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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Investigation on the Commission's Own Motion into Natural Gas Prices During Winter 2022-2023 and Resulting Impacts to Energy Markets.	I.23-03-008 (Filed March 20, 2023)

JOINT OPENING COMMENTS OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) AND SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G) TO ASSIGNED COMMISSIONER'S RULING ISSUING FIRST AMENDMENT TO SCOPING MEMO AND SEEKING COMMENTS

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the Commission's Own Motion into Natural Gas Prices During Winter 2022-2023 and Resulting Impacts to Energy Markets.	I.23-03-008 (Filed March 20, 2023)

JOINT OPENING COMMENTS OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) AND SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G) TO ASSIGNED COMMISSIONER'S RULING ISSUING FIRST AMENDMENT TO SCOPING MEMO AND SEEKING COMMENTS

In accordance with the Assigned Commissioner's May 13, 2024 Ruling Issuing First Amendment to Scoping Memo and Seeking Comments (ACR), Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) hereby submit their Joint Opening Comments to the Questions Regarding Potential Relief Measures presented in Attachment A of the ACR.[1]

I. INTRODUCTION

SoCalGas and SDG&E share the Commission's interest in helping to protect against the risk of future high natural gas commodity price events and mitigating adverse impacts on customers. Current market prices have shifted significantly downward from the extreme levels observed during winter 2022-2023. Following winter 2022-2023, SoCalGas and SDG&E identified specific steps that could be taken in the near term to help avoid or mitigate future similar market events. SoCalGas and SDG&E requested the Commission increase the authorized inventory at SoCalGas's Aliso Canyon Storage Facility (Aliso Canyon), and SoCalGas requested elimination of the Aliso Canyon Withdrawal Protocol. [2] Subsequently, the

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1 Pursuant to Rule 1.8(d) of the CPUC Rules of Practice and Procedure, SoCalGas has been authorized to submit this Joint Response on behalf of SDG&E.

2 I.23-03-008, *Joint Response of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) To Order Instituting Investigation on the Commission's Own Motion*

Commission increased the maximum allowable underground gas storage inventory at Aliso Canyon to help protect both natural gas and electricity customers from reliability and economic impacts,[3] and the Energy Division eliminated the Aliso Canyon Withdrawal Protocol to allow increased flexibility to use Aliso Canyon to moderate gas and electricity prices.[4] In March 2024, the U.S. Energy Information Administration (EIA) issued an analysis finding that December 2023 natural gas commodity prices in Southern California were the lowest since 2015.[5] The EIA identified several main drivers for the low prices in December 2023 which included greater natural gas in storage and the Commission's decision to increase the maximum allowable inventory at Aliso Canyon.[6]

Another near-term action SoCalGas identified was a text (SMS) message option through which customers could sign up to receive text messages regarding high natural gas commodity price alerts to facilitate customer energy and bill management during the winter season.[7] During winter 2023-2024, SoCalGas implemented a new "Natural Gas Price Notice" where customers were able to opt-in for text notifications regarding potential natural gas price commodity increases that may impact their winter bills from November 2023 through March 2024.

SoCalGas and SDG&E appreciate the opportunity to provide these comments in response to the questions posed by the ACR regarding potential relief measures. While it is important to have mitigation measures and tools available should they be needed, the actions and mitigation measures put in place since winter 2022-2023, and historical and current natural gas commodity prices, should inform the approach to future additional mitigation measures.

Into Natural Gas Prices During Winter 2022-2023 and Resulting Impacts to Energy Markets (hereinafter referred to as "Joint Response to OII"), April 19, 2023, at 6.

3 D.23-08-050.

4 CPUC Letter to Rodger Schwecke, SoCalGas, Re: Aliso Canyon Withdrawal Protocol, September 15, 2023, at 1, available at: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/natural-gas/aliso-canyon/aliso-canyon-withdrawal-protocol-letter-2023-09-15.pdf.

5 United States Energy Information Administration (EIA), *December Natural Gas Price in Southern California Was the Lowest Since 2015*, March 25 2024, available at: https://www.eia.gov/todayinenergy/detail.php?id=61644.

6 *Id*.

7 I.23-03-008, Joint Response to OII, at 6.

II. RESPONSES TO QUESTIONS REGARDING POTENTIAL RELIEF MEASURES

1. Should the Commission require gas and electric utilities to notify customers if gas commodity costs reach a certain threshold? If so, what should the threshold be?

