SOUTHERN CALIFORNIA GAS COMPANY

CALIFONIA PUBLIC UTILITIES COMMISSION (CPUC)
ENERGY DIVISION (ED)
(ED DATA REQUEST-2023-01 PART II)

2023 SB 695 REPORT IOU RECOMMENDATIONS TO LIMIT COST AND RATE INCREASES (ELECTRIC AND GAS IOUS)

DATE REQUESTED: MARCH 3, 2023
DATE SUBMITTED: MARCH 17, 2023

QUESTION 1:

This data request is issued regarding proposed recommendations of the electric and gas investor-owned utilities (IOU) to limit cost and rate increases consistent with the state's energy and environmental goals for reducing greenhouse gases, pursuant to Public Utilities Code Section 913.1 which requires the utilities to:

> "…study and report to the commission on measures that they recommend be undertaken to limit costs and rate increases."

In preparing your utility's response, the IOU should be as specific as possible in identifying and quantifying specific potential cost savings initiatives.[1]

The data provided in the response will be included in its entirety in an appendix to the 2023 SB 695 Report.

RESPONSE 1:

1. The Commission should approve an increase in Aliso Canyon inventory capacity from the currently authorized 41.16 billion cubic feet (bcf) to 68.6 bcf. The California Geologic Energy Management Division (CALGEM) has determined that the Aliso Canyon can be operated safely at 68 bcf inventory. The increase in Aliso Canyon capacity will enable SoCalGas with addition physical hedge against high gas commodity prices and hence, limit costs and rate increases.

2. To support the State's goal of decarbonization, the Commission should consider policies that enable a broad set of decarbonization solutions, including electrification, clean fuels and carbon management, distributed energy resources, and integrated demand-side management (IDSM) programs, among potentially others. These solutions should be thoughtfully considered not only for their decarbonization value, but also for their cost-effectiveness, risk management, and equity characteristics. Importantly, as the Commission weighs tools that may actively accelerate the decline

[1] Data reflecting rates trends, cost recovery mechanisms, types of cost recovery proceedings, and other data non-specific to studying and reporting on measures recommended to limit cost and rate increases should not be included, except to the extent that such data directly supports the recommendations.

in traditional natural gas usage, it must consider and manage the cost and equity implications of these actions on all customers.

3. The reduction in traditional natural gas demand, as well as any potential proactive gas system decommissioning driven by Commission policy will likely lead to gas rate and bill pressure for utility gas customers. Accordingly, the Commission should explore opportunities to more broadly, equitably, and sustainably allocate and recover these costs. For example, seeking taxpayer funding may prove to be more equitable and appropriate, especially when these costs are driven by programs designed to support the broad public interest.

4. With the increasingly important role of the gas system in ensuring the electric system reliability, the gas system costs and the cost drivers attributable to different gas customer classes are changing.

   Meeting California's decarbonization goal is likely to lead to significant reduction in natural gas demand in the future, particularly for residential customers. To mitigate rates and bill impacts during this transition, it is imperative that the Commission address residential rate design issues, particularly the appropriate level of residential fixed charge.

   An enhanced fixed charge will help to remedy the inherent cost shift as some customer loads begin to shift away from gas service via fuel substitution (e.g., appliance electrification), and for customers who partially electrify promotes paying a fair share of the fixed costs associated with maintaining their gas service.

   In the past, in considering whether to introduce/increase a residential fixed customer charge, the Commission had focused on immediate bill impacts. Transitions in the gas industry with forthcoming significant residential gas load and customer departure to electrification require that the Commission address the negative rates and bill impacts in the distant future of not introducing the appropriate level of fixed charge now.

   As proposed in SoCalGas' 2024 Cost Allocation Proceeding Application, an income-based, two-tier fixed charge aligned with CARE program qualifications will not only ensure that low-volume customers pay a fair share of the fixed costs of service while still preserving conservation price signals associated with non-baseline rates but will also provide relative price relief for low-income customers.