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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 ADMINISTRATIVE LAW JUDGE'S RULING  
SEEKING COMMENTS**

To obtain further clarification and information regarding Phase 1 (Track 1A and Track 1B) of the 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, parties are directed to file and serve responses to the questions set forth in Attachment 1 of this ruling.

On July 7, 2020 and July 21, 2020, Energy Division staff held workshops on the scope of issues outlined for Track 1A and 1B of this proceeding. The purpose of these workshops was to address the specific questions outlined in the scoping memo and ruling,<sup>1</sup> gain a common understanding of the issues, gather information and facts, seek input from stakeholders, and identify solutions. Energy Division staff will publish a workshop report resulting from this consensus building process in September 2020.<sup>2</sup> Party responses to the questions

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<sup>1</sup> Rulemaking 20-01-007 Assigned Commissioner's Scoping Memo and Ruling, at 3-5.

<sup>2</sup> *Id.* at 5-6.

set forth in Attachment 1 of this ruling will assist Energy Division staff in preparing the final workshop report. The report will provide recommendations or, at the minimum, a range of options for resolving the issues in Track 1A and Track 1B.

For each question, only those parties specifically named are required to comment; all others may comment. Attachment 2 of this ruling provides a directory to all the party names and acronyms.

**IT IS RULED** that parties shall file and serve responses to the questions posed in Attachment 1 of this ruling no later than August 14, 2020.

Dated July 31, 2020, at San Francisco, California.

/s/ AVA TRAN  
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Ava Tran  
Administrative Law Judge

## ATTACHMENT 1

For each question, only those parties specifically named are required to comment; however, all parties are welcome to provide input in addition to the named respondent(s). Please refer to Attachment 2 for list of party names and acronyms.

1. **Cal Advocates, TURN, and other consumer advocate groups**: Given the high gas and electricity costs incurred during tight conditions on the SoCalGas system in 2017 and 2018, what changes, if any, should be made to the existing reliability standards? (*Track 1A, Scoping Memo Issues 1, 1a-c, 2 and 2a*).
2. **Open to All Parties**: Maurice Brubaker of Brubaker and Associates, Inc., spoke on behalf of the Indicated Shippers at the workshop, and provided several suggestions during his presentation on how the CPUC could respond to a utility's sustained failure to meet minimum design standards. One suggestion is to have a one-way financial incentive, such as utility shareholders sharing in the cost of repair or a reduction in the allowed return on equity. (*Track 1A, Scoping Memo Issues 1, 1a-c, 2 and 2a*).
  - a. What would constitute a "sustained" failure to meet the minimum design standard?
  - b. Do parties agree that utility shareholders should share in the cost of repair if the utility does not maintain the minimum design standard? Why or why not?
  - c. Do parties agree that a utility's return on equity should be reduced if the utility does not maintain the minimum design standard? Why or why not?
  - d. Are there other measures or financial incentives the CPUC should consider to ensure that utilities meet minimum design standards?
3. **Open to All Parties**: A common set of temperature projections needs to be established in this proceeding. Energy Division staff proposes using California's Fourth

Climate Change Assessment and the California Gas Report for such projections. (*Track 1A, Scoping Memo Issue 2b*).

- a. Do parties have any concerns with using these sources?
  - b. Are there any other vetted projections, including peer-reviewed studies and projections produced by state agencies, on California's climate that should be considered?
4. **CAISO:** How does decreased snowpack impact the need for other baseload resources and/or gas-fired electric generation? (*Track 1A, Scoping Memo Issue 2b*).
  5. **Open to All Parties:** Norman Pederson, who presented on behalf of the Southern California Generation Coalition, indicated that the winter peak day demand continues to exceed the summer peak day demand. Since the gas system is designed to meet the former, it will be able to continue meeting the latter without the need for a summer reliability standard. However, this assertion does not consider the differences in supply availability during the winter and summer months. For example, SoCalGas depends on its storage capacity to meet both the summer and winter peak demand. A very cold winter may result in depleted inventory levels prior to the summer season, which may present difficulties in meeting summer peak demand. In addition, a daily demand assessment does not account for steep hourly ramping needs, which may further increase reliance on storage inventory. Is a winter reliability standard sufficient to ensure that a gas system can meet summer peak demand without the need for a summer reliability standard? (*Track 1A, Scoping Memo Issue 2c*).
  6. **SoCalGas/SDG&E, PG&E, Cal Advocates, TURN, IEP, CAISO, and SCGC:** SoCalGas/SDG&E suggests that the core category should be redefined to include certain noncore customers, such as hospitals, refineries, and some gas-fired electric generation. With that change, SoCalGas/SDG&E suggests that the 1-in-10 cold day design standard be eliminated since the remaining noncore

demand is interruptible at any time. Additionally, Eric Eyberg from Wood Mackenzie presented on the WECC Gas-Electric Interface Study and discussed recommendations from the study on managing demand and providing fuel assurance. One recommendation from the study is to consider reclassifying some electric generators that are critical to grid reliability as core customers. (*Track 1A, Scoping Memo Issues 1, 1a-c, 2 and 2a and Track 1B, Scoping Memo Issues 1-1a*). Should the reliability standards be modified so that some noncore customers are reclassified as core customers and have access to firm storage rights? If so:

- a. Should the 1-in-10 cold day standard be eliminated so that remaining noncore demand is interruptible?
  - b. Would there be enough gas storage inventory to serve both the needs of historically noncore customers such as hospitals, refineries, and gas-fired electric generators and traditional core customers?
  - c. What policies should be put in place to ensure that there is enough storage capacity to accommodate peak electric demand in the summer while also allowing storage operators to prepare for residential heating demand in the winter?
  - d. If it is determined that a subset of gas-fired electric generators should be designated as core customers, how should the CPUC determine that subset? What are the downsides or risks (if any) associated with such reclassification?
7. **Cal Advocates, TURN, SoCalGas/SDG&E**: Pages 35-36 of Commission Decision 19-09-025 discusses PG&E's Reserve Capacity, which provides its system with emergency intraday supply of natural gas in case of a significant, unplanned equipment outage or other supply problem. Should a similar Reserve Capacity be considered for the SoCalGas system? Why or why not? (*Track 1A, Scoping Memo Issue 3*).

