Date of Issuance: June 9, 2023

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION G-3598**
June 8, 2023

R E S O L U T I O N

G-3598. Southern California Gas Company: Resolution addressing Advice Letter 6108-G to update existing tariffs regarding gas pipeline extensions modified pursuant to Ordering Paragraph 4 of Decision 22-09-026. Resolves discrepancy between utilities' advice letter filings with varying interpretations of whether actual or estimated gas pipeline extension costs should be paid by the applicant.

PROPOSED OUTCOME:

- Rejects Southern California Gas Company (SoCalGas) request to update its existing tariffs regarding gas pipeline extension rules, wherein SoCalGas proposes that the applicant installing a natural gas pipeline only pay the estimated costs while any excess actual costs be recovered by the utility from the general rate base.
- Requires Pacific Gas and Electric Company (PG&E) and San Diego Gas and Electric Company (SDG&E), to submit new advice letters with tariff changes to reflect that the applicant installing a gas pipeline shall be required to pay for the full actual installation cost and not the estimated cost only.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this resolution.

ESTIMATED COST:

- Estimated average annual savings of about $26.8 million for California ratepayers.

By Advice Letter 6108-G, filed on March 13, 2023.

SUMMARY

In Decision (D.) 22-09-026 of Rulemaking (R.) 19-01-011, the California Public Utilities Commission (CPUC or Commission) directed elimination of all gas pipeline extension subsidies as of July 1, 2023, unless otherwise exempted. It directed California's four large gas investor-owned utilities ("the utilities") to submit advice letters with revised gas pipeline extension rules reflecting elimination of the subsidies.[1] The utilities timely submitted their advice letters, which were approved by Commission Energy Division staff, but differed in their methods and principles for determining what costs should be paid by the applicant. SoCalGas submitted a subsequent advice letter to replace its original, approved advice letter proposing to revise its costing principles to match PG&E's and SDG&E's approved advice letters. This resolution provides direction for making gas line extension costing principles consistent across all four utilities. It requires that the utilities change their existing tariffs such that the applicant at whose behest the natural gas pipelines are being extended, pay for the total actual costs of the extension and not the initial estimated costs only.

BACKGROUND

Procedural Background

On September 13, 2018, Governor Jerry Brown signed into law Senate Bill (SB) 1477 (Stern, 2018).[2] SB 1477 promotes California's building-related greenhouse gas (GHG) emission reduction goals, and makes available $50 million annually for four years, for a total of $200 million, dedicated towards two building electrification pilot programs. The funds are derived from the revenue generated from the GHG emission allowances directly allocated to gas corporations and consigned to auction as part of the California Air Resources Board (CARB) Cap-and-Trade program.[3] In response to passage of SB 1477, the CPUC initiated R.19-01-011.

Phase I: On May 17, 2019, the Assigned Commissioner issued a Scoping Memo and Ruling setting forth the issues to be considered in Phase I of R.19-01-011 (Phase I Scoping Memo). The Phase I Scoping Memo was amended on July 16, 2019, to include

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[1] D.22-09-026, Ordering Paragraph (OP) 4 at 82: http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=496987290

[2] SB 1477 was codified as Public Utilities (Pub. Util.) Code Section 748.6, Section 910.4, and Sections 921-922.

[3] Four gas corporations currently participate in California's Cap-and-Trade program: SoCalGas, PG&E, SDG&E, and Southwest Gas Corporation (SWG).

additional issues. Phase I issues were resolved in D.20-03-027, which established the two building decarbonization pilot programs required by SB 1477: the Building Initiative for Low--Emissions Development (BUILD) Program and the Technology and Equipment for Clean Heating (TECH) Initiative.[4]

Phase II: On August 25, 2020, the Assigned Commissioner issued an Amended Scoping Memo and Ruling setting forth the issues to be considered in Phase II of R.19-01-011 and included an associated Energy Division Staff Proposal. Phase II issues were resolved in D.21-11-002, which: (1) adopted guiding principles for the layering of incentives when multiple programs fund the same equipment; (2) established a new Wildfire and Natural Disaster Resiliency Rebuild (WNDRR) program to provide financial incentives to help victims of wildfires and natural disasters rebuild all electric properties; (3) provided guidance on data sharing; and (4) directed California's three large electric investor-owned utilities to each study energy bill impacts that result from switching from gas water heaters to electric heat pump water heaters, and to propose a rate adjustment in a new Rate Design Window application if their study reflected a net energy bill increase (resolved in Resolution E-5233). D.21-11-002 also directed the IOUs to collect data on fuels used to power various appliances, including propane.

