

**SOUTHERN CALIFORNIA GAS COMPANY
REQUESTING REAUTHORIZATION OF THE
CUSTOMER INCENTIVE PROGRAM**

(A.16-12-010)

(DATA REQUEST ORA-SCG-01)

Date Requested: January 31, 2017

Date Submitted: February 17, 2017

PRELIMINARY STATEMENT

1. For efficiency and ease of reference, SoCalGas provides this Preliminary Statement.
2. These responses and objections are made without prejudice to, and are not a waiver of SoCalGas' right to rely on other facts or documents in these proceedings.
3. By making the accompanying responses and any objections, including but not limited to those contained in this Preliminary Statement, to these requests for data, SoCalGas does not waive, and hereby expressly reserves, its right to assert any and all objections as to the admissibility of such responses into evidence in this action, or in any other proceedings, on any and all grounds including, but not limited to, competency, relevancy, materiality, and privilege. Further, SoCalGas makes the responses and objections herein without in any way implying that it considers the requests, and responses to the requests, to be relevant or material to the subject matter of this action.
4. SoCalGas objects to the production of any documents or information protected by the attorney-client communication privilege or the attorney work product doctrine.
5. SoCalGas expressly reserves the right to supplement, clarify, revise, or correct any or all of the responses and objections herein, and to assert additional objections or privileges, in one or more subsequent supplemental response(s) or in any future responses.
7. SoCalGas objects to the questions to the extent they lack foundation, call for speculation, are vague and ambiguous as to specific terms and/or to the question in its entirety.
8. The Preliminary Statement is incorporated by reference into each Response to the Questions, below, as though fully stated therein.

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QUESTION 1:

SoCalGas' Application A.16-12-010 seeks (1) reauthorization for its Customer Incentive Program (CIP), previously called the Core Pricing Flexibility Program (CPFP) and the Noncore Competitive Load Growth Opportunities Program (NCCLGP) (collectively, the Programs); (2) approval of tariff GO-CIP, which will serve as the sole stand-alone tariff for the CIP; and (3) the closure of Rule 38, GO-ET, GTO-ET, GO-IR and GTO-IR to any new customers once a decision is issued on this Application. Page 3 of the Application states: "*This Application is in response to the CPUC's authorization to submit a new application in order to continue the Programs, as modified, beyond 2017.5*"

- (a) Please explain whether the proposed CIP will retain the distinction between the two Programs, i.e., the CPFP and NCCLGP, should the proposed modification be approved.
- (b) Please list in tabular format all proposed modifications to the Programs by identifying the program feature in a side by side comparison between the Current Programs and Proposed Modified Program called CIP.
- (c) For each proposed modification provided in response to question 1b, please provide a rationale. If the rationale is provided already in testimony or the Application, please provide the document and page number where it can be found.
- (d) Please state all the reasons that support the reauthorization of the proposed modified Program called CIP, including quantitative benefits and cites to supporting testimony that explain the modified Program's merits and workpapers demonstrating the advantages of the proposed modifications. Please include any active excel spreadsheets used for any workpaper calculations.
- (e) Please identify the existing tariff schedules for the two current Programs and explain whether these existing tariffs schedules will remain in use only to existing users under the current Programs.
- (f) Please identify the proposed new tariff schedules for the proposed modified Program called CIP and explain whether these will be used only by new customers under the CIP.
- (g) Please explain whether the new customers under the proposed new tariffs will have benefits not enjoyed by users under the existing tariffs which disadvantage them.

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- (h) Please state the purpose of Rule 38 and explain the reason for the proposed closure of Rule 38 to any new customers once a decision is issued on this Application.
- (i) Identify the costs of implementing the proposed CIP and state who will have full cost responsibility for the identified cost of implementation. Please cite reference to either the Application or supporting Testimony that state this.
- (j) Please explain how SoCalGas proposes to recover the costs of the proposed CIP. For this, please cite reference to either the Application or supporting Testimony that state this.

RESPONSE 1:

- (a) The distinction between the CFPF and the NCCLGP will remain insofar as the balancing accounts are concerned. See Chapter III testimony for details on the Noncore Fixed Cost Account and Core Fixed Cost Account. However, the Application proposes to streamline the customer offerings in the CFPF and the NCCLGP into the CIP.
- (b) SoCalGas provides the fundamental programmatic changes between the Current Programs and the proposed CIP in the table below.

