

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Item 18 (Rev.1)

Agenda ID 15262

RESOLUTION G-3522

November 10, 2016

ENERGY DIVISION

R E S O L U T I O N

Resolution G-3522. Southern California Gas Company Requesting Approval of the Proposed Winter Demand Response Programs.

PROPOSED OUTCOME:

- Approves with modifications Southern California Gas Company's (SoCalGas) proposed winter demand response (DR) programs.

SAFETY CONSIDERATIONS:

- The approval of the proposed winter DR programs is in response to the gas leak at Aliso Canyon. While the leak was sealed on February 2016, the joint agency Aliso Canyon Gas and Electric Reliability Winter Action Plan (Winter Action Plan) determined that there is a possibility of gas curtailments for the winter of 2016-2017, without further mitigation efforts.

ESTIMATED COST:

- The SoCalGas proposed winter DR programs would cost a total of \$7.32 million for the winter of 2016-2017.

By Advice Letter 5035-G, Filed on September 27, 2016.

SUMMARY

SoCalGas filed Advice Letter (AL) 5035-G on September 27, 2016, proposing three winter DR programs in response to a September 13, 2016 letter from the Energy Division Director. That letter directed SoCalGas to propose DR programs that will be in place for customer participation by December 1, 2016 and are designed to incent reductions in gas consumption on peak days when its system reliability is anticipated to be stressed.

This resolution approves SoCalGas' proposed winter DR programs as filed in AL 5035-G with the following modifications to the Natural Gas Conservation Rebate Pilot Program and evaluation efforts for SoCalGas' proposed winter DR programs:

1. In addition to its random sample of 60,000 residential customers, SoCalGas shall expand the program enrollment to include an additional solicitation of 10,000 SoCalGas core customers with the highest winter gas load.
2. SoCalGas shall allow any core customers served by Core Transport Agents (CTA) registered with SoCalGas to participate in the Natural Gas Conservation Pilot Rebate Program, as proposed by Commercial Energy of California (Commercial Energy). In addition, all participating CTA-served core customers must have an advanced meter and the SoCalGas rebate must be paid directly to the customer.
3. SoCalGas shall eliminate the \$35 cap on the maximum winter rebate that can be achieved per customer in the Natural Gas Conservation Pilot Rebate Program.
4. SoCalGas shall use a 10-10 baseline methodology to calculate the load drops for purposes of determining the incentive payment for all participants in the program.
5. Finally, SoCalGas shall undertake ex-post evaluation efforts of their proposed programs, similar to the electric DR programs annual Impact Evaluations, to measure the impacts of the program and authorize SoCalGas to spend up to \$800,000 on these studies.

BACKGROUND

On October 25, 2015, SoCalGas notified the California Public Utilities Commission (Commission) of a natural gas leak at the Aliso Canyon gas storage facility. In response, on January 6, 2016, Governor Brown proclaimed a state of emergency for Los Angeles County. The proclamation directs all agencies of state government to "ensure a continuous and thorough response to this incident" and further directs the Commission to "take all actions necessary to ensure the continued reliability of natural gas and electricity supplies in the coming months."

SoCalGas' storage facility at Aliso Canyon is the second largest natural gas storage facility in the western United States with a capacity of 86.2 billion cubic feet (Bcf) of natural gas. In addition to the size of the Aliso Canyon facility, the facility is also of critical importance because of its location near and ability to serve the Los Angeles County Basin.

Though the leak was sealed on February 17, 2016, reliability concerns remain as the region transitions to the winter of 2016-2017. The joint agency Winter Action Plan determined that there is the possibility of gas curtailments this winter, particularly on peak winter days.¹ The Winter Action Plan proposes ten measures to mitigate the risk and magnitude of natural gas curtailments and electricity service interruptions for the upcoming winter. Among those recommended measures is the development and implementation of gas demand response programs for core and non-core customers.