Response 1

SoCalGas Response

In November 2023, SoCalGas launched an opt-in text notification regarding natural gas commodity price increases ("Natural Gas Price Notice"). Under the Natural Gas Price Notice, enrolled participants receive a text message if there is a 20% or more increase in the winter monthly natural gas commodity cost based on the average of the last three winter seasons' monthly natural gas commodity prices (from November to March).

SoCalGas's awareness campaign for the Natural Gas Price Notice included bill communications, enrollment emails, cross promotions via socalgas.com and other email communications, a socalgas.com home page pop up ad/dedicated landing page, My Account promotion, social media (Facebook, Instagram, X, LinkedIn), press release, and earned media. The Natural Gas Price Notice saw an enrollment of 63,716 participants; however, no text message notices were sent to enrolled participants due to the lower natural gas commodity prices during winter 2023-2024.

SoCalGas recommends the Commission allow the utilities flexibility to use the communication tools that best fit their customers' needs as opposed to a specific requirement. This approach fosters a dynamic and nimble process in which the utilities can gather feedback on their communications and enhance, modify or tailor them as necessary. For example, based on SoCalGas's research and industry survey soliciting customer feedback, SoCalGas designed its winter 2022- 2023 high bills communications campaign to focus on proactive, supportive, and multi-language messages. Further, in April 2023, SoCalGas conducted a qualitative research study to gain insights into customer perceptions and sentiments regarding SoCalGas email and website communications, with a focus on the 'Manage Higher Bills' webpage. Allowing the utilities flexibility allows for communication strategies that remain adaptable and responsive to evolving customer preferences and circumstances. Moreover, given the modest number of enrollments for the Natural Gas Price Notice, it would be premature for the Commission to establish a requirement to notify customers if natural gas commodity prices reach a certain threshold at this time. SoCalGas plans to relaunch the Natural Gas Price Notice for winter 2024-2025 and hopes to gain further insights into its value and effectiveness.

SDG&E Response

SDG&E echoes SoCalGas's position and recommendation that the Commission allow the utilities flexibility to use the communication tools that best fit their customers' needs as opposed to a specific requirement.

2. Should the Commission require gas utilities to communicate with customers regarding potential high gas bills and ways to conserve? Should these communications occur over a particular channel (i.e., text, voicemail, email, other)?

Response 2

SoCalGas Response

SoCalGas continues to proactively provide winter preparedness communications through various channels with messages related to higher natural gas commodity prices, energy efficiency and other conservation tools, bill assistance through payment plans, income qualified assistance programs, and tools such as SoCalGas's Ways to Save and Bill Tracker Alerts, to manage usage and bills through winter months and cooler temperatures.[8] Historically, SoCalGas has developed annual strategic winter customer communications in preparation for its "high bill season" (November through March). Primary messages include conservation, energy savings tips, appliance safety, and customer assistance programs. Over the years, SoCalGas's customer communications have evolved, and the channels over which SoCalGas engages with customers have adapted to various factors and the changing landscape of how customers receive information from utilities.

Since 2022, SoCalGas has provided winter preparedness communications earlier and more frequently, incorporating additional promotional messaging of energy savings tips and tools and customer assistance programs. SoCalGas has also expanded customer feedback and qualitative research to include additional participants and customer segments to gain further insights on messaging, channels, and other tools. In addition, SoCalGas has enhanced the presentation and organization of digital communications (e.g., socalgas.com, educational videos, and social media) to provide helpful information to customers across various customer segments. Moreover, SoCalGas has dedicated promotional communications regarding SoCalGas's Bill Tracker Alerts to encourage early adoption, including use of direct communication channels, social media, and leveraging cross-promotional communications where applicable.

