http://www.calmac.org/publications/SCE_Flex_Alert_Final_Report_050214ES.pdf)

and provides a summary of its proposed efforts.[5] SoCalGas provides the main elements of its proposal in the "Executive Summary" of its comments:[6]

- SoCalGas will lead, administer, and implement an innovative and robust campaign that will focus on results and use SoCalGas' existing cost-effective digital and social channels in order to engage with energy consumers.
- SoCalGas will work collaboratively with the CAISO to leverage the brand equity of Flex Alert into its proposed campaign and will coordinate on messaging.
- SoCalGas will lead a transparent stakeholder process with equal-input opportunities through regularly coordinated meetings and will provide feedback on performance metrics through a publicly available dashboard.
- SoCalGas will collaborate with local investor-owned, publicly-owned, and municipal utility partners to coordinate messaging and strengthen brand recognition to engage customers.
- SoCalGas will implement targeted energy efficiency approaches designed to maximize its customer's involvement through rapidly-deployed and cost-effective energy efficiency projects.
- SoCalGas will establish and manage a ratepayer-funded, memorandum account allowing for a flexible process that can address the market responses associated with the campaign.

The CAISO requests that the Commission direct SoCalGas to work with the CAISO to support Flex Alert messaging directed at southern California electricity customers to decrease their electric demands when the CAISO calls a Flex Alert: "specifically, SoCalGas should directly fund and administer any paid advertising components, while the CAISO will trigger Flex Alert events and coordinate earned media during Flex Alert events."[7]

[5] SoCalGas Comments at 4 and 6-12.

[6] *Id*. at 3. SoCalGas presents further details of its proposal in the body of its comments, and in Attachment A to those comments.

[7] CAISO Comments at 1-2.

ORA states that targeted marketing and outreach of energy conservation and efficiency measures in the affected communities is a reasonable and potentially cost-effective response to the risk of gas shortages.[8]

TURN is generally supportive of new funding and recommends that the Commission direct SoCalGas to undertake targeted ME&O activities that encourage customers in the region affected by the Aliso Canyon injection moratorium, to undertake energy conservation and efficiency actions. TURN proposes that direct outreach to customers to encourage greater energy use management and reductions are the best solutions to address this challenge. TURN also recommends that the Commission direct SoCalGas to begin designing additional ME&O efforts for the affected communities as soon as possible.

CforAT/Greenlining note the uncertainty in this proceeding regarding whether ratepayer-funded paid media had been cost-effective.[9] That said, CforAT/Greenlining draw a distinction between "cost-effectiveness" and "general effectiveness," and suggest that in light of the potential for a natural gas shortfall that may affect generation capability and thus risk overall system reliability, "action that has some level of effectiveness in reducing demand may be appropriate, even without a clear determination of cost-effectiveness."[10] Thus, CforAT/Greenlining state that additional paid media in support of the Flex Alert program in southern California is appropriate, but also note that "beyond funding paid media for Flex Alert the best usage of ME&O in this [situation] may be to support activities as may be ordered in other dockets" where the Commission is also considering actions to address Aliso Canyon-related matters.[11]

8 ORA Comments at 4.
9 CforAT/Greenlining Comments at 2.
10 *Ibid.*
11 *Id*. at 4.

Long Beach states that SoCalGas should be required to mitigate any effects of the Aliso Canyon injection moratorium on customers, and suggests that ME&O efforts "serve as a low cost, high reward method of achieving such mitigation."[12]

4.2. If new funding is provided, is $15 million an appropriate amount? Why or why not?

Parties were less unified regarding whether $15 million is an appropriate amount of new spending.

SoCalGas states that the budget should be determined by the proposed use of funds. SoCalGas believes that a budget of $5-$6 million is sufficient to lead and implement an effective campaign in the SoCalGas service territory, if the campaign is along the lines of its own proposal. SoCalGas notes that a campaign that relies on marketing and communications heavily weighted toward traditional media may indeed require a $15 million budget to to buy television time, radio spots, billboards, and other traditional media in the expensive southern California media market, and "respectfully submits that a bias toward the expensive media channels utilized in prior campaigns would be an imprudent expenditure of ratepayer funds and will not lead to conservation actions at the scale needed to bolster southern California's energy reliability."[13]

The CAISO does not take a position on what the appropriate level of funding should be, suggesting that the Commission and SoCalGas are in the best position to develop an appropriate budget based on the structure of the media campaign and the impact to ratepayers.