Proposed Modification	Current Programs	Proposed Modified Program, called CIP	Rationale and/or Reference to Application / Testimony
Number of schedules	4 tariffs (GO-ET, GTO-ET, GO-IR and GTO-IR); 1 Rule (Rule 38)	1 tariff (GO-CIP)	Reduce number of schedules for streamlining purposes. See Application, p. 3.
Rate Discount Offering	Offered to core customers only	Offered to core and noncore customers	Proposal to offer the rate discount option to both customer classes may increase program participation from noncore customers. See generally, Chapter II, Sections II & IV.

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Funding of Public Purpose Program (PPP) Surcharge	None	Shareholder funded	See the Response to Question 3. Chapter II, Section III.E; Chapter III, Section II.
Technology Eligibility Criteria (Customer Eligibility Component 3)	Eligibility extends to (i) Emerging Technology, (ii) Emerging Market, (iii) Energy Efficient Technology, (iv) Underutilized Technology, (v) Increase Off-Peak Usage, and, (vi) Load Retention	Exclusively (i) energy efficiency and (ii) emissions reductions eligibility requirements based on objective criteria.	See the Response to Question 5. Chapter II, Section II.B
Demonstrating qualification for incentive funds (Customer Eligibility Component 4)	Affidavit that incentive is material factor.	Components as potential mitigations to free-ridership: (i) individual Affidavit form, (ii) expanded Minimum Annual Quantities (MAQs), and (iii) payback analysis.	See Response to Question 4 for detailed explanation. Chapter II, Section III.A-C
RNG Adder	None.	RNG adder applies to customers that meet eligibility criteria. The RNG adder will be completely funded by shareholders and will be in addition to the proposed incentive.	Chapter II, Sec. II.C.1.c.
Tracking of CIP development and implementation costs and credit to ratepayers	None.	Internal order established to track development costs of proposed CIP and credit back to ratepayers of costs for GRC embedded resources used to develop and implement CIP	Chapter II, Sec. IV.C; Chapter III, Sec. III.

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- (c) Refer to the “Rationale and/or Reference to Application/Testimony” column in the table provided for the Response to Question 1(b) above.
- (d) Chapter I testimony discusses how the proposed CIP components support and align with California energy policy. Chapter II testimony discusses, for example, how SoCalGas proposes to implement the proposed CIP program, including an RNG adder incentive to help stimulate the RNG market, and the benefits or protections the CIP offers to customers, ratepayers, customer choice, and industry growth. See also the Response to Question 5 for further information.
- (e) The “existing tariff schedules” for the current Programs are GO-ET, GTO-ET, GO-IR, GTO-IR and Rule 38. In its Application, SoCalGas requests that these “existing tariff schedules” be closed to new customers once a decision approving the Application is issued. Once the Application is approved, SoCalGas proposes that any existing contracts under the current Programs continue through the term of the respective contract; or in the alternative, if the Application is denied, that the current Programs continue as modified in the Resolution.
- (f) The new tariff will be GO-CIP. See Appendix A. This program will be available to any existing or new nonresidential customers who qualify under the CIP program criteria. See Chapter II, Section II.A.

For ease of reference, Appendix A is available

here: [https://www.socalgas.com/regulatory/documents/a-16-12-xxx/Appendix%20A-%20Schedule%20\(GO-CIP\).pdf](https://www.socalgas.com/regulatory/documents/a-16-12-xxx/Appendix%20A-%20Schedule%20(GO-CIP).pdf)

- (g) SoCalGas does not characterize any changes to the CIP as being “disadvantages” or “benefits not enjoyed.” SoCalGas has proposed changes between the current program and the CIP. Response to Question 1(b) summarizes the fundamental programmatic changes. For example, under the CIP, noncore customers would now be eligible for rate discounts whereas under the current Programs, only core customers would qualify.
- (h) The purpose of Rule 38 is to help nonresidential customers buy down the first-cost of qualifying high-efficiency technology. SoCalGas proposes to close Rule 38 to new customers only once a decision approving the Application is issued. As proposed in the Application, Rule 38 has been modified and streamlined into a single CIP tariff. See Response to Question 1(b).

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- (i) The costs of implementing the program are not fully known as the proposed CIP has not been entirely implemented. As this program is shareholder funded, SoCalGas shareholders bear the costs of implementation and ratepayers will receive a credit of costs from GRC embedded resources used to develop and implement CIP. See Chapter II, Section IV.C.; Chapter III, Section III.
 - (j) SoCalGas proposes to recover the costs of the CIP during the term of the contract. Ratepayers will receive the incremental transmission revenue for the remaining life of the technology. See Chapter II, Section III.D.