In accordance with the Winter Action Plan's effort to protect the state from reliability risks this winter, on September 13, 2016, the Energy Division Director required SoCalGas to develop and submit to the CPUC a proposal for DR programs in its service territory for the winter of 2016-2017. The direction required that SoCalGas proposed gas DR program(s) should be submitted via a Tier 3 advice letter by September 27, 2016 and the program(s) shall be in place for customer participation by December 1, 2016.

SoCalGas timely filed Advice Letter 5035-G on September 27, 2016, which includes three new winter DR programs: the Natural Gas Conservation Notification Campaign; the Noncore, Non-Electric Generation, Natural Gas Conservation Notifications; and the Natural Gas Conservation Pilot Rebate Program, which are described in detail below.

A. Natural Gas Conservation Notification Campaign

Overview: The proposed Natural Gas Conservation Notification Campaign targets all core customers in the SoCalGas service territory. The goal of the campaign is to stimulate voluntary reductions in gas usage on days when the

¹ Aliso Canyon Gas and Electric Reliability Winter Action Plan, August 22, 2016. Available at: http://www.energy.ca.gov/2016_energypolicy/documents/index.html#08262016

SoCalGas system reliability is anticipated to be stressed similar to the statewide California Independent System Operator (CAISO) “Flex Alert” campaign. On event days, public notifications encouraging consumers to reduce gas will deploy through mass media channels, such as radio, digital radio, and digital displays. The campaign will also promote the use of SoCalGas advanced meter-enabled tools that help customers better manage and control their natural gas use, including the SoCalGas weekly Bill Tracker Alerts.

Proposed Budget: \$2.5 million

Incentive Structure: None

B. Noncore, Non-Electric Generation, Natural Gas Conservation Notifications

Overview: The proposed Noncore, Non-Electric Generation, Natural Gas Conservation Notifications program encourages voluntary natural gas conservation from its noncore customers by posting “Natural Gas Conservation” notifications to SoCalGas’ electronic bulletin board (EBB) on days when the SoCalGas system reliability is anticipated to be stressed. These notifications will be supplemented by communication to noncore customers through direct contact by SoCalGas Account Executives to the non-core customers requesting they reduce gas consumption to further decrease stress on the gas system.

Proposed Budget: No incremental costs are anticipated.

Incentive Structure: None

C. Natural Gas Conservation Pilot Rebate Program

Overview: The proposed Natural Gas Conservation Pilot Rebate Program is a pilot to evaluate the effectiveness of using rebates to incent reduced gas usage in response to Natural Gas Conservation Notification Campaign events. This pilot will facilitate an evaluation of the cost-effectiveness and savings impacts of providing incentives for gas usage reductions. When SoCalGas system reliability is anticipated to be stressed, the SoCalGas System Operator will call a “Natural Gas Conservation Alert.” The alert will notify the SoCalGas communications department to issue a notification to all core customers through mass media marketing channels, which could include paid media (radio), digital radio, social media, and proactive earned media outreach. Pilot participants who have

“opted in” to the Natural Gas Conservation Pilot Rebate Program would receive event e-mail notifications customized for the program.

Program Design for Pilot: SoCalGas proposes to send program enrollment solicitations to approximately 60,000 SoCalGas residential customers selected at random that fall within three different “treatment groups” to encourage these customers to “opt-in” to the Natural Gas Conservation Pilot Rebate Program. Two of the treatment groups would be comprised of a random sample of 25,000 customers each, where one of the 25,000 customer treatment groups would consist of residential customers with advanced meters randomly selected from those enrolled within SoCalGas’ My Account online customer portal. The other 25,000 customer treatment group would be randomly selected from customers with advanced meters currently not registered for My Account.

These two treatment groups would be incorporated into a broader set of conservation pilot treatments already planned and currently being implemented as part of the Advanced Meter project’s 2016-2017 conservation “test and learn” campaign heating season pilots. Thus leveraging the existing experimental design structure, control groups, and data preparation already in place for these Advanced Meter pilots. This approach will allow for a side-by-side comparison of the cost-effectiveness of the Natural Gas Conservation Pilot Rebate Program in terms of its ability to produce energy reductions on peak days as compared to several behavioral treatments that SoCalGas is also piloting this winter.