SoCalGas currently utilizes various communications channels for its winter customer communications including socalgas.com, bill communications, Interactive Voice Response (IVR), My Account, Chatbot, Amazon Alexa, non-bill emails, social media, and stakeholder

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[8] SoCalGas previously provided a detailed description of its customer communications in this proceeding. *See* I.23-03-008, Joint Response to OII, at 43-56; *see also* I.23-03-008, *Joint Response Of Southern California Gas Company (U 904 G) And San Diego Gas & Electric Company (U 902 G) To Assigned Commissioner's Ruling Directing And Authorizing Responses To Additional Questions Regarding Preparation For Winter 2023-24*, September 26, 2023, at 14-21.

outreach. These channels are employed to reach a majority of customers through various touchpoints and in multiple languages where applicable. In addition, SoCalGas has utilized text communications for bill assistance via our Customer Assistance Programs (CARE and Energy Savings Assistance Program) to build awareness with eligible customers, new customers, and those who need to recertify their program eligibility. Moreover, during winter 2023-2024, SoCalGas launched a new Natural Gas Price Notice which allowed customers to opt-in for a monthly text communication if there was a 20% or more increase in the winter monthly natural gas commodity cost based on the average of the last three winter seasons' monthly natural gas commodity prices.

SoCalGas recommends the Commission allow the utilities flexibility regarding customer communications and associated channels to address customers' needs as opposed to a specific requirement. This approach fosters a dynamic process in which the utilities can gather feedback on their communications and enhance or modify them as necessary. Allowing the utilities flexibility allows for communication strategies that remain adaptable and responsive to evolving customer preferences and circumstances. It is also important to note that the utilities would not be able to comply with a requirement to communicate with customers regarding potential high gas bills and ways to conserve via text without their opt-in consent. Utilities are not permitted to automatically enroll customers in texts due to the Telephone Consumer Protection Act (TCPA). Presently, utilities are only permitted to text their customers for (i) an "emergency purpose" and/or (ii) for matters "closely related to the utility service," provided that the customer has voluntarily provided their respective number to the utility and is afforded the opportunity to opt out of text messages relating to such matters. A high natural gas commodity price event would not constitute an emergency purpose under the TCPA, nor would it constitute a matter closely related to the utility service. Accordingly, the Natural Gas Price Notice permitted customers to enroll in and receive text messages upon provision of a separate express disclosure (i.e., opt-in consent).

SDG&E Response

As well documented in our prior responses in the OII, SDG&E already conducts robust and effective seasonal customer communications and outreach. SDG&E continues to deploy timely seasonal communications, including multi-channel messaging regarding electric and natural gas conservation and bill management. SDG&E remains nimble in our approach and are prepared to pivot quickly to deploy targeted communications based on real-time information, including weather events as well as current or projected natural gas or electric pricing. SDG&E continues to provide customers transparent information about seasonally higher bills, ways to save, and available assistance programs. SDG&E does not think additional communication requirements are necessary and is concerned that any Commission mandates may risk the effectiveness of existing customer engagement and unnecessarily increase costs for ratepayers. Any mandates beyond what the utilities are currently doing may require additional budget requests.

3. Should the Commission require gas utilities to increase communications with customers regarding payment plan options, including plans that reduce variation in bills throughout the year?

Response 3

SoCalGas Response

SoCalGas cross-promotes available Assistance Programs and Payment Plan options, such as the Level Pay Plan, to customers year-round across relevant communication channels. The Level Pay Plan is designed to help with fluctuations in a customer's monthly bill by projecting their annual natural gas usage and costs and distributing payment for those costs evenly over a 12-month period. Those enrolled in this plan make monthly payments based on an average bill amount rather than specific charges for each month. In addition, SoCalGas has created a brochure (Form 5050) specific for the use and distribution by our field collections staff to provide customers at risk of disconnection with information regarding financial and bill assistance options available to them. This new brochure includes Customer Assistance Programs (CARE, ESAP, LIHEAP, AMP, and GAF), My Account, Level Pay Plan, Bill Tracker Alerts, and the 12- and 24-month payment plans. These communications leverage SoCalGas's direct marketing channels such as bill communications, direct mail, emails, socalgas.com, My Account, IVR, and stakeholder outreach as necessary. While SoCalGas cross-promotes information related to its payment plans, SoCalGas could implement specific customer communications regarding payment plan options throughout the year. SoCalGas recommends that rather than a specific requirement, the Commission allow the utilities flexibility to best address their customers' needs and to foster a dynamic process in which the utilities can enhance or modify their communications as necessary.