Phase III: On November 16, 2021, the Assigned Commissioner issued an Amended Scoping Memo and Ruling setting forth the issues to be considered in Phase III of R.19-01-011. Phase III issues were resolved in D.22-09-026, which eliminated gas pipeline extension allowances, refunds, and discounts for all new applications submitted on or after July 1, 2023, for all customers in all customer classes, unless otherwise exempted.

Resolution Background

On October 20, 2022, the utilities each filed advice letters in compliance with OP 4 of D.22-09-026 ("the decision").[5]

The decision states:

> "Within 30 days of the date of this order, Pacific Gas and Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation shall each submit a Tier 2 Advice Letter to revise tariffs for their respective gas line extension rules that eliminate gas line extension subsides in conformance with this decision. The revised tariffs shall

[4] *See* D.20-03-027 at 7.

[5] SoCalGas Advice Letter 6048; PG&E Advice Letter 4669G/6742E; SDG&E Advice Letter 3130G; SWG Advice Letter 1231.

> include the application process adopted in this decision allowing limited projects meeting the specific eligibility criteria set out in this decision to seek gas line extension allowances, 10-year refunds, or 50 percent discounts payment option."

SoCalGas Advice Letter 6048 amended their gas rules with the following language: "A cash payment based on total estimated costs (excluding Betterments) is required in advance of SoCalGas commencing work and after SoCalGas commences work if SoCalGas's actual installed costs exceeds its total estimated install costs." SWG's advice letter also used the same language.[6]

PG&E Advice Letter 4669G/6742E did not amend the previous language, stating, "Applicant shall pay to PG&E the estimated cost of PG&E's inspection, which shall be a fixed amount not subject to reconciliation. For Eligible Projects approved by the Commission, such inspection costs may be subject to otherwise available allowances up to the difference between the Applicant's Contract Anticipated Costs as reported in G.1.b. and PG&E's estimated costs for performing the same work, but not to exceed PG&E's ***estimated*** [emphasis added] costs."[7]

SDG&E Advice Letter 3130G states, "Where requested by Applicant and mutually agreed upon, utility may perform that portion of new extension work normally the responsibility of the Applicant according to Section D.1, provided Applicant pays utility it's total ***estimated*** [emphasis added] installed costs."[8]

All four advice letters were approved by Energy Division staff in November 2022.

On March 13, 2023, SoCalGas submitted a new advice letter – SoCalGas Advice Letter 6108-G – that proposes to charge estimated, rather than actual costs, from applicants wishing to extend gas pipelines for their developments.

SWG did not submit a new advice letter seeking a similar change as SoCalGas. As such, its original advice letter submitted in response to OP 4 that was approved in November 2022 remains effective and is not affected by this resolution.

D.22-09-026 did not provide specific guidance on whether the applicant (typically the real estate developer, builder, or private homeowner) requesting the extension of new natural gas pipelines should be required to pay actual, or estimated costs, for the line extensions.

Per General Order 96-B, Rule 7.6.1, an advice letter is subject to Industry Division (in this matter, Energy Division) staff disposition so long as a technically qualified

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[6] SoCalGas Advice Letter 6048 at 2; SWG Advice Letter 1231, Section D.3.
[7] PG&E Advice Letter 4669G/6742E, Sheet 12, G.1.e.
[8] SDG&E Advice Letter 3130-G, Sheet 9, D.3.a.

person could determine objectively whether the proposed action has been authorized by the statutes or Commission orders cited in the advice letter. Whenever an advice letter disposition requires more than ministerial action from staff, the disposition of the advice letter on the merits will be by Commission resolution.

