

Decision \_\_\_\_\_

**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 Authority to Revise their Curtailment Procedures.

Application 15-06-020

**DECISION GRANTING THE JOINT PETITION FOR MODIFICATION OF  
DECISION 16-12-015 BY SOUTHERN CALIFORNIA GAS COMPANY  
(U904G), SAN DIEGO GAS & ELECTRIC COMPANY (U902E) AND THE  
INDICATED PARTIES**

**Summary**

This decision grants the September 8, 2017, Joint Petition for Modification of Decision (D.)16-12-015, as subsequently modified by D.17-03-020, filed by Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E) and the Indicated Parties.<sup>1</sup> This decision extends the termination date of the *Settlement Agreement Regarding Daily Balancing Issues*

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<sup>1</sup> The Indicated Parties consist of The Alliance for Retail Energy Markets (AReM); California State University (CSU); California Manufacturers & Technology Association (CMTA); California League of Food Processors (CLFP); City of Long Beach Gas & Oil Department; City of Vernon; Clean Energy Fuels Corporation; Commerce Energy (effective September 25, 2017, Commerce Energy changed its name to Just Energy Solutions, Incorporated (Just Energy)); Commercial Energy; Indicated Shippers; Interstate Gas Supply Incorporated (IGS); NRG Energy, Incorporated; Pacific Summit Energy LLC; Shell Energy North America (US), L.P.; Southern California Generation Coalition (SCGC); Tiger Natural Gas; University of California (UC); Western Power Trading Forum (WPTF); Office of Ratepayer Advocates (ORA); and California Independent System Operator(CAISO). Previously, California Cogeneration Council (CCC) participated in this proceeding. However, CCC has subsequently disbanded and confirmed to SoCalGas and SDG&E that they will no longer be participating in this proceeding.

(Second Daily Balancing Settlement Agreement) from November 30, 2017, to November 30, 2018.

This proceeding remains open for a status report from SoCalGas and SDG&E regarding efforts to seek a long-term solution to the system reliability issues that are presented by the Aliso Canyon storage field, as required by Ordering Paragraph 18 in D.17-03-020 and D.16-12-015.

## **1. Background**

Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) filed their Application to Revise Their Curtailment Procedures (Application) on June 26, 2015. A prehearing conference (PHC) was held on October 27, 2015, to discuss the scope of issues and other procedural matters. An Assigned Commissioner's Scoping Memo and Ruling was issued on November 6, 2015.

On March 1, 2016, SoCalGas and SDG&E filed a Motion for Interim Order to Establish Daily Balancing requirements. Numerous parties filed comments on the Motion on March 16, 2016. On April 12, 2016, a group of parties calling themselves the "Customer Coalition" filed a Motion Requesting Approval of System Reliability Measures.

A second PHC was set for April 20, 2016, to address the SoCalGas and SDG&E daily balancing proposal. Parties were directed to hold clarification sessions to attempt to reach a compromise solution. On April 14, 2016, an Assigned Commissioner's Amended Scoping Memo and Ruling was issued, which added the following to the scope of this proceeding:

The issues to be addressed in this proceeding are expanded to include the need for temporarily establishing five percent daily balancing on the SoCalGas and SDG&E systems to address operational constraints at the Aliso Canyon storage field.<sup>2</sup>

On April 20, 2016, SoCalGas and SDG&E served a Notice of Settlement Conference. That Settlement Conference was held telephonically on April 28, 2016. SoCalGas, SDG&E, and 24 other parties<sup>3</sup> filed a Joint Motion for Adoption of Daily Balancing Proposal Settlement on April 29, 2016. Tariff changes adopted by the April 29<sup>th</sup> First Daily Balancing Settlement were approved by Decision (D.) 16-06-021, implemented on June 1, 2016, and were to remain effective through November 30, 2016.

As directed in D.16-06-021, a subsequent phase in this proceeding was initiated to consider reliability measures needed beyond November 30, 2016, in the event that by that date: (1) Aliso Canyon had not returned to at least 450 million cubic feet per day (MMcfd) of injection capacity and 1,395 MMcfd of withdrawal capacity, consistent with the service levels set forth in Section 2 of the Settlement, or (2) working inventory at Aliso Canyon was not at least 45 billion cubic feet. D.16-06-021 directed parties to meet in good faith to address reliability measures that might be needed beyond November 30, 2016

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<sup>2</sup> Assigned Commissioner's Scoping Memo at 2.