[12] Long Beach Comments at 3.
[13] SoCalGas Comments at 12.

ORA states that it does not have specific knowledge to evaluate whether $15 million is an appropriate amount of funding for Aliso Canyon-related ME&O activities.

TURN states that, because SoCalGas' portion of statewide ME&O program costs for 2016 totaled approximately $2 million, and the most recent Commission-approved statewide Flex Alert budgets that included funding for paid media totaled $10 million, "$15 million appears to be an excessive amount to spend on targeted activities exclusively in the Los Angeles Basin." Nevertheless, because it has not had the opportunity to fully research the appropriate funding levels TURN "defers to other parties with more expertise to evaluate the reasonableness of the proposed funding level."[14]

CforAT/Greenlining note that because the Aliso Canyon leak may impact reliability for southern California, but is not expected to affect Northern California, paid media is only needed in part of the state. Because southern California Edison's share of the 2015 Commission-authorized annual budget for Flex Alert was $6 million, CforAT/Greenlining recommend a paid media budget for Flex Alert of no more than $5 million, to be targeted to those areas in southern California where generation capacity is likely to be impacted.

Long Beach states that it has no specific expertise to offer as to whether the proposed $15 million is the appropriate amount to successfully achieve the kind of mitigation results the Commission envisions, but stresses that the final funding amount should "allow sufficient ME&O to significantly drive conservation by customers, especially during the months of highest strain on the system."[15]

[14] TURN Comments at 2.
[15] Long Beach Comments at 4.

4.3. If new funding is provided, should a portion be provided to the CAISO to fund paid Flex Alert messaging in southern California? Should an additional portion be used for outreach in southern California that is focused on gas savings and/or as part of coordinated campaigns with electric-utilities (including publicly-owned utilities) and community-based organizations to encourage conservation of electricity?

SoCalGas, under the approach that it proposes in its Comments, envisions that CAISO's Flex Alerts "would be aided by contemporaneous digital messaging throughout SoCalGas' campaign." Regarding the provision of funds to the CAISO, SoCalGas states "after conferring with CAISO in preparation of [this response], it is SoCalGas' understanding that <u>no incremental funding is necessary</u> to enable the collaborative process suggested by SoCalGas resulting in the incorporation of the targeted use of Flex Alert into the SoCalGas campaign."[16]

This statement may be inconsistent with the position taken by the CAISO, which recommends that "SoCalGas should be directly responsible for administering and funding the paid component of the Flex Alert, <u>to the extent paid media is effective and efficient</u>. The construct should be similar to how Southern California Edison Company previously administered and funded the paid media component of the Flex Alert campaign."[17] In any case, the CAISO stresses that any additional funding should not be provided directly to the CAISO, because direct funding from SoCalGas to the CAISO could potentially have negative implications for the CAISO's tariff compliance and non-profit tax status.

[16] SoCalGas Comments at 15, emphasis added.
[17] CAISO Comments at 2, emphasis added.

ORA notes that the record in this proceeding neither affirms nor refutes the effectiveness of the Flex Alert program, because the Commission has found that past evaluation studies suggest that the impacts of the Flex Alert program are challenging to isolate and measure. Thus, ORA suggests that even though "messages that target reductions in peak electricity demand are likely to be an important component of a strategy to minimize the risk of outages," it is not immediately clear what the best channels are for reaching electric customers in the Aliso Canyon region or whether directing funding to other utilities and community-based organizations is likely to be more effective than central administration. ORA asserts that the lack of evaluation findings and the CAISO's preference for unpaid media activities call into question whether paid Flex Alert media activities are likely to be an effective use of funds. ORA suggests that "as an alternative, the Commission could consider individualized, targeted peak savings messaging programs that can produce substantial verifiable peak demand reductions."[18]