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QUESTION 2:

SoCalGas submits Application 16-12-010 pursuant to Resolution 3515-G. Page 2 of Resolution 3515-G expressed concerns about gas reliability caused by the gas leak situation at the Aliso Canyon storage facility and states that SoCalGas shall limit new contracts to projects intended to improve energy efficiency.

Please explain in detail how the proposed modified CIP Program will address this specific concern in Resolution 3515-G and cite where in the supporting testimony this explanation can be found.

RESPONSE 2:

The CIP addresses the concerns raised in the Resolution by establishing energy efficiency eligibility criteria as a requirement for participation in the CIP. In addition to being designed to support energy efficiency, the CIP is also designed to further other State energy policies by including greenhouse gas (GHG) and/or criteria pollutant emissions reduction criteria. Specifically, the CIP eligibility criteria are: (1) Technology must achieve GHG emissions or criteria air pollutant reductions, (2) Onsite generation or Combined Heat and Power must meet the Federal Energy Regulatory Commission (FERC) efficiency standards, (3) Technology must qualify for a Leadership in Energy and Environmental Design point, or (4) Technology must be at least 10% more efficient than the lower cost alternative. In addition, the CIP will include a RNG adder incentive to help stimulate the RNG market. See Chapter II, Section II.A-C for an explanation for SoCalGas' selection of these criteria.

See Chapter I, Section II.A which addresses how the proposed CIP helps to support and align with energy policy. Chapter II, Section II.A and Section II.B outline the eligibility components and criteria to support the energy policy discussed in the Application.

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QUESTION 3:

Page 7 of Resolution 3515-G cites Finding of Fact 3 of D.98-01-040 which states: “SoCal proposed that on an annual basis, the CFCA will be credited with the base revenue of all participating customers, e.g., those choosing either the negotiated discount rate or optional tariffs.”

The Resolution further states:

“Despite this language in the decision, SoCalGas is not crediting the CFCA with the full amount of base revenue. Instead, if the actual revenue is less than base revenue, it is crediting the CFCA with the actual revenue. If it is more than base revenue, then SoCalGas credits the CFCA with the base amount and the incremental revenue goes to shareholders. SoCalGas is therefore, under the existing tariff language, never at risk of having to credit the CFCA with the difference between base and actual revenue.”

Please explain in detail how the proposed modified CIP Program will address this specific concern in Resolution 3515-G and cite where in the supporting testimony this explanation can be found.

RESPONSE 3:

To clarify, D.98-01-040 states, “that shareholders are responsible for any reductions in core revenues that may occur due to discounting (page 2)”; therefore, because only incremental load attributed to the operation of additional technology is discounted, any shortfalls in a customer’s baseload are due to issues arising outside of the discounting of rates (i.e. economy or production).

As discussed in Response to Question 1(b), under the CIP, SoCalGas shareholders commit to fund the expected Public Purpose Program Surcharge revenue in an effort to insulate ratepayers from risk. See Chapter II, Section III.E and Chapter III, Section II.

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QUESTION 4:

Page 7 of Resolution 3515-G states: *“The Commission remains concerned that this program has no mechanism to deter free riders. Currently, neither the utility nor the customer appears to have an incentive to state that the discount was not a material factor in becoming a new customer or increasing gas consumption.”*

Please explain in detail how the proposed modified CIP Program will address this specific concern in Resolution 3515-G and cite where in the supporting testimony this explanation can be found.

RESPONSE 4:

In addition to the Affidavit, where the customer must attest that the CIP was a material factor for installing the technology, SoCalGas' proposed CIP will require all customers to establish a Minimum Annual Quantity (MAQ) of natural gas that must be used. If a customer does not meet its MAQs, the customer may be subject to a partial repayment, whereas previously only customers using upfront cash would have had an MAQ established. The MAQ helps to ensure customers share some of the risks; thus, assist in deterring free ridership.

Moreover, a third-party study referenced in Chapter II has shown that customers are 60% less likely to do a project that has a payback over 3 years. See Chapter II, Sec. III.A. The proposed CIP will require customers to conduct an economic analysis to demonstrate that the project has over a 3-year payback. The CIP will only apply to those projects that have a payback of more than 3 years. The economic analysis is designed to filter the participants to those that need the additional funds. Details regarding program controls may be found in Chapter II, Section III.

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Amended Response Submitted: September 7, 2017

The response to Question 5 has been amended, additions are noted in **red, bold and underline**. Deletions are noted in ~~strikethrough~~.