<sup>3</sup> The 24 other parties consists of: AReM, CAISO, CSU, CCC, CMTA, CLFP, City of Long Beach Gas & Oil Department, City of Vernon, Clean Energy Fuels Corporation, Commercial Energy, Independent Energy Producers Association, Indicated Shippers, IGS, Just Energy, NRG Energy, ORA, Pacific Summit Energy LLC, Shell Energy, SCE, SCGC, Southwest Gas Corporation, Tiger Natural Gas, UC, and WPTF.

– through clarification sessions, informal meetings, and/or Rule 12<sup>4</sup> settlement discussions<sup>5</sup> – and to file and serve a joint status report on the results of those meetings. The aforementioned joint status report was submitted on September 8, 2016.

On August 17, 2016, SCE, on behalf of itself and the Customer Coalition,<sup>6</sup> filed a Motion for Consideration of Winter Reliability Measures. SoCalGas and SDG&E filed a response on September 2, 2016. On September 15, 2016, SoCalGas and SDG&E filed a motion for order changing the timing of the daily core demand forecast, temporarily continuing certain customer mitigation measures, and shortening the response period. The “Customer Coalition”<sup>7</sup> responded to that motion on September 30, 2016. On October 12, 2016, SoCalGas and SDG&E served notice of a Settlement Conference that was held at 11 a.m. on October 19, 2016.

On October 20, 2016, SoCalGas and other settling parties filed a joint motion for approval of the Second Daily Balancing Settlement Agreement. The Commission approved the joint motion on December 1, 2016, in D.16-12-015.

Among other things, Section II.B.2 of the Second Daily Balancing Settlement Agreement provided the following:

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<sup>4</sup> All subsequent references to rules mean the Commission’s Rules of Practice and Procedure, unless otherwise specified.

<sup>5</sup> Rule 12 provides in part the “Parties may, ... propose settlements on the resolution of any material issue of law or fact or on a mutually agreeable outcome to the proceeding ...”

<sup>6</sup> The “Customer Coalition” for the August 17, 2016, motion includes, in addition to SCE, CMTA, CLFP, Indicated Shippers, Independent Energy Producers Association, Shell Energy, AReM, SCGC, Commercial Energy, WPTF, Clean Energy Fuels, NRG Power Marketing, and GenOn Energy Management LLC.

<sup>7</sup> The “Customer Coalition” for the September 30, 2016, response includes SCE, the Indicated Shippers, Shell Energy, AReM, and SCGC.

For provisions that refer to the Settlement term, the term of this Settlement is defined to begin upon adoption by the Commission and to conclude upon the earlier of: (1) any superseding decision or order by the Commission, (2) the return of Aliso Canyon to at least 450 MMcfd of injection capacity and 1,395 MMcfd of withdrawal capacity, or (3) March 31, 2017.

On February 16, 2017, SoCalGas, SDG&E, and the Indicated Parties filed a Joint Petition for Modification (Joint PFM) of D.16-12-015 and Reduction of Comment Period. The Joint PFM requested modification of D.16-12-015 to extend the termination date of the Second Daily Balancing Settlement Agreement from March 31, 2017, to November 30, 2017. On February 17, 2017, the assigned Administrative Law Judge (ALJ) granted the motion for a reduced comment period by e-mail ruling. The Commission adopted D.17-03-020 on March 23, 2017, which granted the Joint PFM.

On September 8, 2017, SoCalGas, SDG&E, and the Indicated Parties filed a second Joint Petition for Modification (Second Joint PFM). SoCalGas, SDG&E and the Indicated Parties also filed a motion for a reduced comment period on the Second Joint PFM. On September 20, 2017, the assigned ALJ granted the motion for a reduced comment period by e-mail ruling. SoCalGas, SDG&E and the Indicated Parties also request that if no party contests the Joint PFM that the Commission waive comments on the Proposed Decision.