An additional treatment group would be constructed from the approximately 11,000 customers within SoCalGas’ service territory with an installed and registered Ecobee Smart Thermostat. Customers in this treatment group would also be required to have an Advanced Meter, and further eligibility screening may be applied so as to avoid overlap or customer confusion with SCE and SoCalGas’ Smart Thermostat Rebate program. This treatment group would also be compared to the other treatment groups to see if customers with smart thermostats are able to respond quicker and have greater load drops when a Natural Gas Conservation Alert is called.

Proposed Budget: \$2.02 million

Incentive Structure: Pilot participants in the first two treatment groups would be eligible for a rebate of \$2.50 for every therm they conserve during a Natural Gas Conservation Notification event day below their calculated baseline. Customer

not currently registered for SoCalGas' My Account portal would also be eligible to receive an additional \$5 for signing up to receive these notifications. At the end of the winter, SoCalGas would provide enrolled participants a single rebate calculated based on the total therms they conserved across all of the notification event days. The upward limit per participant for this end of winter rebate would be \$30 for My Account-registered customers, and \$35 for those not registered for My Account.

Pilot participants in the Ecobee Smart Thermostat treatment group will either receive the same rebate structure outlined above. Or these smart thermostat pilot participants could be offered \$15-\$25 for enrolling and another \$15-\$25 at the end of the winter period for:

- 1) Not opting out during the winter months (December through March); and
- 2) Allowing Ecobee to remotely lower thermostat set-points during this same timeframe.

NOTICE

Notice of AL 5035-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

Commercial Energy and TURN timely filed protests to the SoCalGas AL 5035-G on October 3, 2016. On October 5, 2016 SoCalGas timely replied to the Commercial Energy and TURN protests.

Commercial Energy's Protest

Commercial Energy claimed that SoCalGas three demand response proposals will be "largely ineffective if measured by actual customer responses that result in genuine energy savings."² Commercial Energy offered the following concerns and suggested several program design changes:

² Commercial Energy Protest to SoCalGas AL 5035-G, pg. 2.

- 1) For the Natural Gas Notification Campaign, Commercial Energy recommends that “an effective demand response effort should focus on identifying high value energy users and defining some metrics on what volume of curtailment would represent a significant success for the program. They maintain that the SoCalGas program makes no mention of these practical first steps.”³ Commercial Energy further states that the “SoCalGas proposed Natural Gas Notification Campaign lacks any indication that it would be subject to a cost-benefit analysis to evaluate whether a sufficient reduction of demand was achieved through the expenditure of the \$2.5 million in requested funds.”⁴

Commercial Energy believes that the Commission should require that SoCalGas take reasonable steps to identify customers whose operational profile would make them likely program participants, and direct the informational campaign at such customers. Finally, they request some level of program participation should be estimated, and a cost benefit goal adopted so that it can be determined whether the program provided real, measurable benefits.⁵

- 2) With regard to the Noncore, Non-Electric Generation, Natural Gas Conservation Notifications, Commercial Energy states that it offers “no rebates, spends no money publicizing the program to the noncore customer class, and merely assumes these customers will curtail business operations for the benefit of the greater good.”⁶ Commercial Energy concludes that “SoCalGas makes no attempt to offer a viable proposal and that this must be the bare minimum SoCalGas could offer non-core customers.”⁷

³ Commercial Energy Protest to SoCalGas AL 5035-G, pg. 2.

⁴ Commercial Energy Protest to SoCalGas AL 5035-G, pg. 2.

⁵ Commercial Energy Protest to SoCalGas AL 5035-G, pg. 3-4.

⁶ Commercial Energy Protest to SoCalGas AL 5035-G, pg. 3.

⁷ Commercial Energy Protest to SoCalGas AL 5035-G, pg. 3.

