



PUBLIC UTILITIES COMMISSION505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298**FILED**

08/09/22

02:55 PM

A2203014

August 9, 2022

Agenda ID #20875
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 22-03-014:

This is the proposed decision of Administrative Law Judge Scarlett Liang-Uejio. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's September 15, 2022 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, ex parte communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ ANNE E SIMONAnne E. Simon
Chief Administrative Law Judge

AES:smt

Attachment

Decision PROPOSED DECISION OF ALJ LIANG-UEJIO (Mailed 8/9/2022)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Southwest Gas Corporation
(U905G) for Authority to Revise its
California Gas Tariff to Establish its
Move2Zero Program.

Application 22-03-014

DECISION DISMISSING APPLICATION**Summary**

This decision dismisses without prejudice Application 22-03-014 filed by Southwest Gas Corporation (SWG) because it is insufficient and incomplete. This decision does not prejudge the merits of SWG's proposal, nor does this decision preclude the utility from seeking California Public Utilities Commission approval of a new or similar program in a future application. In a future application, SWG should provide sufficient and complete information and should address the issues raised in parties' protests in this proceeding, if relevant.

Application 22-03-014 is closed.

1. Background

On March 15, 2022, Southwest Gas Corporation (SWG) filed Application 22-03-014 requesting California Public Utilities Commission (Commission) approval to revise its California gas tariff to establish a new Schedule No. M2Z for a new carbon offsets program, titled Move2Zero Carbon

Offset Program (Program), for its customers and to establish a two-way¹ Move2Zero Balancing Account (M2ZBA) to record and recover the revenue requirement associated the cost of the Program from its participants.

SWG states that the Program is designed to provide its California customers the ability to purchase carbon offsets for their respective greenhouse gas (GHG) emission associated with the customers' gas consumption.² Under the proposed Program, participants would pay a premium of \$5 per month for each block of 10 therm-credits (block rate) they wish to purchase to offset the participant's combustion-related GHG emissions from natural gas usage per month. SWG proposes to submit an annual Tier 2 Advice Letter to allow the Commission to review the M2ZBA entries and adjust the \$5 block rate, if necessary.³

On April 20, 2022, The Utility Reform Network (TURN) filed a protest. On April 21, 2022, additional protests were filed by the Coalition of California Utility Employees (CUE), the Public Advocates Office of the California Public Utilities Commission (Cal Advocates), and Sierra Club. SWG filed a reply to parties' protests on May 2, 2022.

2. Issues Before the Commission

The initial question before us is whether the Commission should proceed with, or dismiss, this Application. For the reasons discussed below, the

¹ A two-way balancing account is where overcollections are refunded and undercollections are recoverable through rates. A two-way balancing account differs from a one-way balancing account, where a one-way balancing account matches the expenditures with a spending target. Overcollections are refunded and undercollections are not recoverable under a one-way balancing account.

² Application at 1.

³ *Id.*, Exhibit A.

Commission determines that the Application is insufficient and incomplete. It would be inefficient to give it further consideration. The Commission agrees with the parties' recommendation in their protests and finds that it is the most efficient approach to dismiss this Application.

3. The Application is Insufficient and Incomplete

The main concerns parties raised in their protests are the Application lacks sufficient information to support SWG's proposal and the Application is incomplete. TURN argues that the Application does not provide sufficient details regarding the sources of GHG offsets that would be procured, nor does the Application demonstrate that the offset credits to be purchased would result in incremental reductions of GHG emissions. TURN asserts that the failure to demonstrate reliable linkage between the purchased offsets and GHG emissions reduction renders the proposed Program meaningless. Moreover, TURN argues that SWG should also provide a forecast of all costs that it proposes to recover from participants. TURN urges the Commission to dismiss the Application.⁴

Similarly, both CUE and Sierra Club argue that the Application is incomplete: that it fails to show that the carbon offset proposal would result in verifiable, incremental and sustainable reductions of GHG emissions consistent with state law and policy.⁵ CUE recommends the Commission dismiss the Application. Sierra Club asserts that the Application fails to show incremental climate benefits; it should be rejected.⁶

⁴ TURN's Protests at 1 to 6.