## **2. Nature of Relief Requested**

Without changing any other aspect of the Second Daily Balancing Settlement Agreement, the Second Joint PFM seeks to leave in place the temporary provisions granted by D.16-12-015 and extended by D.17-03-020 through November 30, 2018, subject to existing off-ramps that would remove the temporary provisions earlier should there be any superseding decision or order

by the Commission or should Aliso Canyon return to at least 450 MMcfd of injection capacity and 1,395 MMcfd of withdrawal capacity. As noted at the time, the Second Daily Balancing Settlement Agreement provided a recommended resolution of the following item identified in the April 14, 2016, Assigned Commissioner's Amended Scoping Memo and Ruling, as expanded by Ordering Paragraph 4 of D.16-06-021:

The issues to be addressed in this proceeding are expanded to include the need for temporarily establishing five percent daily balancing on the SoCalGas and SDG&E systems to address operational constraints at the Aliso Canyon storage field.<sup>8</sup> . . .

A subsequent phase of this proceeding is hereby established to consider reliability measures that may be needed beyond November 30, 2016, in the event that by that date: (1) Aliso Canyon has not returned to at least 450 million cubic feet per day (MMcfd) of injection capacity and 1,395 MMcfd of withdrawal capacity, consistent with the service levels set forth in Section 2 of the Settlement, or (2) working inventory at Aliso Canyon is not at least 45 Billion Cubic Feet.<sup>9</sup>

The operational constraints at the Aliso Canyon storage field may continue beyond November 30, 2017. The Second Joint PFM seeks to continue the temporary provisions beyond November 30, 2017, to November 30, 2018, subject to existing off-ramps.

The extension would be accomplished by revising Ordering Paragraph 1 to extend the term of the Second Daily Balancing Settlement Agreement to November 30, 2018, and to make conforming changes to Ordering Paragraphs 15 and 18, the only other Ordering Paragraphs of D.16-12-015 that refer to the

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<sup>8</sup> Assigned Commissioner's Amended Scoping Memo and Ruling at 2.

<sup>9</sup> D.16-06-021 at 14.

November 30, 2017, termination date. Accordingly, the Joint PFM proposes the following limited changes:<sup>10</sup>

**Ordering Paragraph 1:**

The “Second Daily Balancing Proposal Settlement Agreement” (Settlement), set forth as Attachment 2 to this decision, is approved for implementation and extended to November 30, 2018 ~~2017~~.

**Ordering Paragraph 15:**

Southern California Gas Company and San Diego Gas & Electric Company shall file a Tier 1 Advice Letter after November 30, 2018 ~~2017~~, to remove the temporary provisions granted by this decision from their tariffs.

**Ordering Paragraph 18:**

In the event that Aliso Canyon storage field does not return to at least 450 million cubic feet per day (MMcfd) of injection capacity and 1,395 MMcfd of withdrawal capacity by November 30, 2018 ~~2017~~, which is the date the terms of the Settlement Agreement is set to expire, Southern California Gas Company and San Diego Gas & Electric Company shall take all reasonable efforts to seek a long-term solution to the system reliability issues which are presented at Aliso Canyon storage field.

**3. Requirements for Revising a Commission Decision**

Public Utilities Code § 1708 provides that the Commission, after appropriate notice, may alter one of its prior decisions:<sup>11</sup>

The commission may at any time, upon notice to the parties, and with opportunity to be heard as provided in the case of complaints, rescind, alter, or amend any order or decision

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<sup>10</sup> Proposed additions are noted by underline text and proposed deletions are noted by strikethrough text.

<sup>11</sup> All subsequent references to statute mean the Public Utilities Code, unless otherwise specified.

made by it. Any order rescinding, altering, or amending a prior order or decision shall, when served upon the parties, have the same effect as an original order or decision.

A petition for modification is the procedural vehicle specifically designed to ask the Commission to revise a prior decision. Rule 16.4 of the Commission's Rules of Practice and Procedure governs such petitions. We find that the Second Joint PFM meets the requirements set forth in Rule 16.4(b) and (c). Therefore, we must evaluate whether or not the petition should be granted.

#### **4. Discussion**

The Second Daily Balancing Settlement Agreement contains modifications to SoCalGas' operation flow order (OFO) protocols that are responsive to the operational constraints at Aliso Canyon. The Second Joint PFM correctly notes that the operational constraints at Aliso Canyon will likely continue past November 30, 2017.<sup>12</sup> Granting an extension to November 30, 2018, will allow the Second Daily Balancing Settlement Agreement rules to remain in effect for an additional year. We agree that absent a change in the situation at the Aliso Canyon storage field, it is in the best interest of the ratepayers to continue the temporary provisions originally granted in D.16-12-015, which were subsequently revised by D.17-03-020, through November 30, 2018. Therefore, we grant the Second Joint PFM to allow the mitigation measures set forth in the Second Daily Balancing Settlement Agreement to continue until November 30, 2018, or until the otherwise agreed upon triggers in the Second Daily Balancing Settlement Agreement are achieved.