- 3) For the Natural Gas Conservation Pilot Rebate Program, Commercial Energy has concerns with the program design and requests the following design changes:
 - a. Commercial Energy suggests SoCalGas should modify the random selection restriction for this program and allow any registered CTA the ability to solicit their core customers to participate in the Natural Gas Conservation Pilot Rebate Program. It believes that this would increase the number of customers into the program and since the CTAs would be doing their own marketing, reduce the budget that would be reserved for SoCalGas marketing.⁸
 - b. Commercial Energy also suggests removing the SoCalGas proposed maximum rebate per customer cap of \$35 rebate for the winter of 2016-2017.⁹

SoCalGas' Reply to the Commercial Energy Protest

In response to the Commercial Energy's protest, SoCalGas states that the three demand response program proposals have in fact been structured in a manner to facilitate a comprehensive set of winter demand response programs which will meet several primary objectives and can be launched in the timeframe required. These objectives include: 1) in accordance with Commission directives, stimulating potentially significant customer natural gas usage reductions on peak gas demand days when the SoCalGas system reliability is anticipated to be stressed; 2) facilitating detailed measurement and evaluation, leveraging Advanced Meter Infrastructure (AMI) data, to determine the effectiveness of these winter demand response programs on "event" days from both an energy savings and cost-effectiveness perspective; and 3) facilitating the measurement and evaluation of other key customer engagement metrics, such as enrollment levels. The proposed program designs also factor in the significantly lower winter gas bills that SoCalGas customers experience in comparison to colder regions of the country.¹⁰

⁸ Commercial Energy Protest to SoCalGas AL 5035-G, pg. 4

⁹ Commercial Energy Protest to SoCalGas AL 5035-G, pg. 4.

¹⁰ SoCalGas Reply to Commercial Energy Protest, pg 2.

SoCalGas adds that any change to the program now or requirement to revise SoCalGas' advice letter will significantly delay - or render unfeasible - the implementation of winter demand response programs for the 2016-2017 winter season.¹¹

TURN's Protest

TURN notes that it does not object to the program authorization request, but requests that SoCalGas' future cost recovery for the proposed DR programs be clarified since recovery may occur in some other proceeding addressing costs related to the Aliso Canyon natural gas leak, rather than a rate case or cost allocation proceeding.¹²

SoCalGas' Reply to the TURN Protest

SoCalGas claims that the Commission already addressed TURN's concern that future cost recovery be clarified. Energy Division's September 30, 2016 disposition letter for SoCalGas AL 5027 clarified that the Winter Demand Response Memorandum Account is solely for tracking costs associated with the DR programs for the winter 2016-17.¹³ The disposition letter further noted that "cost recovery and allocation of the WDRMA balance will be determined in a future Commission proceeding."¹⁴

DISCUSSION

In reviewing the SoCalGas winter DR proposals in AL 5035-G for reasonableness, the Commission took into account the protests from Commercial Energy and TURN, the replies to the protests from SoCalGas and our staff's analysis of the proposed programs' merits. Our findings also acknowledged the urgency of the proposed programs, as these are emergency measures designed to

¹¹ SoCalGas Reply to Commercial Energy Protest, pg 2.

¹² TURN Protest to SoCalGas AL 5035-G, pg. 1.

¹³ SoCalGas Reply to TURN Protest, pg 2.

¹⁴ Energy Division Disposition Letter Regarding SoCalGas AL 5027: Expedited AL Requesting Approval for the establishment of the Winter Demand Response Memorandum Account. Pg 3.

prevent gas curtailment in SoCalGas' territory and have an effective launch date of December 1, 2016.

Natural Gas Conservation Notification Campaign

Commercial Energy argues that the Commission should require SoCalGas to take reasonable steps to identify customers whose operational profile would make them likely program participants, and direct the informational campaign at such customers. Commercial Energy also requested program participation should be estimated, and a cost benefit goal adopted so that it can be determined whether the program provided real, measurable benefits.