NOTICE

This resolution is being served on R.19-01-011 service list. Notice of SoCalGas Advice Letter 6108-G was made by publication in the Commission's Daily Calendar. SoCalGas states that a copy of the advice letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

Advice Letter 6108-G was not protested.

DISCUSSION

In January 2023, SoCalGas contacted Energy Division staff with a desire to revise its previous advice letter filing (SoCalGas Advice Letter 6048) to change existing tariffs related to gas pipeline extensions and make it consistent with the manner and principles that were used by PG&E and SDG&E in their advice letter filings. The additional costs to ratepayers and the associated policy implications due to the divergence in approaches between the four utilities were not readily apparent to ED staff from the original filings. To better understand the implications, Energy Division staff issued multiple data requests to each of the utilities to quantify the cost differential to the ratepayer resulting from these differing filings.

The utility responses to the data requests indicated that the cost implications resulting from varying interpretations of the direction in the original decision regarding estimated versus actual costs, were significant. Therefore, staff found that a resolution should be put before the Commission, so that the Commission can engage the public and vote on the appropriate policy.

Energy Division staff data requests asked each of the utilities to answer the following questions:

1. How many total cases were there where the actual costs of the gas line extension exceeded the estimated costs that were communicated to the customer/builder?
2. How many total cases were there where the actual costs of the gas line extension were less than the estimated costs that were communicated to the customer/builder?

3. What is the total dollar amount for the difference between the estimated costs and the actual costs, when actual costs exceeded estimated costs?
4. What is the total dollar amount for the difference between the estimated costs and the actual costs, when the actual cost was less than the estimated cost?

The utilities' responses to data requests relating to the cost differentials are presented in **Table 1.** Based on the data request responses, staff estimated that actual gas line extension costs exceeded estimated costs across the utilities by approximately $109.2 million in the three years preceding 2022 (i.e., 2019, 2020, and 2021),[9] or about **$36.4 million on average, annually.** This Final Resolution is modified based on revised estimated and actual costs submitted as part of the Joint Utilities' comments in response to the Draft Resolution. The revised estimates are presented in Table 2.

- **SDG&E submitted revised actual costs in its comments to this resolution, which state that actual costs have exceeded estimated costs by approximately $3.7 million in three years:**

  Notably, SDG&E initially reported estimated costs being generally higher than the actual costs, for a total of about $4.7 million over three years, but subsequently submitted a revised response wherein the actual costs were found to be higher than estimated costs by about $32.5 million based on extrapolation by staff, since only 3% project data was reported in response to staff data request. Per SDG&E's comments, "the [staff's] extrapolation method is inaccurate because SDG&E's customer base includes both residential and non-residential customers, which skews the results… the variance in costs derived from a small subset of projects is significant…"

  SDG&E states in its comments that upon review of the Draft Resolution, SDG&E queried the available cost estimated data for the 97% projects available in calendar years 2019 through 2021, and found the approximate variance to be closer to $3.7 million. SDG&E also notes that their database conversion project was completed approximately two months ago – presumably after the responses to staff data request were submitted – and therefore the submitted comments reflect a more accurate estimate of the cost variance between actual and estimated construction costs.

  We revise the Final Resolution to accept SDG&E's new submittal. We note the unreliability of SDG&E's general record-keeping regarding gas pipeline extension subsidies issued in the past. Staff also noted this record-keeping

[9] At the time of Energy Division staff data request to the utilities in January, the 2022 data was not yet available.

deficiency in the development of D.22-09-026 (see decision footnotes 27, 28, 30, 31, 32, 33, 37, and 40). We anticipate improvement in SDG&E's reported numbers going forward since SDG&E states that it has now completed transferring project data to its new system.