SDG&E Response

As SDG&E documented in its prior responses in the OII, promotion of assistance programs, payment plan options, and the Level Pay program is already integrated into numerous multi-channel campaigns, including seasonal communications, as well as stand-alone campaigns throughout the year to help customers avoid surprises and manage energy bills. SDG&E does not think additional communication requirements are necessary and is concerned that any Commission mandates may risk the effectiveness of existing customer engagement and unnecessarily increase costs for ratepayers. Any mandates beyond what the utilities are currently doing may require additional budget requests.

4. Should the Commission require PG&E to provide more granular information on its Pipe Ranger website,[9] including more information about how much inventory is allocated to base gas, working gas, park and loan, etc.? Should the Commission require SoCalGas to provide similar information on its Envoy website?[10] Why or why not?

Response 4

SoCalGas currently provides granular information related to the SoCalGas System[11] on its Envoy website. For example, SoCalGas posts the daily and hourly working gas inventory for each of its four natural gas storage fields (La Goleta, Honor Rancho, Playa del Rey, and Aliso Canyon). Base gas is the volume of natural gas intended as constant inventory in a storage reservoir to maintain pressure and deliverability rates throughout the withdrawal season. Accordingly, the cushion or base gas volume does not routinely change or impact the working gas available to meet customer demand and, therefore, is not necessary to include on the Envoy website. SoCalGas also posts recent unbundled storage sales and storage and operational hub park and loan activities, status of key SoCalGas pipelines, and its maintenance schedules on Envoy. The detailed list of information posted on the Envoy website is provided below.

- **Storage Capacity**
  - Primary Storage Transactions
  - Secondary Storage Transactions

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9 PG&E, *California Gas Transmission, Pipe Ranger*, available at: https://www.pge.com/pipeline/en.html.

10 SoCalGas, *SoCalGas ENVOY*, available at: https://www.socalgas-envoy.com/index.jsp#nav=/Public/ViewExternal.showHome.

11 SoCalGas operates an integrated gas transmission system on behalf of both SoCalGas and SDG&E (SoCalGas System), consisting of pipeline and storage facilities designed to transport natural gas supply to primary load centers in Los Angeles and San Diego.

- Operational Hub Positions
- Core Storage Balance
- Index of Firm Storage Rights
- Unsubscribed (Storage) Capacity

- **Daily Operations**
  - Actual, Estimated and Forecast Daily System Receipts, System Sendout, Net Injections or Withdrawals, Injection Capacity, Withdrawal Capacity, Ending Storage Balance, Daily Customer Imbalance, Cumulative Customer Imbalance, Storage Injection or Withdrawal for Customer Balancing, Transmission Fuel Use and Composite System Average Temperature
- **Hourly Operations**
  - System Hourly Receipts, Withdrawals, Injections and Sendout
- **Hourly Receipts**
  - Hourly flow data for each System Receipt Point and Storage Field (hourly withdrawal and injection data listed separately)
- **Hourly Inventory**
  - Hourly Inventory levels for each storage field[12]
- **Capacity Utilization (Data posted for each scheduling cycle of each Gas Day)**
  - Forecasted Sendout, Total Net System Capacity, Storage Withdrawal Capacity, Net Storage Withdrawal Capacity, Storage Injection Capacity, and Net Storage Injection Capacity
  - Confirmed and scheduled total, firm and interruptible withdrawals; and confirmed and scheduled total, firm and interruptible injections
- **High OFO Calculation**
  - Forecasted Net Injections (Withdrawals), Forecasted Storage Injection for Balancing, Storage Injection Limit for Balancing, and Excess Storage Injection for Balancing
- **Low OFO Calculation**

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[12] Envoy also includes a graphic showing total system storage inventory since February 16, 2001, and total inventory for each storage field since July 2, 2021.

    - Forecasted Total Daily Customer Imbalance, Storage Withdrawal Limit for Balancing, and Excess Storage Withdrawal for Balancing
- **Maintenance Schedules**
    - Listing of individual maintenance outages that reduce the quantity of injection or withdrawal capacity at the individual storage fields
- **Maintenance Impacts**
    - 90-day forecast of available total injection and withdrawal capacities using maintenance outage data from the Maintenance Schedules screen

The Commission should not require additional information to be added to the Envoy website given the extensive and granular information already provided. The Commission should also be cautious in requiring additional information to be included on electronic bulletin boards given that excessive information may have unintended and adverse effects on the market. SoCalGas also notes that confidential market participant information, such as confidential information belonging to SoCalGas's Gas Acquisition Department, should not be required to be posted publicly. For these reasons, the Commission should not require SoCalGas to add additional information to the Envoy website.