We decline to adopt the recommendations made by Commercial Energy and approve SoCalGas' program proposal for the following reasons:

1. We conclude that a redesign of the informational campaign to target only high value energy users would add considerable additional complexity to the implementation of the program and likely delay its launch. Essentially SoCalGas would need to modify the underlying strategy of the program which relies on a mass media approach.
2. Commercial Energy does not provide a detailed explanation on how the outreach campaign would identify customers that have a "particular operational profile which would make them likely program participants";¹⁵
3. Commercial Energy provides no evidence that customers without an "optimal operational profile" are not worth targeting to reduce gas usage to mitigate possible gas curtailments; and
4. Finally, the Flex Alert program, on which Natural Gas Conservation Notification Campaign design is based, is a mature program that has been around since the California energy crisis of 2000-01. While the actual impacts are hard to measure, because DR events are also often triggered at the same time, Flex Alerts appear to augment the DR events and lead to greater load drops. Thus, it is reasonable to believe

¹⁵ Commercial Energy Protest on SoCalGas AL 5035-G, pg. 3.

that the Natural Gas Conservation Notification Campaign would also encourage customers to reduce or shift use of gas usage when called.

Noncore, Non-Electric Generation, Natural Gas Conservation Notifications

Commercial Energy claims that the proposed Noncore, Non-Electric Generation, and Natural Gas Conservation Notifications makes no “attempt to offer a viable proposal” and “merely assumes that noncore customers will curtail business operations for the greater good.” However, Commercial Energy doesn’t offer any alternative approach to the program. Thus, the SoCalGas proposed program is approved as filed.

Natural Gas Conservation Pilot Rebate Program

Commercial Energy recommends two significant program design changes for SoCalGas’ proposed Natural Gas Conservation Pilot Rebate Program in its protest: (1) allow any registered CTA to solicit their core customers to participate in the program and (2) eliminate the maximum rebate per customer cap of \$35.

The Commission agrees with Commercial Energy that any CTA registered with SoCalGas should be allowed to solicit their core customers to participate in the Natural Gas Conservation Pilot Rebate Program. However, these CTA-served core customers shall be limited to commercial, industrial or multi-unit residential customers only, and they must have an Advanced Meter. The SoCalGas rebate of \$2.50 per therm must be paid directly to the CTA-served customer to ensure they receive the same rebates as SoCalGas customers that participate¹⁶. Allowing the CTAs to solicit their commercial, industrial or multi-unit residential core customers should introduce more participants in the program, would allow eligible CTA customers the ability to voluntarily enroll, and finally, allow the CTAs to target core customers who likely have larger loads and/or the flexibility to drop load in response to an event. Increasing participation in the program could lead to more gas reductions from the program which will improve system reliability on high peak days. We reject SoCalGas’ recommendation in its comments on the draft resolution that it be solely responsible for the solicitation of all customers eligible to participate in the Natural Gas Conservation Rebate

¹⁶ If a CTA has an agreement with its core customers that might affect the final rebate amount for the customer, we make no changes to that agreement in this resolution.

Pilot Program. We are not convinced that designating SoCalGas as the sole solicitor for this program will lead to faster or greater uptake in the program. As noted earlier, we believe CTAs are better positioned to move quickly and identify their customers who are good fits for the program.

The Commission also agrees with eliminating the \$35 cap on the rebate amount for Natural Gas Conservation Rebate Pilot Program as suggested by Commercial Energy. This change should make the program more attractive to customers and thus increase the enrollment rate for the customers who are solicited to join the pilot. In addition, eliminating the \$35 cap on rebates should motivate customers to make greater load drops or shifts. We reject SoCalGas' suggestion in its comments on the Draft Resolution to adopt a rebate cap of \$75 for the 60,000 residential customers solicited for enrollment in the Natural Gas Conservation Rebate Pilot Program. We also reject SoCalGas' recommended rebate cap for the additional 10,000 SoCalGas core customers with the highest gas winter gas load and core customers served by CTAs: SoCalGas suggests that the entire rebate amount would be no more than the equivalent to their highest monthly bill from December 2016 to March 2017. We believe that a program without rebate caps should make the program more attractive to customers, thus increase the enrollment rate in the program and most importantly, motivate participants to make greater load drops which are critical to avoiding gas curtailments this winter.