⁵ CUE's Protest at 2 to 3. Sierra Club's Protest at 6 to 7.

⁶ Sierra Club's Protest at 4 to 6.

SWG counter-argues that the Commission should not dismiss the Application as CUE recommends because CUE's protests fails to reference specific Commission's Rules of Practice and Procedure (Rules). SWG asserts that issues raised by CUE and other parties should be vetted through the regulatory process of filing testimony in this proceeding.

We agree with parties. The Application lacks crucial and sufficient information to support SWG's proposal. In addition, the Application does not describe in detail SWG's preliminary plan to purchase carbon offsets, which is the key element for the \$5 block rate that participants would pay. We particularly note the significance of lacking justification for the proposed premium, given available market costs for greenhouse gas emissions offsets could be lower as noted by Sierra Club.⁷ A program proposing notably different costs for a similar product should be amply explained and justified. Nor does the Application provide an estimate or justification of upfront and annual Program costs, sufficient detail demonstrating alignment with policy goals and requirements, proposed metrics or an approach to evaluating the program's effectiveness. Such details are fundamental and crucial for the Commission and parties' reviews. The Commission could proceed with the Application and to address parties' issues in supplemental application and/or testimony as SWG suggests. However, it is the Applicant, not parties, who has the burden of proof when it requests approval of Commission regulated services.

When an application lacks basic details and is incomplete, it takes up the Commission's and parties' time and resources to identify and develop the

⁷ *Id.* at 9 to 11.

information that should have been included in a sufficient and complete application.

4. Conclusion

The Commission finds the Application is insufficient and incomplete. The Application should be dismissed without prejudice. This decision should not preclude the utility from seeking Commission approval of a new or similar program in a future application. In a future application, SWG should provide sufficient information to support its request. SWG is encouraged to work with parties to address the issues raised in their protests in this proceeding, if relevant.

5. Comments on Proposed Decision

The proposed decision of Administrative Law Judge (ALJ) Liang-Uejio in this matter was mailed to the parties in accordance with Pub Util. Section 311 and comments were allowed under Rule 14.3 of the Commission's Rules. Comments were filed on _____ by _____. Reply comments were filed on _____ by _____.

6. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Scarlett Liang-Uejio is the assigned ALJ in this proceeding.

Findings of Fact

1. SWG requests authority to establish a new tariff for its proposed Program and a new two-way balancing account to record and recover the Program costs from the program participants.

2. SWG proposes to offer the Program to its California customers to purchase carbon offsets at a \$5 premium per 10 therm-block per month to offset their respective GHG emissions associated with customers' gas consumption.

3. SWG proposes to submit an annual Tier 2 AL for the Commission's review of the balancing account entries and adjust the \$5 block rate, if necessary.

4. The Application provides insufficient details regarding the sources of GHG offsets that would be procured, nor does it demonstrate that the offset credits to be purchased would result in incremental reductions of GHG emissions.

5. The Application provides no information on estimated program costs including the cost of purchasing carbon offsets and administrative costs.

Conclusions of Law

1. The Application is insufficient and incomplete. It would be inefficient to give it further consideration.

2. The Application should be dismissed.

3. This decision should not prejudice the merits of SWG's proposed Program, nor should it preclude SWG from seeking Commission approval of a new or similar program in a future application.

4. Application 22-03-014 should be closed.

O R D E R

IT IS ORDERED that:

1. Application 22-03-014 filed by Southwest Gas Corporation requesting Commission approval to revise its California gas tariff to establish a new Schedule No. M2Z for a new Move2Zero Carbon Offset Program (Program) and to establish a two-way, Move2Zero Balancing Account to record and recover the revenue requirement associated the cost of the Program from the participants is dismissed without prejudice.

2. In the future, if Southwest Gas Corporation (SWG) files a new application requesting Commission approval for a similar program, SWG shall provide

sufficient and complete information to address the issues raised in parties' protests in this proceeding, if relevant.

3. Application 22-03-014 is closed.

This order is effective today.

Dated _____, at Fresno, California.