TURN, like ORA, notes that past evaluations of the Flex Alert program have not demonstrated clear results, and recommends that the Commission should also consider other alternatives. Like ORA, TURN recommends that the Commission consider individualized and targeted peak savings messaging programs, including behavioral demand response programs. TURN cites a number of recent evaluations of such programs, and urges the Commission to be "cognizant of evaluated energy savings generated by the various mass media and direct marketing programs and [to] use EM&V [evaluation, measurement and verification] results to determine which programs are likely to be most effective at addressing the potential Aliso Canyon reliability problems."[19]

[18] ORA Comments at 4-5.
[19] TURN Comments at 3-4.

As noted above, CforAT/Greenlining recommend a paid media budget for the CAISO's Flex Alert program of no more than $5 million in 2016.

Long Beach would welcome coordinated campaigns in southern California to encourage conservation of electricity among customers, including Long Beach's own customers, especially during the months of highest strain on the overall system.

4.4. If new funding is provided, should SoCalGas be authorized to establish a memorandum account to track the funds that SoCalGas provides, or should the funding be accounted for in another manner? By what means should the Commission determine whether, and to what extent, funding tracked by a memorandum account or other means is reasonable and should subsequently be included in the rates paid by SoCalGas customers?

SoCalGas states that the Commission should authorize SoCalGas to establish a memorandum account to track and subsequently recover all costs associated with its proposed conservation campaign. SoCalGas also requests that the Commission "include an express statement establishing the review criteria to be used to deem campaign expenses reasonable," and, should the Commission authorize SoCalGas to pursue its proposal, "recommends that the Commission direct that any expenses incurred for the campaign will be found to be reasonable if they are implemented in accordance with the transparent processes" described in that proposal.[20]

With respect to ratemaking treatment of additional expenditures, SoCalGas proposes to recover the actual costs incurred and recorded in the memorandum account through its Public Purpose Program (PPP) Surcharge rate: "inclusion of

[20] SoCalGas Comments at 16.

actual ME&O costs in the annual PPP Surcharge Rate Update filing allows the Commission the opportunity to review costs incurred for reasonableness."[21] SoCalGas also proposes to use the same cost recovery mechanism authorized for the Statewide Energy Efficiency ME&O activities in D.13-12-038. Costs authorized for recovery would be subject to the energy efficiency/Demand Side Management Direct Benefits cost allocation methodology.

ORA states that the Commission should not authorize SoCalGas to establish a memorandum account. Instead, the Commission should order SoCalGas to track its expenditures in the same manner as all other Aliso Canyon emergency response expenditures to date. ORA asserts that SoCalGas shareholders should bear full responsibility for funding activities that the Commission finds prudent for dealing with threats to system safety and reliability resulting from the Aliso Canyon gas leak. Therefore no memorandum account need be established, and instead the Commission should require SoCalGas to file a declaration or other affirmation showing that SoCalGas expended shareholder funds to pay for any Aliso Canyon-related ME&O ordered in this proceeding.

TURN recommends that the Commission require SoCalGas shareholders to bear the costs of any additional ME&O activities deemed necessary to mitigate reliability risks until the Commission considers more broadly the extent to which recovery from ratepayers of any Aliso Canyon-related costs is reasonable. If the Commission declines to implement this approach, then at a minimum, the Commission should order SoCalGas to properly account for and keep track of any costs so that the Commission may consider in the future whether, and to

[21] *Id.* at 17.

what extent, the expenses incurred by the utility for additional ME&O efforts in response to Aliso Canyon should be disallowed.