- **PG&E actual costs have exceeded estimated costs by approximately $15.7 million in three years:**

  PG&E did not provide a yearly breakdown. Staff did not issue a follow up data request to balance administrative burden against critical necessity. PG&E provided cost data for projects with and without "betterment," defining "betterment" as projects that include utility-funded work that benefits the system and can be performed in tandem with a gas new business project. Per PG&E's response, betterment work is included in the same PG&E order as the new business project, which may cause total recorded costs for the project to be in excess of the estimated PG&E project costs shown in the contract with the builder even if actual costs for the new business project are equal to the estimated costs. Any amounts collected from the builder are based on PG&E's estimated costs as detailed in PG&E's Gas Rules 15 and 16. For this reason, staff chose to not consider betterment projects for anticipating the differential between actual and estimated costs.

PG&E and SDG&E request that the actual cost billing implementation deadline be extended for one year, or at least six months, and the advice letter deadline to reflect the operational change be extended to near the conclusion of this change. They also request that the Joint Utilities be authorized to establish a Memorandum Account to track costs associated with implementation and ongoing actual cost billing.

Based on publicly available information, staff note that project implementation begins with the signing of a contract between the applicant and the utility, based on estimated costs. The cost estimate is typically developed jointly by the applicant and the utility, for their respective portion of work (on a case-by-case basis). Once the project design is complete, the utility portion of the estimated cost is paid in full upfront by the applicant before construction work commences.[10] Depending on the scale of the project, the construction work can last for several months. In PG&E's and SDG&E's current practice, the estimated cost written in the contract is the only amount that the applicant

[10] PG&E at 2:
https://www.pge.com/includes/docs/pdfs/shared/customerservice/otherrequests/newcontruction/BRSC_Guide_NewGasService.pdf.
SDG&E at 4:
https://www.sdge.com/sites/default/files/documents/SDG%26E%20Builder%20Guidebook%20v11.4.pdf.

is expected to pay, even if higher (or lower) actual costs are incurred during project construction.

Considering this typical sequence of project contract, cost estimation, and construction described above, we clarify that the intent of the decision and the goal of this Resolution is only to ensure that actual construction costs are borne by the applicant *at the end of* project completion. Real-time payment of actual costs as they are incurred is not required. This Resolution only requires that the utility sends a final true-up invoice to the applicant after construction is completed and all costs have become known. To achieve this goal, the utility simply needs to modify its current tariff language and contract terms to clarify that the applicant will be required to pay actual costs once construction is complete, or, if estimated costs are found to be higher than actual costs, then the applicant will be reimbursed for the difference.

As such, the utilities are already tracking actual costs for each project as part of their regular business practice to be able to recover the difference between the estimated and actual costs through rate recovery within the General Rate Case (GRC) filings. The difference is that instead of billing the ratepayer, they are now required to bill the applicant.

Further, both PG&E and SDG&E already have online applicant portals, and have an existing process for receiving payments, either online or via check payments. The same process can be used to receive or return a final true-up payment. Therefore, we find it unreasonable to allow utilities to create a balancing account to track costs associated with implementation and ongoing actual cost billing.

Finally, we reiterate that this Resolution only requires PG&E and SDG&E to submit revised tariffs to CPUC reflecting that the applicant shall be required to pay actual construction costs, and starting July 1, 2023, ensure that the corresponding changes to the contract between the applicant and the utility have been made. Since construction for any project will take some time (possibly several months), and the true-up invoices can be generated only once the construction is complete, the utilities can effectuate operational changes in that time.

To allow the utilities more time to reconcile revised tariff and contract language, we extend the submittal deadline for the Tier 1 advice letter to 20 days from the date that this resolution is adopted.

- **SoCalGas actual costs have exceeded estimated costs by approximately $61.3 million in three years:**

  Given that it is SoCalGas whose advice letter refiling initiated this resolution, we note that based on historical data, the cost differential between actual and estimated costs for gas line extension subsidies is the highest and most consistent for SoCalGas territory. In other words, if the Commission does not approve this resolution, then the ratepayer burden would be the highest for SoCalGas customers as compared to other gas utilities. Like PG&E, SoCalGas did not provide a yearly breakdown of the cost data. Further, it only provided data for projects without betterment, which we found to be sufficient for the purposes of this resolution.