5. Should the Commission require independent storage providers (ISPs) to publicly report daily inventory levels? Why or why not? If so, on what platforms should ISPs report daily inventory levels (e.g., respective gas utilities' websites, PG&E's website, the Commission's website, or a combination of these websites)?

<u>Response 5</u>

SoCalGas and SDG&E do not offer comments at this time but reserve the right to submit reply comments in response to parties' opening comments related to this question.

6. Should more PG&E storage capacity be allocated to core customers to reduce the amount of storage Core Gas Supply must purchase from ISPs? Should the rates charged by ISPs for storage procured by PG&E for core customers be set by the market or at cost-plus-rate-of-return?

Response 6

SoCalGas and SDG&E do not offer comments at this time but reserve the right to submit reply comments in response to parties' opening comments related to this question.

7. Should the Commission require gas utilities to place a temporary cap on the core procurement charge during price spike events with subsequent recovery? Why or why not? If so, how should the Commission define a high price event? What should the cap be? Over what period should the additional costs be amortized? If there is a cap, how should utilities signal to customers the need to conserve? Should gas utilities more heavily promote payment plans over time for core customers in conjunction with such plans or instead of such plans?

Response 7

SoCalGas's CPC and SDG&E's GPC are estimates of the wholesale natural gas market's monthly commodity cost of gas which are placed in rates on a monthly basis for residential and non-residential bundled core customers. The calculation of the monthly CPC for SoCalGas and GPC for SDG&E are described in SoCalGas's Schedule No. G-CP Tariff ("Core Procurement Service") and SDG&E's Schedule No. GPC Tariff ("Gas Procurement for Core Customers"), respectively. The components of SoCalGas's monthly CPC include the following: (1) the weighted average estimated cost of gas (WACOG) for the current month including reservation charges associated with interstate pipeline capacity contracts entered into by SoCalGas, and the carrying cost of storage inventory; (2) authorized franchise fees and uncollectible expenses; (3) authorized core brokerage fee; (4) any adjustments for over or under collection imbalance in the CPGA imbalance band;[13] (5) backbone transportation service charges; and (6) an adjustment for the Gas Cost Incentive Mechanism (GCIM).[14] D.98-07-068 provides authorization to file the G-

13 The CPGA component is an adder in the case of an under-collection and a subtracter in the case of an over-collection.

14 SoCalGas Tariff Schedule No. G-CP, Core Procurement Service, at Sheet 1, available at: https://tariff.socalgas.com/regulatory/tariffs/tm2/pdf/tariffs/GAS_G-SCHEDS_G-CP.pdf.

CP Tariff on the last business day of the month, to then become effective on the first calendar day of the following month.[15]

The GPC for SDG&E bundled core customers is described in SDG&E's Schedule GPC Tariff ("Gas Procurement for Core Customers"). The components of SDG&E's monthly GPC include the following: (1) cost of gas including any amortization from previous months, and an adjustment for the GCIM; (2) interstate pipeline capacity charges; (3) carrying cost of storage in inventory charge; (4) backbone transportation charge; (5) brokerage fees; and (6) franchise fees and uncollectible expenses. As a result of the consolidation of SDG&E and SoCalGas's natural gas portfolios,[16] the monthly CPC and GPC for the utilities is the same with the exception of the franchise fees and uncollectible expenses gross-up factor.[17] D.96-05-071, as modified by Commission D.97-07-061, authorizes SDG&E to submit an advice letter for monthly core procurement rate changes.

SoCalGas and SDG&E recommend preserving the current framework of forecasting commodity costs for rates on a monthly basis for the April through October period and propose establishing a distinct framework for the winter period (November through March). SoCalGas and SDG&E's proposal assumes the winter rate would be an estimated rate applicable to all winter months. The calculation of the "estimated winter rate" would include, but may not be limited to, the following: (1) winter forecasted demand, (2) the estimated cost of flowing

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15 D.98-07-068, at 3, Ordering Paragraph (OP) 1-3.

