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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Gas Company (U904G) and San Diego Gas & Electric Company (U902G) for Low Operational Flow Order and Emergency Flow Order Requirements.	Application 14-06-021
And Related Matter.	Application 14-12-017

ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING

Summary

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

1. Procedural Background

On August 15, 2018, Southern California Edison (SCE) and Southern California Generation Coalition (SCGC) filed a Joint Petition for Modification (Joint PFM) of Decisions (D.) 15-06-004 and D.16-06-039, as modified by D.16-12-016. At the same time, SCE and SCGC filed a joint motion to shorten the time to respond to the PFM to five days. On August 16, 2018, Southern California Gas Company (SoCalGas) and San Diego Gas & Electric (SDG&E) filed a joint response objecting to the motion to shorten time to respond. On

August 20, 2018, the Administrative Law Judge (ALJ) issued a ruling consolidating Application (A.) 14-06-021 and A.14-12-017, which are the original applications of the decisions that SCE and SCGC seek to modify. Additionally, the ALJ denied the request to shorten the time to respond to 5 days but did require a response within 15 days.

On August 30, 2018, the Department of Market Monitoring of the California Independent System Operator (CAISO Market Monitoring) filed a motion for party status. On September 4, 2018, the California Independent System Operator (CAISO), NRG Power (NRG) and Western Power Trading Forum (WPTF) also filed motions for party status. All motions for party status were granted by the ALJ on September 13, 2018.

On September 4, 2018, SoCalGas, SDG&E, WPTF, NRG Power, CAISO and CAISO Market Monitoring filed responses to the PFM. On September 10, 2018, SCE filed a reply to the responses that were submitted.

A prehearing conference (PHC) was held on October 22, 2018, to discuss the issues of law and fact, and determine the need for hearing and schedule for resolving the matter. After considering the PFM, the responses, the reply and discussion at the PHC, I have determined the issues and schedule of the proceeding to be as set forth in this scoping memo.

2. Issues

SCE and SCGC submitted the PFM to reduce the noncompliance charges stated in SoCalGas Rule 30 for Stage 4 and 5 Operational Flow Orders (OFOs) from $25/Decatherm (Dth) to $5/Dth.

SCE and SCGC claim the following:

1. The current Low OFO penalty structure assumes that sufficient gas can be brought into the market to supply noncore customers, but this is not always realistically the

case in the current environment due to reduced transmission capacity and the unavailability of Aliso Canyon storage to noncore customers.

2. Marketers are increasing their prices knowing that the price may be set by the very high noncompliance charge.
3. It is often the case that little supply is readily available at reasonable prices after Cycle 1 of the SoCalGas nomination day.
4. There is a mismatch between the SoCalGas nomination cycles and the power market.
5. Large costs are being incurred by noncore customers, including Electric Generators (EGs).
6. SoCalGas has been defaulting to only a 5% tolerance, even though a higher tolerance could potentially be allowed in some cases.

SoCalGas and SDG&E argue against the Joint PFM stating that the PFM is the wrong venue; the PFM does not provide enough information to support what the PFM is requesting; that SCE may have contributed to the situation by failing to acquire firm Backbone Transmission System (BTS) rights; that if the Commission grants the joint PFM then the Commission should at the same time grant the request in SoCalGas Advice letter (AL) 5232 and SDG&E AL 2633G for modifying the Standby Procurement Charge to use the price index at the Southern California Citygate not the Southern California Border in calculating the penalties for monthly imbalances; and reducing the OFO penalties would weaken the design of the current adopted OFO rules and essentially strain the system. On November 7, 2018, CPUC Energy Division rejected SoCalGas AL 5232 and SDG&E AL 2633G without prejudice, and advised SoCalGas and SDG&E to file a new application or request the calculation of the Standby Procurement Charge to be scoped into an appropriate open proceeding.

CAISO Marketing Monitoring supports temporarily capping the noncompliance charge component of a Stage 4 and Stage 5 OFO to $5/Dth to mitigate gas price spikes. CAISO is concerned that OFO noncompliance penalties may be impacting electric market prices and recommends that the Commission review the structure, but also urges that changes to the OFO noncompliance penalty structure be carefully considered to minimize any reliability impacts. WPTF opposes the proposed cap on OFO noncompliance penalties as proposed by SCE and SCGC. WPTF also states that there is insufficient evidence to support that the SoCalGas and SCE customers were unable to secure additional gas for OFO days. NRG does not object to the modifications, but believes any modifications should be done only after careful and comprehensive re-examination of the OFO structure and not on an expedited basis.

After reviewing the issues raised in the PFM and the responses, I have determined that in addition to the issues listed above, the following issues are also within the scope of this proceeding. The additional issues are:

7. Is there a linkage between the level of the noncompliance charges and the price spikes that occurred recently when Low OFOs were called?
8. Would lowering SoCalGas' OFO penalty create a mismatch between SoCalGas' and Pacific Gas &Electric's OFO penalties?
9. Would widening the gap between the $5/Dth OFO and the $50 Emergency OFO increase the number of Emergency OFOs and increase gas market volatility?
10. If the Commission rejects the reduction requested in the PFM, should the Commission consider a more conservative change to the penalty structure such as a graduated penalty structure?

11. Should any reduction be temporary – meaning that a more permanent structure should be developed in a current proceeding, or new proceeding or this proceeding?
12. Are there any safety issues that the Commission needs to address as a result of the Joint PFM?

3. Need for Evidentiary Hearing

The parties were encouraged at the PHC to attempt to resolve the issues presented in this matter informally. However, they have been unable to come to an agreement. Therefore, hearings will be necessary to resolve the issues presented in the PFM.

4. Schedule

The following schedule is adopted here and may be modified by the ALJ as required to promote the efficient and fair resolution of the PFM.

Prepared direct testimony served	January 29, 2019
Prepared rebuttal testimony served	February 22, 2019
Evidentiary hearing	10:00 a.m. March 11 and 12, 2019 in San Francisco, California
Opening briefs	April 2, 2019
Reply briefs	April 12, 2019
Proposed decision	June 14, 2018
Commission decision	August 1, 2019

The proceeding will stand submitted upon the filing of reply briefs, unless the ALJ requires further evidence or argument. Based on this schedule, the proceeding will be resolved within 18 months as required by Pub. Util. Code § 1701.5

5. Category of Proceeding/*Ex Parte* Restrictions

This ruling confirms the Commission's preliminary determination that this is a ratesetting proceeding. (Resolution ALJ 176-3339.)[1] Accordingly, *ex parte* communications are restricted and must be reported pursuant to Article 8 of the Commission's Rules of Practice and Procedure.

6. Public Outreach

This proceeding was initially filed on June 27, 2014 and was reopened as a result of the filing of the PFM. No additional public outreach was conducted.

7. 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 November 21, 2018, 30 days after the PHC.

8. 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.

9. 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.

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[1] ALJ Resolution 176-3339 was initially issued on July 10, 2014.

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.

10. Assignment of Proceeding

Liane M. Randolph is the assigned commissioner and Gerald F. Kelly is the assigned ALJ 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 are needed.
4. The presiding officer is Administrative Law Judge Gerald F. Kelly
5. The category of the proceeding is ratesetting.

Dated January 15, 2019, at San Francisco, California.

/s/ LIANE M. RANDOLPH
Liane M. Randolph
Assigned Commissioner