- **SWG actual costs have been less that estimated costs by approximately $278,697 in three years:**

  SWG has not requested a reconsideration of their previously approved advice letter (AL 1231), and is not required to submit a new advice letter by this resolution.

In their comments, SoCalGas and SWG request that the CPUC modify the Draft Resolution to authorize SoCalGas and SWG to submit a new Tier 1 advice letter temporarily reverting current tariffs back to estimated cost billing, supposedly to stay consistent with PG&E and SDG&E, until those utilities have updated their systems to implement actual cost billing.[11]

On one end, the Joint Utilities argue that it will take at least six months to effectuate operational changes necessary to implement actual cost billing and on the other end they propose that two utilities that were already expected to start actual cost billing by July 1, 2023 should be asked to revert back these changes while the other two utilities are making these operational changes.

We reject SoCalGas and SWG request. Because these two utilities were already supposed to be on track to implement actual cost billing starting July 1, 2023, asking them to revert operational changes back to estimated cost billing is opposite to the desired end goal for all utilities.

[11] Joint Utilities comments at 4 and A-1.

<table>
<tr><th colspan="12">Table 1: Utilities' Responses to Energy Division staff data request for estimated and actual historical costs for natural gas line extensions</th></tr>
<tr><th></th><th></th><th colspan="3">SDG&E*</th><th colspan="3">PG&E**</th><th colspan="3">SoCalGas*</th><th colspan="3">SWG</th></tr>
<tr><th></th><th></th><th>2019</th><th>2020</th><th>2021</th><th>2019</th><th>2020</th><th>2021</th><th>2019</th><th>2020</th><th>2021</th><th>2019</th><th>2020</th><th>2021</th></tr>
<tr><td>1</td><td>How many total cases were there where the actual costs of the gas line extension exceeded the estimated costs that were communicated to the customer/builder?</td><td>1533</td><td>400</td><td>3867</td><td colspan="3">934</td><td colspan="3">9048</td><td>10</td><td>10</td><td>15</td></tr>
<tr><td>2</td><td>How many total cases were there where the actual costs of the gas line extension were less than the estimated costs that were communicated to the customer/builder?</td><td>267</td><td>200</td><td>1700</td><td colspan="3">1001</td><td colspan="3">7756</td><td>22</td><td>17</td><td>29</td></tr>
<tr><td>3</td><td>What is the total dollar amount for the difference between the estimated costs and the actual costs, when actual costs exceeded estimated costs?</td><td>$14,445,333</td><td>$2,815,433</td><td>$33,825,100</td><td colspan="3">$22,941,576</td><td colspan="3">$79,700,000</td><td>$77,024</td><td>$289,568</td><td>$143,642</td></tr>
<tr><td>4</td><td>What is the total dollar amount for the difference between the estimated costs and the actual costs, when the actual cost was less than the estimated cost?</td><td>$2,046,567</td><td>$3,735,767</td><td>$12,813,833</td><td colspan="3">$7,233,353</td><td colspan="3">$18,400,000</td><td>$236,972</td><td>$209,903</td><td>$342,056</td></tr>
<tr><td>5</td><td>Difference between actual costs and estimated costs (Row 3 minus Row 4)</td><td>$12,398,767</td><td>($920,333)</td><td>$21,011,267</td><td colspan="3">$15,708,223</td><td colspan="3">$61,300,000</td><td>($159,948)</td><td>$79,665</td><td>($198,414)</td></tr>
<tr><td>6</td><td>Total difference between actual and estimated costs per utility</td><td colspan="3">$32,489,700</td><td colspan="3">$15,708,223</td><td colspan="3">$61,300,000</td><td colspan="3">($278,697)</td></tr>
<tr><td></td><td></td><td colspan="3">* Per SDG&E, its project management system is incapable of extracting project data for all projects. So SDG&E evaluated a sample of 239 projects (approximately 3 percent). ED staff extrapolated their response to approximate the total for all projects, which is presented here.</td><td colspan="6">**Only includes projects without betterment. Betterment means projects that include utility-funded work that benefits the system and can be performed in tandem with a gas new business project.</td><td colspan="3"></td></tr>
<tr><td colspan="11">Total difference between actual and estimated costs across all utilities for 2019-2021 (summation of Row 5)</td><td colspan="3">$109,219,226</td></tr>
</table>