CforAT and Greenlining agree that there should be a mechanism to track the amount that SoCalGas will spend to ensure that the necessary Flex Alert and other ME&O activities are implemented. However, CforAT/Greenlining specify that ratepayers should not be charged for this effort. Instead, any such funding should come from SoCalGas shareholders:

> To the extent that SoCalGas has failed to operate the Aliso Canyon facility in a safe manner, leading to the natural gas leak that is causing reliability concerns (as well as environmental concerns and health and safety concerns for consumers), it is not appropriate to ask ratepayers to provide additional funding to respond to the problems that result.[22]

CforAT/Greenlining also recommend that the Commission order SoCalGas to escrow to the Commission $10 million for future use as ME&O for measures that may be ordered in other dockets, so that funding is available promptly to support activity that may be ordered in those dockets.[23]

Long Beach states that if the Commission ultimately finds SoCalGas at fault for the Aliso Canyon leak, ratepayers should not bear any associated costs; thus, a memorandum account would appropriately allow SoCalGas to track its costs to ensure that shareholders, not ratepayers, would ultimately assume these costs if the company is determined to be at fault for the Aliso Canyon gas leak.

5. Discussion

We appreciate the effort undertaken by parties to prepare and submit extensive and thoughtful comments, on short notice, in response to the March 15 Assigned Commissioner's Ruling (ACR). These comments, as well as parties'

[22] CforAT Comments at 6.
[23] *Id.* at 5.

opening and reply comments on the Proposed Decision of the assigned ALJ, provide the record foundation for our determinations in this decision.

Due to the ongoing uncertainties regarding the impact of the Aliso Canyon well leak and subsequent injection curtailment on summertime gas supply and the effect of that curtailment on electricity supply and reliability in the Los Angeles Basin, we determine that SoCalGas should be authorized to provide up to $11 million in funding for customer awareness activities in southern California for the remainder of 2016. Of the $11 million total, $5 million shall be used to support paid Flex Alert advertising by the CAISO. SoCalGas is authorized to use up to an additional $6 million to implement the program described in its March 25, 2016 response to the ACR. We provide for regular reporting by SoCalGas regarding its implementation of this Decision, and we direct SoCalGas to establish an advisory group that shall act as a partner with the utility throughout its implementation efforts. We explain our determinations below.

First, with respect to providing $5 million for paid Flex Alert advertising, we acknowledge parties' comments regarding the uncertainty around whether paid media intended to encourage conservation has been cost-effective in the past. However, as ORA and CforAT/Greenlining noted in comments, that uncertainty is in part due to the difficulty of evaluating such efforts, because few Flex Alerts have been called by the CAISO in recent years. Here, we agree with CforAT/Greenlining that the unique nature of the challenge facing the Los Angeles Basin this summer argues for drawing a distinction between "cost-effectiveness" and "general effectiveness," and action that has some level of effectiveness in reducing demand may be appropriate, even without a clear, before-the-fact, determination of cost-effectiveness.

Therefore, we conclude that it is prudent to approve the CAISO's request that the Commission authorize SoCalGas to administer and fund a paid component of Flex Alert messaging, to be directed at ~~southern~~Southern California electricity customers to encourage them to decrease their electric demands when the CAISO calls a Flex Alert. As we determined in D.15-11-033, our decision adopting the CAISO Flex Alert Transfer Proposal, the CASIO should continue to be responsible for triggering Flex Alert events and coordinating earned media during Flex Alert events. SoCalGas shall be directly responsible for administering and funding the paid component of the Flex Alert messaging~~.~~, at the level of $5 million in 2016. To accomplish this, we adopt a ratemaking construct similar to how Southern California Edison Company previously administered and funded the paid media component of the Flex Alert campaign, albeit in conformity with the overall ratemaking treatment we describe and adopt below. As discussed further below, we also provide funds for a subsequent evaluation of the 2016 Flex Alert messaging.

Second, with respect to authorizing SoCalGas to spend up to $6 million to implement the targeted marketing, education, and engagement campaign described in its comments, we find that it is prudent to approve this proposal. The scope of this proceeding, of course, is statewide ME&O, not local or regional ME&O. However, due to the inevitable overlap and interactions between statewide, regional and local efforts (both programmatically and thematically) we conclude that our authorization for SoCalGas to undertake this activity, and to take the lead in doing so, is appropriate. However, due to the necessarily expedited process we are following to ensure that additional paid Flex ~~Alerts are~~ Alert messaging is funded and that SoCalGas may ~~implement its proposed efforts~~effectively implement its proposal, we establish a reporting process and an advisory group structure to further enhance the collaboration and transparency that are already central features of SoCalGas' proposal.