16 SoCalGas procures natural gas for retail core customers of both SoCalGas and SDG&E. Pursuant to D.07-12-019, at 114, OP 4, the retail core portfolios of SoCalGas and SDG&E were consolidated into one single portfolio managed by SoCalGas's Gas Acquisition Department, effective April 1, 2008.

17 SDG&E Tariff Schedule No. GPC, Gas Procurement For Core Customers, at Sheet 1, available at: https://tariff.sdge.com/tm2/pdf/tariffs/GAS_GAS-SCHEDS_GPC.pdf.

supplies by region based on winter forward prices published in September, (3) forecasted cost of gas supplied from storage given planned withdrawals and estimated cost of stored gas, (4) transportation costs, and (5) estimated cost of winter hedges. The estimated winter rate would be reported to the Commission via a Tier 1 Advice Letter concurrently with the existing Advice Letter process seeking Commission approval of the monthly rate for the month of October. Given that the estimated winter rate would be based on various factors, including forward prices published in September, as the winter progresses, the estimated winter rate would be compared to an updated winter rate ("actual winter rate"). The difference between the estimated winter rate and the actual winter rate for the winter period would be used to determine any under-collection or over-collection. Any under-collection or over-collection would inform the appropriate amortization period.

SoCalGas and SDG&E consider the winter rate proposal a better approach due to the stability in pricing it provides customers during the winter period as well as its relative simplicity in implementation (e.g., communications[18] and billing). The Commission, however, could alternatively provide utilities the ability to place a temporary cap for the winter period should a high natural gas commodity price event occur, including subsequent recovery of the under-collected costs in future rates through amortization. The utilities would work with the Commission to define a high price event and determine the appropriate cap based on factors such as historical natural gas commodity prices.

SoCalGas could also, in conjunction with the winter rate proposal or temporary cap and amortization, further promote its Level Pay Plan as discussed in Response 3. Lastly, it is critical

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[18] The utilities would be able to issue communications regarding the winter rate starting in October.

to note that any actions taken by the Commission related to the recommendations in this question do not impair the utilities' financial health and obligations or their ability provide reliable natural gas supplies at a reasonable cost to customers.

8. Should the Commission require gas utilities to lengthen the core procurement charge amortization period during high gas price events? If so, how should a high price event be defined? Over what period should the additional costs be amortized?

Response 8

SoCalGas and SDG&E recommend the use of existing gas utility procurement tariff tools, such as amortization, to assist in mitigating the impact to customers during periods of gas market price volatility. D.98-07-068 established a Core Procurement Gas Account (CPGA) imbalance band of +/-1% of the actual annual commodity gas purchases during the preceding 12-month period ending March 31 of each year, wherein adjustments would be made to the monthly CPC only if the CPGA imbalance falls outside of the band. [19] Pursuant to D.98-07-068, upon exceeding the +/-1% of actual annual commodity costs imbalance (tolerance) band, SoCalGas and SDG&E place into future rates (amortize) a component of CPGA over or under-collection imbalance. A CPGA over-or -under collection imbalance represents the difference at the end of each month between forecasted and estimated gas costs placed into rates and recovered from customers versus SoCalGas and SDG&E's actual procurement costs from purchasing natural gas. An under-collection results when forecasted gas costs are lower than actual gas procurement costs and conversely, an over-collection results when forecasted gas costs are higher than actual gas procurement costs. SoCalGas and SDG&E recommend the Commission allow the utilities the flexibility to amortize the CPGA imbalances over lengthier periods of time

[19] D.98-07-068, at 3, OP 3.

or periods of less price volatility, if necessary to mitigate impacts to ratepayers. Any under-collection or over-collection would inform the appropriate amortization period.

9. Should the Commission require utilities to provide community resource centers? If so, should these resource centers be provided by gas utilities or coordinated between gas-only utilities and electric utilities? When should utilities be required to make community resource centers available (i.e., during high gas price events, if a high number of gas disconnections occur, in the event of core gas or winter electric curtailment)? If communities resource centers should be available during high gas price events, how should the Commission define a high gas price event?