In addition to the SoCalGas proposal to send program enrollment solicitations to a random sample of 60,000 residential customers for the Natural Gas Conservation Rebate Pilot Program, the Commission directs SoCalGas to expand its solicitation efforts to include an additional solicitation of the 10,000 SoCalGas core customers with the highest historic winter gas loads. We make this change for the same reason we are allowing CTA-served core customers to participate in the program: to increase participation so that more gas demand response can be provided by the program on winter peak days which will improve system reliability.

SoCalGas' program proposal does not specify its baseline methodology for the program and indicates that it will be determined at a later date. Baselines determine how load drops will be calculated, and thus impact the incentives a participant can earn. A baseline is essentially a theoretical load profile of the customer if the demand response event had not occurred. Measuring the customer load for the demand response event against the baseline determines the

amount of load the customer reduced. Given the critical role it will play in customer's decision to enroll in the program, we do not think it is prudent to have SoCalGas determine details of the baseline at a later date. We therefore direct SoCalGas to employ a 10-10 baseline¹⁷ for the 60,000 core residential participants who participate in the program for the purpose of calculating incentives to be paid.

A 10-10 baseline is currently used in many electric demand response programs today and is defined as the following for the proposed Natural Gas Conservation Pilot Rebate Program: using the participant's gas load profile for the past 10 days, a simple daily use average is calculated to determine the customer's gas load for the day in which the DR event occurred. Weekends, holidays and days when a DR event occurred are all removed from the 10 day calculation and replaced with the next available day in the calendar. A 10-10 baseline is simple to administer and is therefore appropriate given the quick implementation timeframe for the program. In its evaluation of the program, SoCalGas should include the baseline methodology adopted here so that improvements to the program can be made if the Commission determines the program should continue.

Based on comments submitted by Commercial Energy and SoCalGas on Draft Resolution G-3522, we adopt the 10-10 baseline as described above, rather than the temperature-based baseline proposed in the draft resolution, for the CTA-served core customers and the 10,000 SoCalGas highest-use core customers that enroll in the Natural Gas Conservation Rebate Pilot Program. We take this action for the following reasons. First, given the launch date of December 1, 2016, a single, baseline methodology will help make program implementation easier and seamless. While multiple baseline methods have the advantage of more accurate calculations for participants, the upfront effort to analyze and implement multiple baselines would be time consuming.. Second, the 10-10 baseline is simple in its construct and therefore easy to understand by all parties (participant, CTAs and SoCalGas). This avoids the possibility of disagreements and/or potential misunderstandings¹⁹ between SoCalGas and

¹⁷ SoCalGas mentions the 10-10 baseline as a possible option in its advice letter.

¹⁹ SoCalGas states in its comment letter that the customized baseline method proposed in the draft resolution is 'not simple, transparent and is not clearly defined'

CTAs that may arise when payments are determined using the customized baseline methodology. Third, the 10-10 baseline could increase participation in the program since it has no eligibility threshold.

Because we adopt the 10-10 baseline for all participants in the Natural Gas Conservation Rebate Pilot Program, SoCalGas' recommendation to screen CTA-served customers and the 10,000 SoCalGas highest-use core customers for eligibility is a moot point and thus rejected. In addition, SoCalGas' five technical clarifications for the temperature adjusted baseline methodology are also now a moot point and are therefore rejected.

For the customer-facing aspects of the program, SoCalGas shall include in its outreach materials examples of how participation in the program could result in a percentage range impact on the customer's gas bill so that the benefits of participating will be more understandable.

Since the \$35 rebate cap has been removed and the potential enrollment for the program has been expanded to include CTA core customers and the 10,000 highest winter SoCalGas core customers, we increase the budget for the program from \$2.02 million to \$4.02 million. The \$2.02 million budget shall be used by SoCalGas for the 60,000 core residential random control trial, since that was its request in the advice letter. The additional \$2.0 million shall be used for CTA-enrolled customers, the 10,000 largest consuming SoCalGas core commercial, industrial and multi-unit customers who participate and any rebates that exceed \$35 for any participant in the program. If the program's budgets are fully allocated during the course of the program (from December 2016 through March 2017), rebate incentives shall be capped by SoCalGas. SoCalGas should track its budgets, program participation and estimated rebate amounts and notify CTAs and program participants when the program budgets have reached their limit. Lastly, we clarify here that the December 1 program start date is not a cut-off date for participation. Customers (CTA-served or otherwise) should be allowed to enroll in the program after December 1, unless the budgets for the program has been exhausted at that point.