8. **Open to All Parties:** Should slack capacity include storage capacity? Why or why not? (*Track 1A, Scoping Memo Issue 3*).
9. **SoCalGas/SDG&E:** (*Track 1A, Scoping Memo Issue 4*).
  - a. Please explain the representation on page 147 of the July 7, 2020 workshop slides from Paul Borkovich of SoCalGas/SDG&E that current El Paso Natural Gas (EPNG) Ehrenburg Delivery Capacity is 2.3 Bcf/d.
  - b. On page 147 of the July 7, 2020 workshop slides, SoCalGas acknowledged that the North Baja XPress Project “would take away an additional 0.48 Bcf/d.” With respect to pages 159-161 of the July 7, 2020 workshop slides, “Southern System: Scheduled Quantities vs. Minimum (Dth/d) April 2017 - March 2018, April 2018 - March 2019, & April 2019 - March 2020,” how would a reduction of 0.48 bcf/d have impacted the ability of the SoCalGas System Operator to meet the Southern System Minimums, particularly on those days where the minimums were above 0.7 Bcf/d?
  - c. List how many days in those three years where the Southern System Minimums were above 0.7 Bdf/d, and for each day provide temperature data, use by various customer classes (core and non-core), whether there were any curtailments requested and implemented, and any other relevant factors impacting daily usage and available capacity.
  - d. Provide an analysis starting with April 2022 - March 2023 and going forward through March 2025 of how anticipated flows on North Baja to serve loads in Baja California and LNG Exports at Energía Costa Azul would impact maximum available Southern System scheduled quantities.
  - e. On page 15 of its Opening Comments, SoCalGas/SDG&E said: “To the extent there may be potential reliability and price impacts for SoCalGas’ and SDG&E’s service territories from an expanded North Baja pipeline, SoCalGas and SDG&E look forward to

discussing potential measures that could address these impacts.” Please provide an assessment of how an expanded North Baja pipeline could have potential reliability and price impacts for SoCalGas’ and SDG&E’s service territories. Besides SCG/SDG&E constructing additional intrastate facilities, what potential measures could address those impacts?

10. **SCGC:** Please explain your representation on page 47 of the slide deck for the July 21, 2020 workshop that EPNG Delivery Capacity to Ehrenburg is 2.985 Bcf/d. (*Track 1A, Scoping Memo Issue 4*).
11. **Open to All Parties:** SoCalGas stated that their system was generally designed around core customers. However, the increased amount of intermittent generation resources in the electric portfolio has resulted in gas-fired electric generators regularly exceeding their ratable supply (on a 1/24-hour basis). Furthermore, SoCalGas indicated that gas-fired electric generator ramp downs and volatility frequently contribute to over-pressurization. Are there policy changes the CPUC should consider that would help manage the changing use of the gas infrastructure? (*Track 1B, Scoping Memo Issue 2*).
12. **Open to All Parties:** IEP, speaking on behalf of several electric generators, stated that gas-fired electric generators should not be required to hold firm interstate contracts. They also forecast that gas-fired electric generators will play a role in California through 2030 and possibly 2045. Jonathan Peress, from SoCalGas/SDG&E, spoke about the system impacts of electric generator ramp ups and downs and the projected decrease in gas-fired electric generation, but continued increase in intraday ramping volatility. To capture the value provided to the electric system by the gas system, and absent firm interstate contracts, SoCalGas/SDG&E suggested a new tariff to internalize the value of the gas system and the flexible capacity offered. (*Track 1B, Scoping Memo Issue 2*).
  - a. What are the benefits and costs of a renewable balancing tariff, as suggested by SoCalGas?
  - b. What should such a tariff include or exclude?

13. **Open to All Parties:** Should PG&E's Operational Flow Order (OFO) penalty structure be changed so that it aligns with SoCalGas' winter OFO penalty structure? Why or why not? (*Track 1B, Scoping Memo Issue 3*).
14. **Open to All Parties:** Should SoCalGas' winter OFO penalty structure be adopted year-round? Are there any risks in allowing the revised OFO penalty structure (D. 19-05-030) to expire in October 2021 and allowing the prior OFO penalty structure (D.15-06-004 and D. 16-06-039) to continue? (*Track 1B, Scoping Memo Issue 3*).



**ATTACHMENT 2**

1. California Independent System Operator (CAISO)
2. Southern California Gas Company (SoCalGas)
3. San Diego Gas and Electric Company (SDG&E)
4. Pacific Gas and Electric Company (PG&E)
5. Public Advocates Office (Cal Advocates)
6. The Utility Reform Network (TURN)
7. Independent Energy Producers (IEP)
8. Southern California Generation Coalition (SCGC)

**(END OF ATTACHMENT 2)**