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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Safe and Reliable Gas Systems in California and perform Long-Term Gas System Planning.

Rulemaking 20-01-007

ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING

This scoping memo and ruling sets forth the category, issues to be addressed, and schedule for phase 1 (Track 1A and Track 1B), of the above proceeding pursuant to Public Utilities (Pub. Util.) Code § 1701.1 and Article 7 of the Commission's Rules of Practice and Procedure (Rules).

1. Procedural Background

On January 27, 2020, the Commission issued an Order Instituting Rulemaking (OIR) to respond to past and prospective events that together will require changes to certain policies, processes, and rules that govern the natural gas utilities in California. With respect to past events, several operational issues in Southern California prompt the Commission to reconsider the reliability and compliance standards for gas public utilities. Over the next 25 years, state and municipal laws concerning greenhouse gas emissions will result in the replacement of gas-fueled technologies and, in turn, reduce the demand for natural gas.

Thus, in order to ensure safe and reliable natural gas service at just and reasonable rates in California, the Commission will (1) develop and adopt

updated reliability standards that reflect the current and prospective operational challenges to gas system operators; (2) determine the regulatory changes necessary to improve the coordination between gas utilities and gas-fired electric generators; and (3) implement a long-term planning strategy to manage the state's transition away from natural gas-fueled technologies to meet California's decarbonization goals. The Commission will coordinate with ongoing related proceedings as well as with the California Energy Commission on these important issues throughout this proceeding.

This proceeding will be conducted in two separate phases, and the Commission will issue a decision following each phase. The first phase will include two tracks that will be addressed in parallel, Track 1A and Track 1B. Track 1A will address the reliability standard issues and Track 1B will determine the regulatory changes needed to improve the coordination between gas utilities and gas-fired electric generators. The second phase, Track 2, will implement the long-term planning strategy. This scoping memo and ruling will set forth the category, issues to be addressed, and schedule for phase 1, or Track 1A and Track 1B of the proceeding.

On March 24, 2020, assigned Administrative Law Judge (ALJ) Ava Tran held a telephonic prehearing conference (PHC) to discuss the issues of law and fact and to determine the need for hearings and schedule for the proceeding. Comments to the OIR and post PHC comments were received from various parties representing the gas and electric utilities, independent storage providers, core transport agents, electric generators, consumer advocacy groups, environmental groups, and the California Independent System Operator.

2. Scope of Issues

After considering the comments, replies, post-PHC statements, and discussion at the PHC, the issues to be determined in this phase are:

2.1. Track 1A: Reliability Standards

1. What are Southern California Gas Company's (SoCalGas) and Pacific Gas and Electric Company's (PG&E) current system capabilities?
 - a. Do PG&E and SoCalGas have the requisite gas transmission pipeline and storage capacity to meet the demand for an average day in a one-in-ten cold and dry-hydroelectric year¹ for their respective backbone gas transmission systems and peak day demand for their combined backbone gas transmission and gas storage systems?
 - b. Do PG&E and SoCalGas have the requisite gas transmission pipeline and storage capacity to meet the local transmission standards adopted in Decision (D.) 06-09-039?
 - c. How should the Commission respond to a gas utility's sustained failure to meet minimum transmission system design standards?
2. Are the existing natural gas reliability standards for infrastructure and supply still adequate? If not, how should they be changed?
 - a. Should the Commission establish uniform reliability standards for PG&E and SoCalGas, rather than allow the utilities to continue to use different standards?
 - b. Temperature forecasts for Northern California indicate that between 2018-2035, the average temperature during December and January will be between two to nine percent above the 20-year average. Will the

¹ Phase II Opinion, D.06-09-039 at 27, Ordering Paragraph (OP) 1.

current reliability standards overstate the capacity that gas utilities must maintain?

- c. Gas-fired generators comprise approximately 40 percent of electric supply during the summer months. Temperature trends forecast warmer summers in California; thus, should the Commission establish separate reliability standards for the summer months?
3. Should gas utilities maintain a specific amount of slack capacity or additional infrastructure in excess of the amount of backbone transmission and storage capacity necessary to meet the existing one-in-ten cold and dry year reliability standard? If so, how much and under what conditions?
4. Will transportation of gas to the planned Energía Costa Azul LNG export facility, owned and operated by an affiliate of SoCalGas, over the proposed expanded North Baja pipeline which is the subject of FERC Docket No. CP20-27, impact reliability and prices in SoCalGas' service territory and beyond? If so, what measures should SoCalGas undertake to assure reliability, and how should such costs be recovered?
5. Will the updated reliability standards result in additional costs and if so what cost recovery and allocation mechanisms should be used?

2.2. Track 1B: Market Structure and Regulations

1. Should the Commission consider whether potential fluctuations in natural gas demand combined with potentially insufficient firm interstate gas pipeline contracts held by California customers could pose risks to interstate pipeline capacity services?
 - a. What measures, if any, can be taken to ensure interstate pipeline transportation capacity reliability?
 - b. What measures, if any, can be taken to ensure that gas needs of electric generators are met during hourly and intraday fluctuations?