Finally, it was not clear from SoCalGas' advice letter that SoCalGas intends to evaluate all of the proposed programs in terms of gas savings. Hence we authorize an additional \$800,000 for SoCalGas to lead an evaluation of the ex post gas savings from all three proposed programs, including the modifications adopted for the Natural Gas Conservation Pilot Rebate Program using best practices that have been deployed for electric DR program measurement and evaluation in California. The baselines method adopted for this program and those that were proposed in the draft resolution should be included in the evaluation to determine their accuracy in estimating customer load reductions.

TURN's Protest on Cost Recovery

TURN's concerns have been already addressed in the Energy Division disposition letter on SoCalGas AL 5027 regarding the Winter Demand Response Memorandum Account (WDRMA). We confirm here that cost recovery and allocation of the WDRMA balance will be determined in a future Commission proceeding.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived "in an unforeseen emergency....." The Commission's Rules of Practice and Procedure, Rule 14.6, also provides that public review and comment may be waived or reduced in an "unforeseen emergency situation." Such situations include "[a]ctivities that severely impair or threaten to severely impair public health or safety" (Rule 14.6(a)(1)), where there are "[c]rippling disasters that severely impair public health or safety" (Rule 14.6(a)(2)), where there is a "[d]eadline for Commission action imposed by legislative bodies," (Rule 14.6(a)(7)), where there are "[u]nusual matters that cannot be disposed of by normal procedures if the duties of the Commission are to be fulfilled" (Rule 14.6(a)(8)), and where "public necessity requires reduction ... of the 30-day period" (Rule 14.6(c)(9)).

Each of these situations applies here. The 30-day comment period was reduced pursuant to these authorities. Comments on this Draft Resolution are due on or before October 31, 2016, and this Resolution will be placed on the Commission's agenda earlier than 30 days from today.

On October 31, 2016, Commercial Energy and SoCalGas both timely filed comments on Draft Resolution G-3522.

Commercial Energy supports the Draft Resolution, but recommends it be modified to allow CTA core customers to participate in the Natural Gas Conservation Pilot Rebate Program under any of the following baselines: 10-10 baseline, the day-of-the-week baseline, or the customized temperature adjusted baseline option described in the Draft Resolution. Commercial Energy recommends this modification because not all commercial customers have highly temperature sensitive gas loads. Thus, such customers may not qualify for the customized temperature adjusted baseline option. However, they may still be able to achieve significant gas demand reductions by reducing activities during a DR event and should therefore be allowed to participate using other baseline methods.²⁰

SoCalGas has several recommended changes in its comments on Draft Resolution G-3522, all focusing on the Natural Gas Conservation Pilot Rebate Program, which include:

1. Recommends the Commission approve SoCalGas' proposal to perform eligibility screening prior to December 1, for the 10,000 SoCalGas core customers with the highest gas winter gas load and core customers served by CTAs using the customized temperature adjusted baseline option. SoCalGas states the screening would be conducted utilizing the program eligibility criteria set forth by the Commission in Draft Res. G-3522. Based on this eligibility screening, only those additional SoCalGas and CTA core customers that meet eligibility requirements would be solicited for participation in the Natural Gas Conservation Pilot Rebate Program.²¹
2. Recommends SoCalGas should be solely responsible for the solicitation efforts for all SoCalGas and CTA customers eligible to enroll in the Natural Gas Conservation Pilot Rebate Program.²²

²⁰ Commercial Energy Comments on Draft Resolution G-3522, pg 2.

²¹ SoCalGas Comments on Draft Resolution G-3522, pg 3.

