

Decision 21-11-021 November 18, 2021

**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

**DECISION ORDERING SOUTHERN CALIFORNIA GAS COMPANY AND SAN DIEGO GAS & ELECTRIC COMPANY TO IMPLEMENT RULE 30 OPERATIONAL FLOW ORDER NONCOMPLIANCE CHARGE STRUCTURE FOR THE SIX MONTHS COMMENCING NOVEMBER 1, 2021**

**Summary**

Southern California Gas Company and San Diego Gas & Electric Company shall implement the eight-stage Operational Flow Order structure adopted in Decision 19-05-030 for the six months commencing November 1, 2021.

This proceeding remains open.

**1. Background**

Decision (D.) 19-05-030 adopted an eight-stage winter penalty structure for Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) which allows for more moderate increases between Operational Flow Order (OFO) stages than the prior winter penalty regime. Instead of the OFO penalty increasing from \$5 to \$25 between Stages 3 and 4, the new rules create intermediate Stages 3.1, 3.2, and 3.3, which impose penalties of \$10, \$15, and \$20, respectively.

## 2. Discussion

The revised rules have been in effect for the past two winters and have helped to mitigate the price spikes that would otherwise have been triggered by the large penalty increase between Stages 3 and 4. However, D.19-05-030 adopted the rules temporarily, and they are due to expire on October 31, 2021. The Scoping Memo in this proceeding issued on April 23, 2020 includes the issue of whether these temporary winter rules should be extended. On February 26, 2021, the assigned Administrative Law Judge (ALJ) issued a ruling directing parties to comment on this issue. In its comments, SoCalGas supported the extension of the temporary winter OFO rules to a year-round structure, because they “provide a much smoother transition between noncompliance stages and give the system operator more flexibility to match OFO incentives to prevailing market conditions, minimizing the risk that excessive OFO noncompliance charges could inflate intraday gas prices.”<sup>1</sup> In addition, Southern California Edison Company (SCE) “strongly urges the Commission to extend the current modified OFO penalty structure until SoCalGas restores full pipeline capacity. Failure to maintain the current OFO penalty structure until SoCalGas’s system is fully operational through full pipeline capacity likely will lead to renewed market instability and price volatility.”<sup>2</sup> No party to the proceeding opposes extension of SoCalGas’ and SDG&E’s temporary winter OFO rules.

On October 12, 2021, the Assigned Commissioner issued a ruling temporarily extending the OFO rules and structure adopted in D.19-05-030 until

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<sup>1</sup> Joint Response of SoCalGas and SDG&E to the assigned ALJ’s Ruling Seeking Comments at 16.

<sup>2</sup> SCE’s Response to assigned ALJ’s February 26, 2021 Ruling Seeking Comments, at 3.

a full Commission decision is issued concerning the matter.<sup>3</sup> We affirm the assigned Commissioner's ruling and approve the extension of the current winter OFO rules for the six months beginning November 1, 2021.

### **3. Conclusion**

For the foregoing reasons, we conclude that the eight-stage winter OFO rules should be reimplemented for the six months commencing November 1, 2021. A broader decision on OFO rules for both SoCalGas and Pacific Gas and Electric Company will be made in a decision on Track 1 in this proceeding.

### **4. Shortening of Comment Period**

Pursuant to Rule 14.6(c)(10) of the Commission's Rules of Practice and Procedure the otherwise applicable 30-day comment period is shortened to 10 days. Reply comments are due 3 days after the last day for filing opening comments. Public necessity requires affirming the Assigned Commissioner's October 12th ruling as soon as possible to ensure compliance with the ruling by SoCalGas and SDG&E as of November 1, 2021 and to avoid any lapse in the application of the winter OFO rules. No comments were filed.

### **5. Assignment of Proceeding**

Clifford Rechtschaffen is the assigned Commissioner and Karl J. Bemesderfer is the assigned ALJ for this proceeding.

### **Findings of Fact**

1. The temporary winter Operational Flow Order rules adopted in D.19-05-030 have smoothed the transition between noncompliance stages and have helped to reduce market instability and price spikes.

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<sup>3</sup> Assigned Commissioner's Ruling Directing Southern California Gas Company to Extend Rule 30 Operational Flow Order Noncompliance Charge Structure.

2. No party to this proceeding has opposed implementing the rules for the six months commencing November 1, 2021.

**Conclusions of Law**

1. The temporary winter Operational Flow Order rules adopted in D.19-05-030 should be implemented for the six months commencing November 1, 2021.

2. Public necessity requires shortening the comment period on the proposed decision to 10 days. Reply comments are due 3 days after the last day for filing opening comments.

**O R D E R**

**IT IS ORDERED** that Southern California Gas Company and San Diego Gas & Electric Company shall implement the eight-stage Operational Flow Order structure adopted in Decision 19-05-030 for the six months commencing November 1, 2021.

This order is effective immediately.

Dated November 18, 2021, at San Francisco, California.

MARYBEL BATJER

President

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

DARCIE HOUCK

Commissioners