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<sup>12</sup> Second Joint PFM at 3.



Accordingly, we grant the requested changes to Ordering Paragraphs 1, 15 and 18 of D.16-12-015, as subsequently modified by D.17-03-020.

In addition, we note that Ordering Paragraph 18 in both D.16-12-015 and D.17-03-020 states that following:

... Southern California Gas Company and San Diego Gas & Electric Company shall take all reasonable efforts to seek a long-term solution to the system reliability issues which are presented at Aliso Canyon storage field.

To ensure that SoCalGas and SDG&E are in compliance with Ordering Paragraph 18 in these decisions, we require SoCalGas and SDG&E to provide a status report on steps toward achieving a long-term solution that revisits the allocation of storage inventory, injection, and withdrawal capacity and storage costs agreed to in the Phase 1 Triennial Cost Allocation Proceeding (TCAP) Settlement Agreement, which we approved in D.16-06-039. These allocations were based on storage capacity prior to the Aliso leak and are no longer realistic given current storage capacity. This incongruence between the TCAP allocations and reality exacerbates the impact of the physical reductions in storage capacity on the SoCalGas system. Therefore, we require SoCalGas and SDG&E to provide the Commission with a status report by December 15, 2017, that provides a detailed description of the steps the utilities are taking to align the TCAP storage cost and storage capacity allocations with current system realities.

In order to implement the authority granted herein, SoCalGas and SDG&E must file a Tier 1 Advice Letter within 30 days of the date of this decision. The tariff sheets filed in these ALs shall be effective on or after the date filed subject to the Commission's Energy Division determining they are in compliance with this decision.

**5. Waiver of Comment Period**

As noted above, no party contested the Second Joint PFM. Pursuant to Rule 14.6(c)(2), comments on the Proposed Decision are waived.

**6. Assignment of Proceeding**

Clifford Rechtschaffen is the assigned Commissioner and Gerald F. Kelly is the assigned ALJ in this proceeding.<sup>13</sup>

**Findings of Fact**

1. On October 20, 2016, a Joint Motion for adoption of the Second Daily Balancing Proposal Settlement Agreement was filed by SoCalGas, SDG&E, and others identified in the Joint Motion.

2. On December 1, 2016, the Commission issued D.16-12-015, which adopted the joint motion for Adoption of Second Daily Balancing Proposal Settlement Agreement.

3. On March 23, 2017, the Commission issued D.17-03-020, which granted the Joint Petition for Modification of D.16-12-015.

4. On September 8, 2017, SoCal Gas, SDG&E, AReM, CSU, CMTA, CLFP, City of Long Beach Gas & Oil Department, City of Vernon, Clean Energy Fuels Corporation, Commercial Energy, Just Energy, Indicated Shippers, IGS, NRG Energy Incorporated, Pacific Summit Energy LLC, Shell Energy, SCGC, Tiger Natural Gas, UC, WPTF, ORA and CAISO filed a second joint petition for modification to make changes to Ordering Paragraph 1, 15 and 18 in D.16-12-015, as subsequently modified by D.17-03-020.

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<sup>13</sup> Effective February 7, 2017, the matter was reassigned from President Michael Picker to Commissioner Clifford Rechtschaffen.

5. The joint petition for modification of D.16-12-015 was filed within one year of the issuance of D.16-12-015.

6. The joint petition for modification of D.16-12-015 was not opposed by any party.

7. Ordering Paragraph 1 in D.16-12-015, as modified by D.17-03-020 should be changed as follows:

The "Second Daily Balancing Proposal Settlement Agreement" (Settlement), set forth as Attachment 2 to this decision, is approved for implementation and extended to November 30, 2018.

8. Ordering Paragraph 15 in D.16-12-015, as modified by D.17-03-020 should be changed as follows:

Southern California Gas Company and San Diego Gas & Electric Company shall file a Tier 1 Advice Letter after November 30, 2018, to remove the temporary provisions that were granted by this decision from their tariffs.