Table 2: Utilities' Revised Submittal in Response to Draft Resolution G-3598 for estimated and actual historical costs for natural gas line extensions

#		SDG&E			PG&E**			SoCalGas*			SWG		
		2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
1	How many total cases were there where the actual costs of the gas line extension exceeded the estimated costs that were communicated to the customer/builder?	426	227	518	934			9048			10	10	15
2	How many total cases were there where the actual costs of the gas line extension were less than the estimated costs that were communicated to the customer/builder?	235	151	268	1001			7756			22	17	29
3	What is the total dollar amount for the difference between the estimated costs and the actual costs, when actual costs exceeded estimated costs?	$1,539,459	$528,538	$2,701,772	$22,941,576			$79,700,000			$77,024	$289,568	$143,642
4	What is the total dollar amount for the difference between the estimated costs and the actual costs, when the actual cost was less than the estimated cost?	$333,620	$294,929	$473,332	$7,233,353			$18,400,000			$236,972	$209,903	$342,056
5	Difference between actual costs and estimated costs (Row 3 minus Row 4)	$1,205,839	$233,609	$2,228,440	$15,708,223			$61,300,000			($159,948)	$79,665	($198,414)
6	**Total difference between actual and estimated costs per utility**	**$3,667,888**			**$15,708,223**			**$61,300,000**			**($278,697)**		
					**Only includes projects without betterment. Betterment means projects that include utility-funded work that benefits the system and can be performed in tandem with a gas new business project.								
	Total difference between actual and estimated costs across all utilities for 2019-2021 (summation of Row 5)										**$80,397,414**		

CONCLUSION

Based on recent three-year cost data, if SoCalGas Advice Letter 6108 is approved, it could increase the average annual burden on SoCalGas customers by about $20.4 million to cover the expense of gas pipeline extensions not borne by the applicant.

If PG&E and SDG&E were not directed to revise their existing tariffs approved via Advice Letters 4669G/6742E and 3130G, respectively, to reflect that the applicant extending the gas pipelines should pay for the total actual costs of the extension and not the initial estimated costs only, then it would increase the annual burden on their customers any time that the actual costs were higher than the estimated costs. These added costs amounted to an annual average of $5.2 million for PG&E and $1.2 million for SDG&E over the three-year period covering 2019-2021.

Requiring payment of only estimated costs instead of actual costs would further create a loophole inviting the possibility of persistent underestimation of costs for projects to the detriment of ratepayers.

Using the estimated costs for gas line extension projects rather than the actual costs is a *de facto* loophole that becomes a ratepayer burden by being passed on to the utilities' ratepayers as a GRC expense, instead of to the applicant who is causing the extension of the gas pipeline. This is inconsistent with the intent of D.22-09-026, which requires elimination of *all* subsidies to discourage ratepayer-funded investment in new gas pipeline infrastructure unless otherwise granted a special exemption by the Commission.

Therefore, SoCalGas's Advice Letter 6108-G is rejected. To ensure consistency amongst the utilities, PG&E and SDG&E are required to submit new advice letters within 20 days of the issuance of this resolution. The new advice letters shall change their existing tariffs such that the applicant extending the gas pipelines is required to pay for the total actual costs of the extension and not the initial estimated costs only. The advice letters shall be effective upon filing and the revised tariffs shall be effective on July 1, 2023.

COMMENTS

One comment was received in response to the Draft Resolution – a joint response filed by SDG&E on behalf of itself and the three other large gas utilities ("the Joint Utilities").