Response 9

SoCalGas and SDG&E are unclear as to what is being considered here and would need more information to provide an informed response. Nonetheless, establishing community resource centers for high price events would create implementation challenges which either does not provide incremental benefits to customers or is inapplicable to high price events. SoCalGas and SDG&E's service territories are vast. SoCalGas is the nation's largest natural gas distribution utility, delivering increasingly clean, safe, and reliable energy to 21.1 million consumers through 5.9 million meters in more than 500 communities encompassing approximately 24,000 square miles. SDG&E is a combined gas and electric distribution utility providing natural gas service to approximately 900,000 customers covering an approximate 4,100 square mile service territory in Southern California, including San Diego County and an adjacent portion of Orange County.

If the community resource centers are being considered to provide information to customers, existing resources (e.g., customer call centers or community-based organizations) can provide that information. Establishing community resource centers for over 500 communities, for example, would not confer incremental benefits, but rather would incur unnecessary costs and create implementation complexities. If the community resource centers are being considered to provide available facilities to customers (e.g., similar to cooling centers offered during extreme heat events), this would not be applicable to a high gas price event and would have implementation issues (e.g., the need for heating is the greatest overnight and early morning as opposed to the peak need for cooling relief during the day and early evening). For these reasons, the Commission should not impose a requirement for utilities to provide community resource centers.

10. The Energía Costa Azul Liquified Natural Gas (LNG) export project in Baja California, owned and operated by SoCalGas affiliates Sempra Infrastructure, TotalEnergy, and IEnova, is currently anticipated to commence service in the third quarter of 2025 for an approximate maximum daily capacity of 500 Mcf/d. El Paso Natural Gas (EPNG) provides service at Ehrenburg to the expanded North Baja system, which is expected to primarily or exclusively serve the LNG export demand, as well as to SoCalGas's Southern System. Following the project's completion, increased competition for limited pipeline capacity may arise due to increased LNG exports from Mexico. Given the potential impact on gas and electric prices, what mitigation measures or tools should the Commission consider?

Response 10

Because of a lack of in-state natural gas supply, California currently receives over 95% of its natural gas supply from out-of-state sources. The SoCalGas Southern System is the portion of SoCalGas's transmission system serving Riverside, San Bernardino, Imperial, and San Diego counties. Because SoCalGas's Southern System customers are highly dependent on out-of-state flowing supplies from essentially the terminus of one pipeline system, these customers are more likely to be impacted by upstream events, including increasing demand for gas supplies upstream of California. The primary source of supply is the El Paso Natural Gas (EPNG) system at Ehrenberg, and the Southern System has no direct access to flowing supplies from other SoCalGas System receipt points other than limited receipts from the TGN system at Otay Mesa and from crossovers with its Northern System in Riverside County and has no direct access to

SoCalGas storage assets. SoCalGas and SDG&E propose the following mitigation measures and/or tools to address the potential increased competition for limited pipeline capacity on the EPNG system.

SoCalGas and SDG&E recommend new infrastructure be considered to maintain reliability and mitigate against potential impacts to gas and electric prices. For example, construction of a new gas transmission pipeline connecting the SoCalGas Northern System to the Southern System would provide better access to supply from non-Southern Zone system receipt points and existing underground storage facilities, in conjunction with complementary Northern System projects to maintain the Northern System's nominal capacity.[20] In addition, the construction of additional gas transmission interstate pipelines to provide capacity for supplies from the production basins to the Southern System could help maintain reliability and mitigate against price increases, although any such infrastructure improvement would lack access to SoCalGas's storage assets and the Southern System would still be subject to upstream supply constraints and outages. The Commission could also help protect against high natural gas commodity events by providing avenues for utilities to diversify supplies and reduce reliance on out-of-state gas supplies through facilitating the development, procurement, and interconnection of clean fuels such as clean renewable hydrogen and in-state renewable natural gas (RNG). The Angeles Link Project, for example, is a proposed clean renewable hydrogen pipeline system that could deliver clean, reliable, renewable energy and alleviate natural gas demand.[21] In addition, California's Renewable Gas Standard (RGS), established in D.22-02-025 pursuant to Senate Bill

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[20] Application (A.) 13-12-013, *Application of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) for Authority to Recover North-South Project Revenue Requirement in Customer Rates and for Approval of Related Cost Allocation and Rate Design Proposals*, filed December 20, 2013.

[21] *See* D.22-12-055.