9. Ordering Paragraph 18 in D.16-12-015, as modified by D.17-03-020 should be changed as follows:

In the event that Aliso Canyon storage field does not return to at least 450 million cubic feet per day (MMcfd) of injection capacity and 1,395 MMcfd of withdrawal capacity by November 30, 2018, which is the date the terms of the Settlement Agreement is set to expire, Southern California Gas Company and San Diego Gas & Electric Company shall take all reasonable efforts to seek a long-term solution to the system reliability issues which are presented at Aliso Canyon storage field.

10. The quantity of storage capacity allocated to core, balancing, and unbundled storage in D.16-06-039 exceeds the total quantity of storage capacity currently available on the SoCalGas system.

11. The incongruence between the storage capacity allocated by D.16-06-039 and the actual storage capacity exacerbates the impact of physical reductions to storage.

### **Conclusions of Law**

1. The unopposed joint petition for modification filed by SoCal Gas, SDG&E, AReM, CSU, CMTA, CLFP, City of Long Beach Gas & Oil Department, City of Vernon, Clean Energy Fuels Corporation, Commercial Energy, Indicated Shippers, IGS, Just Energy, NRG Energy Incorporated, Pacific Summit Energy LLC, Shell Energy, SCGC, Tiger Natural Gas, UC, WPTF, ORA and CAISO on September 8, 2017, should be granted.

2. The modifications to Ordering Paragraph 1 in D.16-12-015, as modified by D.17-03-020 should be granted.

3. The modifications to Ordering Paragraph 15 in D.16-12-015, as modified by D.17-03-020 should be granted.

4. The modifications to Ordering Paragraph 18 in D.16-12-015, as modified by D. 17-03-020 should be granted.

5. This Order should be effective immediately.

## **O R D E R**

### **IT IS ORDERED** that:

1. The unopposed joint petition for modification filed by Southern California Gas Company, San Diego Gas & Electric Company, The Alliance for Retail Energy Markets; California State University; California Manufacturers & Technology Association; California League of Food Processors; City of Long Beach Gas & Oil Department; City of Vernon; Clean Energy Fuels Corporation; Commercial Energy; Indicated Shippers; Interstate Gas Supply Incorporated; Just

Energy Solutions Incorporated; NRG Energy, Incorporated; Pacific Summit Energy LLC; Shell Energy North America (US), L.P.; Southern California Generation Coalition; Tiger Natural Gas; University of California; Western Power Trading Forum; Office of Ratepayer Advocates; and California Independent System Operator is granted.

2. Ordering Paragraph 1 in Decision 16-12-015, as modified by Decision 17-03-020 is modified and now reads:

The “Second Daily Balancing Proposal Settlement Agreement” (Settlement), set forth as Attachment 2 to this decision, is approved for implementation and extended to November 30, 2018.

3. Ordering Paragraph 15 in Decision 16-12-015, as modified by Decision 17-03-020 is modified and now reads:

Southern California Gas Company and San Diego Gas & Electric Company shall file a Tier 1 Advice Letter after November 30, 2018, to remove the temporary provisions that were granted by this decision from their tariffs.

4. Ordering Paragraph 18 in Decision 16-12-015, as modified by Decision 17-03-020 is modified and now reads:

In the event that Aliso Canyon storage field does not return to at least 450 million cubic feet per day (MMcfd) of injection capacity and 1,395 MMcfd of withdrawal capacity by November 30, 2018, which is the date the terms of the Settlement Agreement is set to expire, Southern California Gas Company and San Diego Gas & Electric Company shall take all reasonable efforts to seek a long-term solution to the system reliability issues which are presented at Aliso Canyon storage field.

5. In order to implement the authority granted herein, Southern California Gas Company and San Diego Gas & Electric Company must file a Tier 1 Advice Letter within 30 days of the date of this decision.

6. Southern California Gas Company and San Diego Gas & Electric Company shall file a Tier 1 Advice Letter after November 30, 2018, to remove the temporary provisions that were granted by this decision from their tariffs.

7. Southern California Gas Company and San Diego Gas & Electric Company shall file a status report by December 15, 2017, that provides a detailed description of their actions to align the storage cost and storage capacity allocations approved in Decision 16-06-039 with current storage inventory, injection, and withdrawal capacity.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.