First, we direct SoCalGas to consult and coordinate with the Commission's Energy Division throughout the implementation process. This is a necessary first step with respect to our own obligation to ensure that the entity over which we hold regulatory authority, SoCalGas, continues to work collaboratively with partners such as the CAISO and the numerous public and private stakeholders in Southern California.

Second, we direct SoCalGas to submit monthly progress reports to the Commission's Energy Division in order to provide publically available documentation of its efforts to implement our decision today. SoCalGas shall submit the first report 15 days following the effective date of this Decision, and shall submit subsequent monthly reports beginning on June 1, 2016. SoCalGas shall consult with Energy Division staff regarding the format and content of these reports. The initial report submitted by SoCalGas shall include a detailed budget that maps the $6 million in funding authorized in this decision to the activities included in the proposal that SoCalGas provided in its March 25, 2016 response to the ACR.

Third, we clarify our expectations for SoCalGas' role within the collaborative stakeholder process that it outlined in its March 25 proposal. Our concern here is that while we recognize that SoCalGas will be implementing a proposal of its own design, the details of that proposal are somewhat limited at this time and the entities that have a stake in the success of that proposal are numerous and diverse. For this reason, we direct SoCalGas to establish an advisory group that shall act as a partner with the utility throughout its implementation efforts. The membership of the advisory group shall include 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 wish to participate. SoCalGas shall convene regular meetings of this advisory group and, to the extent practicable, SoCalGas shall implement the recommendations made at these meetings. SoCalGas shall summarize the results of these meetings in the monthly reports that it submits to the Energy Division in compliance with this decision.

Fourth, we direct the Energy Division to lead an evaluation of the Flex Alert messaging and of SoCalGas' marketing, education, and engagement campaign. This evaluation shall be funded at a level no higher than 2% of the total $11 million established in this decision for those activities.

Finally, with respect to cost recovery, we authorize SoCalGas to establish a memorandum account to track all costs associated with the customer awareness activities that we adopt in this decision. We clarify that although one aspect of SoCalGas' proposal is that it "will establish and manage a ratepayer-funded memorandum account" we are not approving ratepayer funding at this time for either (1) the $5 million in Flex Alert spending or (2) the separate $6 million authorized for SoCalGas' implementation ~~efforts at this time~~of its proposed marketing, education, and engagement campaign, and we make no determination today regarding whether these costs will ultimately be determined to be the responsibility of SoCalGas ratepayers or shareholders. As noted by several parties in comments, the Governor directed this Commission to ensure that SoCalGas covers costs related to the natural gas leak and its response while protecting ratepayers.[24] Because these costs are not yet known, at this time it is

[24] January 6, 2010 Proclamation of a State of Emergency at Order Number 11. *See*, TURN Comments at 5 and ORA Comments at 3.

appropriate to track the costs of the actions we direct SoCalGas to undertake today, and defer determination of responsibility for those costs until a future proceeding that can examine all aspects of the Aliso Canyon leak and its aftermath at one time. Thus, we deny SoCalGas' request that the Commission "include an express statement establishing the review criteria to be used to deem campaign expenses reasonable." We also deny SoCalGas' request that we direct that "any expenses incurred for the campaign will be found to be reasonable if they are implemented in accordance with the transparent processes" described in its proposal. Finally, we decline to adopt the suggestion by CforAT/Greenlining that we order SoCalGas to escrow to the Commission an additional $10 million for future use as ME&O for measures that may be ordered in other dockets. Any such funding orders must originate in decisions made in those dockets, not in advance of those decisions.

6. Reduction of Comment Period

As noted above, on January 6, 2016 Governor Brown declared a state of emergency due to the Alison Canyon leak. Pursuant to Rule 14.6(a) of the Commission's Rules of Practice and Procedure, in an unforeseen emergency situation~~,~~ the Commission may reduce or waive the period for public review and comment on proposed decisions, draft resolutions, and their alternates. "Unforeseen emergency situation" means a matter that requires action or a decision by the Commission more quickly than would be permitted if advance publication were made on the regular meeting agenda. The Commission finds that the possibility 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 this summer falls within the definition of "unforeseen emergency situation" contemplated by Rule 14.6(a). Therefore, the proposed decision (PD) of the ALJ in this matter was mailed to the parties on April 8, 2016 and the deadlines for comments and reply comments on the PD were determined to be April 15, 2016 and April 19, 2016, respectively. Comments were filed on April 15, 2016 by SoCalGas, the CAISO and ORA. Reply comments were filed on April 19, 2016 by SoCalGas, the CAISO, TURN and CforAT/Greenlining.