QUESTION 5:

On pages 7-8 of Resolution 3515-G, the Commission expressed that the NCCLGP may no longer be appropriate in the current legal and policy environment while the CFP should be reexamined to ensure the premise and structure of this program is consistent with the Commission's current policy goals.

Please explain in detail how the proposed modified CIP Program will address this specific concern in Resolution 3515-G and cite where in the supporting testimony this explanation can be found.

RESPONSE 5:

~~While previous projects may have components of energy efficiency or emissions reductions as one of the means of qualification, the~~ **The** proposed CIP conclusively establishes that **energy efficiency is required for three of the four criteria** ~~energy efficiency or emissions reduction are two mandatory criteria for qualification.~~ **It is possible that energy efficiency may not be realized as part of the fourth criterion: "The technology must achieve GHG emissions or criteria air pollutant reduction."** Chapter II, Section II. The promotion of energy efficiency and emissions reductions are consistent with California policy. See Chapter I testimony for policy background.

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QUESTION 6:

On page 1 of the Application, SoCalGas states:

Currently, SoCalGas has two customer incentive programs; (1) the Core Pricing Flexibility Program, authorized by Decision (D.) 97-07-054 with further programmatic details being provided in D.98-01-040; and (2) the Noncore Competitive Load Growth Program, established in D.00-04-060 and consisting of two programs – (a) the California Red Team Economic Development Effort (“Red Team”), and (b) SoCalGas Rule 38.

- (a) For each Program, please identify the number of SoCalGas customers (by customer class) in each year who received these incentives since the establishment of the two customer incentive programs;
- (b) For each Program, please identify the SoCalGas recorded annual program costs and shareholder incentives approved under each of these two customer incentive programs since their establishment and compare them against the annual SoCalGas program budgets;
- (c) For each Program, please identify the verified SoCalGas annual energy efficiency benefits attributable to each of these programs in terms of gas therms saved since their establishment, if any, and compare them against the annual SoCalGas program targets/goals. If no gas therms saved were verified, please so state and explain the reason for this; and
- (d) Please confirm whether the two customer incentive programs were fully funded by all SoCalGas customers. If not, please explain and provide a breakdown of the funding sources..

RESPONSE 6:

The proposed CIP is not identical to nor duplicative of the Current Programs (i.e., CPFPP and the NCLGP). See Response to Question 1(b), above, for the fundamental programmatic differences. The Current Programs’ compliance with CPUC requirements are evaluated through annual Advice Letter filings. Accordingly, the Current Programs components and whether the Current Programs are consistent with the CIP components are not relevant for this CIP proceeding. Subject to this statement and without waiving them, SoCalGas provides information to the extent practicable.

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- a. The number of SoCalGas customers by customer class who received these incentives in a given year dating back to 2006 and partially in 2005 are shown in the table below.

Note: For the core customers, the number is equal to the number of customers that received both the upfront cash and discount contracts that commenced in that year.

Year	Program (Customer Class)	
	CPFP (Core)	NCLGP (Noncore)
2005	4	2
2006	8	2
2007	14	5
2008	20	3
2009	13	4
2010	14	1
2011	29	3
2012	19	3
2013	24	0
2014	19	0
2015	14	1
2016	10	5

- b. SoCalGas is not required to track program costs or program budgets on a year-to-year basis for the Current Programs. SoCalGas will track development and implementation costs for the proposed CIP program consistent with Chapter III testimony. SoCalGas provides a list of incentive payments, by year, made to customers since 2005.

Year	Payments
2005	\$189,700
2006	\$82,456
2007	\$346,635
2008	\$183,000
2009	\$255,918
2010	\$151,350
2011	\$170,000
2012	\$349,300

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2013	\$112,500
2014	\$132,563
2015	\$39,000
2016	\$640,000

- c. SoCalGas is not required to track energy efficiency benefits in terms of gas therms saved under the Current Programs
- d. The Current Programs were fully funded by SoCalGas shareholders. The proposed CIP will be fully funded by SoCalGas shareholders with certain modifications to benefit ratepayers as discussed in Chapter II and Chapter III testimony.

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QUESTION 7:

On page 4 of the Application, SoCalGas states:

If a customer is interested in benefiting from the CIP, the CIP establishes eligibility criteria with certain subcomponents. (Footnote 6 omitted)

- (a) Please confirm whether SoCalGas' proposed eligibility criteria for the CIP are new or existing. If certain of the eligibility criteria are new, explain how the new proposed criteria differ from any previous eligibility criteria for the two customer incentive programs. Please cite the testimony where the proposed eligibility criteria for the CIP are explained.

RESPONSE 7:

See the Response to Question 1(b).