- c. What measures, if any, can be taken to ensure that gas needs of electric generators are met during multiple days of low renewable generation?
2. During 2017 and 2018, the higher than average gas prices at SoCal Citygate caused the price of wholesale electricity to significantly increase. Should the Commission establish contract or tariff terms and conditions or new rules to attempt to decrease the risk of electricity price volatility caused by potential gas supply issues? If so, what terms, conditions or new rules should be considered?
3. Should pipeline operating procedures, such as those for curtailments and operational flow orders, be uniform across the state? Would there be any market and reliability impacts if pipeline operating procedures were not uniform?

Unless expressly added by the assigned ALJ or Commissioner, any major issues not set forth in this section of the ruling will be outside the scope or are issues that will not be addressed in this track of the proceeding.

3. Workshops

A series of workshops will be held and facilitated by the Commission's Energy Division staff (Energy Division). The final schedule, agenda, goals/expectations and party/participant responsibilities will be determined by Energy Division in consultation with the Respondents² identified in the OIR, and other parties as needed. The purpose of these workshops will be to address the questions outlined in this scoping memo and ruling, gain a common understanding of the issues, gather information and facts, develop possible scenarios and resulting outcomes, seek feedback and input from stakeholders,

² Rulemaking 02-01-007 at 22-23. Includes Alpine Natural Gas, PG&E, SoCalGas, SDG&E, Southwest Gas, West Coast Gas Company, Inc., and Independent Storage Providers.

and identify solutions. Energy Division will publish a workshop report resulting from this consensus building process. The report will provide recommendations or, at the minimum, a range of options for resolving the issues. All parties will have the opportunity to provide comments and reply comments to the workshop report. At the end of this workshop process, if there are disputed issues of fact within the final report, or additional necessary information to be considered, the ALJ or Commissioner at that point will consider other procedural pathways to resolve such discrepancies, including the need for evidentiary hearings and/or the need for testimony and briefs.

4. Need for Evidentiary Hearing

Examination of the issues in the proceeding to date does not demonstrate that evidentiary hearings are necessary at this point. However, because significant factual issues could be raised in Track 1A or Track 1B, and evidentiary hearings may be needed, potential hearing dates have been placed on the schedule in the event evidentiary hearings are necessary and appropriate. The deadline to file a motion to request evidentiary hearings, serve testimony and file briefs is set forth in the below schedule.

5. Data Gathering and Mapping Needs

The Commission acknowledges that there are other ongoing efforts related to data gathering and mapping needs that may directly affect Track 2 of this proceeding, and that additional data beyond what other proceedings are collecting may be needed. Therefore, Energy Division will be coordinating all data needs with related proceedings to ensure a complete data set and avoid any duplicative efforts. Energy Division staff may also propose collecting additional data if deemed necessary to address any additional pre-work ahead of the initiation of Track 2.

6. Schedule

The following schedule is adopted here and may be modified by the ALJ or assigned Commissioner as required to promote an efficient and fair resolution of this OIR:

EVENTS Phase 1 (Track 1A and 1B)	DATE
Workshops	July 2020
Publish Workshop Report	Early September 2020
Initial Comments on Workshop Report	Early October 2020
Reply Comments on Workshop Report	End October 2020
Deadline to File a Motion to Serve Testimony, File Briefs and Request Evidentiary Hearings	End of October 2020
Intervenor Testimony (if determined to be needed)	December 2020
Rebuttal Testimony (if determined to be needed)	January 2021
Hearings (if determined to be needed)	Mid-January 2021
Opening Briefs (if determined to be needed)	End of January 2021
Reply Briefs (if determined to be needed)	February 2021
Proposed Decision	May 2021
Final Decision	No earlier than 30 days after the Proposed Decision has been issued

7. Category of Proceeding/*Ex Parte* Restrictions

This ruling changes the Commission's preliminary determination of the categorization from quasi-legislative to ratesetting. Accordingly, *ex parte* communications are restricted and must be reported pursuant to Article 8 of the Commission's Rules of Practice and Procedure.

8. 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 April 23, 2020, 30 days after the PHC.

9. Response to Public Comments

Parties may, but are not required to, respond to written comments received from the public. (*See* Pub. Util. Code § 1701.1(g).) Parties may do so by posting such response using the “Add Public Comment” button on the “Public Comment” tab of the docket card for the proceeding.

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. This will also include electronic service only to the assigned ALJ pursuant to Rule 1.10(e). 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

Liane Randolph is the assigned Commissioner and Ava Tran 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 not needed at this time; however, potential hearing dates have been placed on the schedule in the event evidentiary hearings are necessary and appropriate.
4. The category of the proceeding is ratesetting.

Dated April 23, 2020, at San Francisco, California.

/s/ LIANE M. RANDOLPH

Liane M. Randolph
Assigned Commissioner