Comments addressed (1) the direction in the PD that $5 million shall be used to support paid Flex Alert advertising by the CAISO, and (2) SoCalGas' proposed marketing, education, and engagement campaign.

First, regarding additional funding for Flex Alerts, SoCalGas requests that the PD be modified to remove the additional $5 million in paid Flex Alert advertising "given the redundancy" with elements of SoCalGas' proposed engagement campaign. SoCalGas states that it has already begun working with the CAISO to "leverage the brand equity of Flex Alert" into its own proposed engagement campaign. For this reason, SoCalGas believes that the $5 million in incremental funding for paid Flex Alert advertising is unnecessary because elements of Flex Alert messaging--including "paid traditional media channels"--are included in SoCalGas' proposed engagement campaign.

The CAISO appears to disagree with SoCalGas on this matter, stating "the CAISO continues to believe it is important to direct funds to support advertising for the Flex Alert campaign in 2016."[25] The CAISO repeats its observation made in its comment on the ACR, that it believes that the Commission and SoCalGas are in the best position to assess the amount of this funding. The CAISO also believes that SoCalGas' proposed campaign can accommodate Flex Alert advertising, "if properly structured."[26]

[25] CAISO April 15, 2016 Comments at 2.
[26] *Ibid.*

We have not modified the PD's findings and conclusions regarding the importance and necessity of Flex Alert funding in 2016. The CAISO states a preference for the level of funding for paid Flex Alert advertising established in the PD, and SoCalGas discusses Flex Alert in both an "earned" media context and a "paid" media context.[27] Based on that discussion we conclude that SoCalGas and the CAISO simply have not yet had sufficient time to decide on the extent to which paid Flex Alert advertising will or should play a role in Aliso Canyon-related messaging, which should begin very soon after this decision is issued. Therefore, we retain the direction in the PD to SoCalGas to fund Flex Alerts in 2016 at a level fixed at $5 million.

The second matter addressed in comments on the PD is SoCalGas' proposed marketing, education, and engagement campaign.

SoCalGas states that its proposed campaign "will naturally result in collective marketing expenditures far exceeding the $6 million authorized in the Proposed Decision" and requests that the PD be modified to authorize tracking and monitoring of any additional expenses in the memorandum account if more funding is required for the campaign.

In its reply comments, TURN recommends that the Commission deny SoCalGas' request and specify in the final decision that SoCalGas is authorized to spend up to $6 million in 2016 to implement the targeted marketing, education, and engagement campaign. TURN further recommends that if SoCalGas requires more than $6 million to implement the campaign in 2016 it should recover those costs from shareholders, "or at the very least should be required to submit a Tier 3 Advice Letter requesting authorization for additional funds."

[27] See CAISO April 19, 2016 Reply Comments at 2 and SoCalGas Reply Comments at 2.

The CAISO supports adoption of SoCalGas' proposal, but notes the importance of maintaining a clear distinction between the existing Flex Alert program and any new gas savings program developed by SoCalGas. Because the effectiveness of the current Flex Alert program depends on maintaining the name recognition and customer acceptance that it has achieved,

> to the extent that a separate gas savings program is developed, both the program and the customer actions should be designed to minimize interference or confusion with the Flex Alert program. If there is no clear distinction between the programs, the effectiveness of Flex Alert events may be diminished.[28]