(SB) 1440, provides an opportunity to reduce California's reliance on out-of-state gas by at least 12% of core throughput by 2030. To achieve the procurement goals established by D.22-02-025, the Commission should identify and remove barriers of entry that are inhibiting the development of California biomethane-producing facilities in this space. Supporting the development of projects that meet the RGS eligibility criteria established by the Commission would provide utilities with additional access to in-state renewable gas that could help mitigate the exposure to out-of-state gas supplies while advancing California's net zero goals, all while providing local climate benefits.

SoCalGas and SDG&E also recommend developing, maintaining, and modernizing existing gas infrastructure (e.g., pipelines, compressors, and storage) to preserve gas and electric service reliability and mitigate impacts to price. The availability of interstate and intrastate pipeline capacity during periods of high demand provides access to out-of-state supplies that can help mitigate prices and support reliability. Moreover, storage inventory can dampen price volatility during periods of high demand by allowing market participants to inject natural gas in the summer and shoulder months and sell or utilize that natural gas, in the winter heating months when demand and prices tend to be higher. The Commission's decision to increase the maximum allowable underground gas storage inventory at Aliso Canyon helped protect both natural gas and electricity customers from reliability and economic impacts this past winter.[22] As explained herein, storage's positive impact on natural gas prices in Southern California is well recognized, as the EIA recently identified several main drivers for the low prices in December 2023 which included greater natural gas in storage in Southern California and the

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[22] D.23-08-050.

Commission's decision to increase the maximum allowable underground inventory at Aliso Canyon.[23]

In addition, as SoCalGas and SDG&E have explained, the Commission could review the current interstate pipeline capacity approval process to determine whether modifications which would allow gas utilities to continue to submit competitive bids in open seasons and secure interstate capacity are warranted.[24] In D.04-09-022, the Commission recognized the need for a clearly articulated interstate pipeline capacity approval process, which is flexible and provides for expeditious processing and appropriate regulatory oversight, to provide the utilities with the opportunity to acquire needed core capacity in the most efficient and most cost-effective manner.[25] The decision established a pre-approval process for interstate pipeline capacity contracts within a contract length limit of 3 years and capacity amount limits (100 MMcfd for SoCalGas and PG&E and 20 MMcfd for SDG&E).[26] The Commission could review the pre-approval contract criteria and determine whether that short time limitation for capacity is appropriate and in the best interest of ratepayers. The inability to submit competitive long-term bids could increase the risk of failing to secure adequate interstate capacity. This is most important for interstate capacity contracts delivering to the Southern System where there is a greater reliance on flowing supplies. Potential modifications could include allowing gas utilities

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23 United States Energy Information Administration (EIA), *December Natural Gas Price in Southern California Was the Lowest Since 2015*, March 25 2024, available at: https://www.eia.gov/todayinenergy/detail.php?id=61644.

24 I.23-03-008, *Joint Response of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) To Order Instituting Investigation on the Commission's Own Motion Into Natural Gas Prices During Winter 2022-2023 and Resulting Impacts to Energy Markets*, April 19, 2023, at 31-32.

25 D.04-09-022, at 85-86, FOF 4.

26 *Id*. at 86, FOF 9.

to enter into contract transportation capacity contracts with longer delivery periods, so that gas utilities can submit competitive bids in open seasons and secure interstate capacity.

SoCalGas and SDG&E also propose the following additional tools. The Commission could authorize SoCalGas to provide the Operational Hub with access to Southern Zone firm Backbone Transmission Service (BTS) capacity currently not offered to customers due to continuing seasonal load conditions on the Southern System. This firm primary capacity would be used to support Spot and Base Load transactions to meet System Reliability requirements, and for spot transactions made in support of pipeline maintenance activities. SoCalGas would pay volumetric and in-kind rate requirements subject to appropriate rate recovery mechanisms whenever it used this capacity for these purposes. Providing the Operational Hub access to Firm Primary capacity would confirm to potential suppliers that transactions made for these purposes has the highest scheduling priority on the SoCalGas System. Lastly, the Commission could also authorize the implementation of specific Southern System low operational flow orders (OFOs) to improve certainty that reliability is met and that curtailments are avoided on the Southern System, which may also drive infrastructure development outside of California.

III. CONCLUSION

SoCalGas and SDG&E appreciate the opportunity to provide these responses to the ACR and share the Commission's interest in helping to protect against the risk of future high natural gas price events and mitigating adverse price impacts on consumers.

Respectfully submitted,

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