²² Ibid

3. Recommends the Commission adopt five technical clarifications to the proposed temperature adjusted baseline methodology to ensure consistency of application and interpretation of the baseline policy.²³ SoCalGas also proposes that the non-usage day element of the temperature adjusted baseline be removed.
4. Recommends the Commission adopt a rebate cap of \$75 for the 60,000 residential customers who are going to be solicited for the program. SoCalGas maintains that a rebate cap of \$75 is a reasonable upper limit to provide substantial incentive for customers to reduce use on event days, while at the same time avoiding unreasonably high or undue rebate payouts for customers in this segment. In addition, SoCalGas proposes an upper limit on rebate awards for the additional 10,000 SoCalGas core customers with the highest gas winter gas load and core customers served by CTAs that enroll in the program. The cap would be a limit on the total rebate amount to no more than the equivalent of their highest monthly bill from December 2016 to March 2017.²⁴
5. Clarifies that incentives paid for the program will be capped at the point in time at which the program's budgets are fully allocated.
6. Clarifies SoCalGas' role as the lead in evaluating ex post gas savings for the Winter Demand Response Programs.²⁵

FINDINGS

1. SoCalGas filed Advice Letter 5035-G, on September 27, 2016, requesting approval of its proposed winter demand response programs and a subsequent \$4.52 million for the establishment of a memorandum account to track the costs of its proposed gas demand response programs.
2. The leak at the Aliso Canyon gas storage facility and subsequent moratorium on new gas injections into the storage facility reduced SoCalGas's ability to use storage for daily balancing.

²³ SoCalGas Comments on Draft Resolution G-3522, pg 4.

²⁴ SoCalGas Comments on Draft Resolution G-3522, pg 5-6.

²⁵ SoCalGas Comments on Draft Resolution G-3522, pg 6.

3. The joint agency Aliso Canyon Gas and Electric Reliability Winter Action Plan (Winter Action Plan) determined that there is the possibility of gas curtailments this winter, particularly on peak winter days.
4. The Winter Action Plan proposes ten measures to mitigate the risk and magnitude of natural gas curtailments and electricity service interruptions for the upcoming winter. Among those measures is the development and implementation of gas demand response programs for core and non-core customers.
5. It is reasonable to adopt the Natural Gas Conservation Notification Campaign and the Noncore, Non-Electric Generation, and Natural Gas Conservation Notifications as proposed by SoCalGas in Advice Letter 5035-G.
6. It is reasonable to adopt the Natural Gas Conservation Rebate Pilot Program with the following modifications:
 - a. CTAs registered with SoCalGas may solicit their core customers to participate in the Natural Gas Conservation Rebate Pilot Program.
 - b. The \$35 maximum rebate cap per customer is removed.
 - c. SoCalGas' solicitation of the program is expanded to the 10,000 SoCalGas core customers with the highest winter gas loads.
 - d. SoCalGas shall use a 10-10 baseline to determine incentive payments for all participants in the program.
 - e. For the customer facing materials for the program, SoCalGas shall include how participation in the program could impact a percentage of the customer's gas bill so that the benefits of participating will be more understandable.
 - f. The budget for the program is increased to \$4.02 million. Program expenditures shall not exceed this budget. SoCalGas shall track program participation and estimated rebate amounts to determine when expenditures are nearing their budget limit. SoCalGas shall notify CTA and program participants when the program budgets have reached their limit.
 - g. Participants may enroll in the program after the December 1, 2016 launch date.
7. It is reasonable to authorize SoCalGas an additional \$800,000 to undertake evaluation efforts of the ex post load reductions provided by all three proposed programs, including the modifications to the Natural Gas Conservation Rebate Pilot adopted in this resolution. The evaluations

should also include an analysis of the accuracy of the baseline method for the Natural Gas Conservation Rebate Pilot and those that were proposed in the draft resolution.

8. Cost recovery and allocation of the Winter Demand Response Memorandum Account balance will be determined in a future Commission proceeding.

THEREFORE IT IS ORDERED THAT:

1. The winter demand response programs proposed in Southern California Gas Company's Advice Letter AL 5035-G are approved with modifications described in this resolution.
2. The approved SoCalGas winter demand response programs shall be launched in the SoCalGas territory no later than December 1, 2016.

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 November 10, 2016; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director