We agree with CAISO, and direct SoCalGas to maintain the distinction request by CAISO. Like SoCalGas, the CAISO notes that the two entities are already "working closely to ensure that there is the right level of integration of the Flex Alert brand into SoCalGas' overall campaign to minimize customer confusion and maximize the effectiveness of the overall campaign." However, CAISO also recommends modification of the PD to establish an oversight committee for SoCalGas to consult regarding content, proposed expenditures and message deployment for its campaign. The committee would be comprised of the Commission, the CAISO and the California Energy Commission.[29]

ORA states that the PD should be revised to require greater stakeholder oversight and accountability for SoCalGas' planned media campaign. According to ORA, careful oversight by the Commission and stakeholders is necessary so that the messaging is specifically tailored to address the potential electricity shortages. For this reason, ORA recommends revising the PD to include specific instructions for the inclusion of stakeholders in the development of the

[28] *Ibid.*
[29] CAISO Reply Comments at 1-2.

marketing message, and to require SoCalGas to file a Tier 2 advice letter to detail the campaign message before spending any funds.

TURN agrees with ORA that Commission oversight is necessary, and supports ORA's recommended advice filing because it will provide stakeholders and Commission staff an opportunity to review SoCalGas' campaign messaging before funds are spent.

In response to parties' comments, we have modified the PD to strengthen and clarify our direction regarding oversight of the implementation of SoCalGas' proposed marketing, education, and engagement campaign. As we noted above, simply due to the accelerated timeframe for developing and implementing this proposal, many of the details of SoCalGas' proposal are unclear. This makes it all the more important that we clarify our expectations regarding the role of SoCalGas, of other stakeholders, and of Commission staff in ensuring the success of SoCalGas' proposal. We have not adopted any specific proposal made in parties' comments but those comments have informed our adopted approach.

7. 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. As of the date of today's Decision, natural gas is not being injected into the Aliso Canyon gas storage field, and it is uncertain if or when Aliso Canyon will resume normal operations.

3. In the upcoming summer, electric generation in the Los Angeles Basin that relies on gas from Aliso Canyon could be curtailed on days of high peak demand for electricity.

4. On January 6, 2016 Governor Brown declared a state of emergency due to the Aliso Canyon leak, and 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 in the coming months during the moratorium on gas injections into the Aliso Canyon storage facility.

5. Increased customer conservation of natural gas and ~~electicity~~electricity in the Los Angeles Basin in 2016 could make a significant contribution to ensuring reliability of gas and electric supplies.

6. The Flex Your Power brand, and its associated brand Flex Alert, were created during the California energy crisis of 2000 and 2001 when emergency energy shortages necessitated emergency conservation by consumers.

7. 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.

8. Flex Alert spending, largely for paid media, totaled $10 million per year, in 2013, 2014 and 2015. This funding was provided by ratepayers of Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company.

9. The CAISO began to administer and fund 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.

10. 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.

11. The Commission has already established the 2016 budgets for each utility with respect to statewide marketing, education and outreach, designated how that funding should be used, and allocated the costs to ratepayers of each utility.

12. SoCalGas' current rates and charges do not include any costs incurred by SoCalGas in response to the recent gas leak in Aliso Canyon because the Commission has not authorized SoCalGas to recover such costs.

Conclusions of Law

1. Additional funds for Flex Alert and other marketing, education and outreach cannot be dedicated to Aliso Canyon-related messaging without further Commission action.

2. Due to the ongoing uncertainties regarding the impact of the Aliso Canyon leak and injection curtailment on summertime gas supply and the effect of that curtailment on electricity supply and reliability in the Los Angeles Basin, SoCalGas should provide funding for customer awareness activities in southern California for the remainder of 2016.

3. SoCalGas should provide $5 million in funding to support paid Flex Alert advertising by the CAISO in 2016.

4. SoCalGas should provide up to $~~5~~6 million in 2016 to implement the targeted marketing, education, and engagement campaign described by

SoCalGas in its March 25, 2016 response to the Assigned Commissioner Ruling in this proceeding.

5. SoCalGas should establish an advisory group that will act as a partner with the utility throughout its implementation efforts.

6. SoCalGas should provide reports to the Commission's Energy Division that document its implementation of this Decision.

7. The Energy Division should lead an evaluation of the 2016 Flex Alert messaging and of SoCalGas' marketing, education, and engagement campaign.