The Joint Utilities state that requiring applicants to pay for actual instead of estimated costs will require operational changes. They state that while they understand the basis for the arguments for this operational change and do not oppose the Draft Resolution, they do not agree that the absence of this operational change creates a loophole that would lead to persistent or intentional underestimation of costs on the utility's part.[12]

The Joint Utilities also state that the cost variances from 2019 to 2021 were due to unforeseen circumstances such as those arising due to the COVID pandemic including increased material costs due to supply chain shortages.

Finally, the Joint Utilities state that modifying the processes for gas line extension project applicants to pay actual – rather than estimated – costs would represent a significant change that necessitates additional time to educate customers, revise internal processes, perform system updates, and make contractual changes for applicants.

These comments are discussed and addressed in the Discussion section of this Final Resolution and corresponding changes have made in other sections.

Public Utilities Code Section 311(g)(1) provides that this resolution must be served on all parties to R.19-01-011 and subject to at least 30 days' public review. Please note that comments are due 20 days from the mailing date of this resolution. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding. Interested stakeholders do not need to have party status to submit comments on the resolution.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS

1. On October 22, 2022, SoCalGas filed Advice Letter 6048, which made tariff modifications that require the applicant for a gas pipeline extension to pay the total actual costs of gas pipeline extensions rather than estimated costs. Commission Energy Division staff approved Advice Letter 6048 on November 22, 2022.
2. On March 13, 2023, SoCalGas filed Advice Letter 6108-G, which, if approved, would effectively replace Advice Letter 6048, and would only require the applicant for a gas pipeline extension to pay estimated costs, with the difference between the actual costs and the estimated costs to be borne by ratepayers.
3. PG&E and SDG&E current tariffs require the applicant for gas pipeline extensions to pay estimated costs rather than actual costs.

[12] Joint Utilities' comments at 2.

4. Actual gas line extension costs have exceeded estimated costs for the utilities' combined service territories by approximately $80.4 million in the three years preceding 2022 (i.e., 2019, 2020, and 2021), or about $26.8 million on average annually.
5. Actual gas line extension costs have exceeded estimated costs for SoCalGas by approximately $20.4 million in the three years preceding 2022 (i.e., 2019, 2020, and 2021), or about $6.8 million on average annually.
6. Requiring an applicant to pay actual costs rather than estimated costs is more beneficial for California rate payers and is in alignment with the intent of D.22-09-026.
7. PG&E Advice Letter 4669G/6742E and SDG&E Advice Letter 3130G were not protested.
8. This resolution provides parties the requisite time to comment on staff's proposed requirement for PG&E and SDG&E to refile their Advice Letter 4669G/6742E and Advice Letter 3130G, respectively. Therefore, it is appropriate for PG&E's and SDG&E's new advice letters filed in fulfilment of this resolution to be effective upon filing.
9. It is appropriate for PG&E and SDG&E to each file a Tier 1 advice letter within 20 days of the adoption of this resolution modifying their existing tariffs to be consistent with SoCalGas's and SWG's existing approved tariffs in their treatment of costs to be paid by the applicant extending a gas pipeline.
10. To remain consistent with the requirements of D.22-09-026, it is appropriate for the revisions that will be made to PG&E's and SDG&E's tariffs pursuant to this resolution to be effective on July 1, 2023.

THEREFORE, IT IS ORDERED THAT:

1. Southern California Gas Company's Advice Letter 6108-G is rejected.
2. Within 20 days of the adoption of this resolution, Pacific Gas and Electric Company and San Diego Gas and Electric Company are required to submit new advice letters reflecting changes to their existing tariffs such that the applicant extending the gas pipelines is required to pay for the final actual costs of the extension and not the initial estimated costs only. The applicant shall be reimbursed by the utility when the estimated cost is higher than the final actual cost, or, be required to pay the additional amount when the final actual cost is higher than the estimated cost. The advice letters shall be effective upon filing and the revised tariffs shall be effective on July 1, 2023.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on June 8, 2023; the following Commissioners voting favorably thereon:

/s/ RACHEL PETERSON

Rachel Peterson

Executive Director

ALICE REYNOLDS
President

GENEVIEVE SHIROMA
DARCIE HOUCK
JOHN REYNOLDS
KAREN DOUGLAS
Commissioners