Southern California Gas Company
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Mr. Honesto Gatchalian and Ms. Maria Salinas
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Advice No. 4098 - SoCalGas Reply to DRA Protest

Dear Mr. Gatchalian and Ms. Salinas:

Pursuant to General Order 96-B, Southern California Gas Company (SoCalGas) hereby replies to the protest of SoCalGas' Advice No. (AL) 4098 filed by the Division of Ratepayer Advocates (DRA) on April 28, 2010. DRA, in the same filing, also protested the other three Advice Letters filed by the CSI-Thermal Program Administrators (PAs).

Background

AL 4098 was filed on April 1, 2010, in compliance with Decision (D.) 10-01-022 issued on January 21, 2010 which directed each of the four PAs to file a market facilitation plan and two-year budgets by April 1, 2010.[1]

While SoCalGas agrees with most of DRA's points and appreciates its thorough review of all four advice letters and thoughtful suggestions, it would like to express a couple of concerns about DRA's regulatory account proposal, and update the record on its collaboration with Southern California Edison (SCE) to date.

DRA's Proposal to Create Another New Regulatory Account is Unreasonable

In its protest, DRA proposed that "[u]ntil an adequate strategic plan can be implemented, M&O costs should be recorded in a new memorandum account, to be requested ***via a new PA***

[1] Ordering Paragraph 6 says "By April 1, 2010, each California Solar Initiative Thermal Program Administrator, namely Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and the California Center for Sustainable Energy, shall submit a separate Advice Letter that includes: a) a detailed estimate of its program budget for the first year of program implementation, indicating direct and indirect expenses, labor and non-labor, for incentives, administration, market facilitation, and measurement and evaluation; and b) its proposed market facilitation strategic plan and detailed budget for the first two years of program implementation."

advice letter." (Protest at 4, emphasis added.) SoCalGas believes this is unnecessary since it already created a new regulatory account per OP 16[2] when it filed AL 4102 on April 16, 2010. Since DRA proposed a new memorandum account on April 28 — 12 days after SoCalGas filed AL 4102 — SoCalGas can only interpret this as DRA asking for a second, new memorandum account. This is simply duplicative and burdensome since market facilitation costs can be tracked with internal orders.

DRA's Proposal to Create Another Memorandum Account Unfairly Puts Shareholders at Risk

DRA proposes "… recording M&O costs in a memorandum account … and that M&O costs ***be recovered where they are consistent*** with the Commission's guidance." (Page 2, emphasis added.) SoCalGas interprets this proposal to mean that costs booked in the second new memorandum account would not be fully balanced; rather, costs would be subject to later scrutiny and need for Commission approval. This proposal concerns SoCalGas since it puts shareholders unfairly at risk and potentially inhibits program participation. This is the case since DRA's proposal could very well dampen PA willingness to engage in market facilitation activities that would be second-guessed at a later date. SoCalGas is mindful that PAs get weekly verbal, and occasionally written, direction from staff on market facilitation activities in team meetings. As DRA points out, such input is "…not official Commission direction." (Page 2.) SoCalGas is concerned that subjecting shareholders to risk may have unintended consequences and could negatively impact the flow of good ideas and verbal guidance being provided to PAs by staff.

SoCalGas and SCE Have Made Great Strides in Collaborating

DRA states "…neither SCE nor SoCalGas discussed in any detail how they would coordinate certain M&O efforts given their overlapping service territories" (Page 3) and "…given the overlap in service territories between SCE and SoCalGas, all M&O activities for these utilities should be coordinated and integrated" (Page 1 of Attachment A).

SoCalGas is pleased to be able to point out that it has very actively partnered with SCE on the contractor / self-installer training workshop and on proposed post-installation field inspection protocols and activities. In a short couple of months, SoCalGas and SCE have selected a contractor training and inspection vendor, drafted a co-funding agreement, and held two joint contractor / self-installer training workshops, one each at SoCalGas and SCE facilities. In addition, seven more contractor / self-installer training workshops have been scheduled in the months of May and June, alternating between IOU facilities.

Conclusion

SoCalGas appreciates the opportunity to offer this reply and acknowledges that a more strategic and collaborative statewide approach would benefit all parties. SoCalGas looks forward to working with the Energy Division, other CSI-Thermal PAs, and industry to more thoroughly flesh out a workable and cost effective market facilitation plan.

[2] "Within 90 days of this order, ...Southern California Gas Company shall … file an advice letter to amend …preliminary statements and establish a memorandum account to track actual annual expenditures for the gas-displacing California Solar Initiative Thermal program, beginning on the effective date of this decision through December 31, 2017." (Ibid OP 16)

SoCalGas also believes that much has been accomplished in the three short months since D. 10-01-022 adopted an extraordinarily aggressive timeline for designing and implementing a brand new solar water heating rebate program in roughly three months. Now that many of the start-up tasks are nearly behind the PAs, i.e., the single-family handbook is approved, the CSI-Thermal online database has been launched, contractor / self-installer training workshops are underway, and single-family applications are being processed; revisiting the statewide and local market facilitation strategies and budgets is a logical next step. SoCalGas believes many good ideas have been offered the Commission, PAs and industry, and looks forward to further guidance expected from a Resolution that will address the four suspended advice letters.

Respectfully submitted,

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Service List for R.08-03-008