8. ~~5.~~ SoCalGas should submit a Tier 2 advice letter within five business days to establish a memorandum account, effective immediately, to track all costs associated with the Flex Alert, marketing, education, and engagement activities approved in this Decision. The tracked costs should accrue interest.

9. ~~6.~~ The Commission should determine at a later time whether, and to what extent, the balance in the memorandum account should be incorporated into the rates of SoCalGas' customers.

10. ~~7.~~ Public necessity requires reduction of the 30-day public review and comment period for today's order so that SoCalGas may begin designing additional ME&O efforts for affected communities as soon as possible..

11. ~~8.~~ The 30-day period for public review and comment on today's order should be reduced pursuant to Rule 14.6(a).

12. ~~9.~~ The following order should be effective immediately so that the memorandum account required by the order may be implemented expeditiously.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company shall provide $5 million in funding to support paid Flex Alert advertising by the California Independent System Operator in 2016.

2. Southern California Gas Company (SoCalGas) is authorized to spend up to $6 million to implement the targeted marketing, education, and engagement campaign described by SoCalGas in its March 25, 2016 response to the Assigned Commissioner Ruling in this proceeding. ~~SoCalGas shall consult and coordinate with the Commission's Energy Division throughout the implementation process.~~

3. Southern California Gas Company (SoCalGas) shall consult and coordinate with the Commission's Energy Division throughout the implementation process, as follows:

   a. SoCalGas shall submit monthly progress reports to the Commission's Energy Division in order to provide publically available documentation of its efforts to implement our decision today.

   b. SoCalGas shall submit the first progress report 15 days following the effective date of this Decision, and shall submit subsequent monthly reports beginning on June 1, 2016. SoCalGas shall consult with Energy Division staff regarding the format and content of these reports.

   c. The initial report submitted by SoCalGas shall include a detailed budget that maps the $6 million in funding authorized in this decision to the activities included in the marketing, education, and engagement campaign authorized in this Decision.

4. Southern California Gas Company (SoCalGas) shall establish an advisory group that shall act as a partner with the utility throughout its implementation

efforts. SoCalGas shall convene regular meetings of this advisory group and, to the extent practicable, SoCalGas shall implement the recommendations made at these meetings. SoCalGas shall summarize the results of these meetings in the monthly reports that it submits to the Energy Division in compliance with this decision.

5. The Commission's Energy Division shall lead an evaluation of the 2016 Flex Alert messaging and the marketing, education, and engagement campaign authorized in this decision, to be funded at a level no higher than 2% of the total $11 million budget established in this decision for those activities.

6. ~~3.~~ Within five business days from the effective date of this order Southern California Gas Company shall submit to the Commission's Energy Division a Tier 2 advice letter to establish a memorandum account, effective immediately, to track all costs associated with the Flex Alert, marketing, education, and engagement activities approved in this Decision. The tracked costs should accrue interest.

7. ~~4.~~ The Commission shall determine at a later time whether the costs tracked pursuant to Ordering Paragraph ~~3~~6 and the balance in the memorandum account should be incorporated into the rates of Southern California Gas Company customers.

8. ~~5.~~ The comment period for today's order is reduced pursuant to Rule 14.6(a) of the Commission's Rules of Practice and Procedures.

9. ~~6.~~ Applications (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.

Document comparison by Workshare Compare on Wednesday, April 20, 2016 3:56:14 PM

Input:	
Document 1 ID	file://C:\Users\AR9\Workshare Compare\A1208007 Roscow Comment Dec 4-6-16.docx
Description	A1208007 Roscow Comment Dec 4-6-16
Document 2 ID	file://C:\Users\AR9\Workshare Compare\A1208007 et al Roscow Agenda Dec Regarding SoCalGas ME#260 in response to Aliso Canyon (Rev 1) 4-20-16.docx
Description	A1208007 et al Roscow Agenda Dec Regarding SoCalGas ME#260 in response to Aliso Canyon (Rev 1) 4-20-16
Rendering set	Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	75
Deletions	29
Moved from	1
Moved to	1
Style change	0
Format changed	0
Total changes	106