

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Address Natural
Gas Distribution Utility Cost and Revenue
Issues Associated with Greenhouse Gas
Emissions.

Rulemaking 14-03-003
(Filed March 13, 2014)

**PREHEARING CONFERENCE STATEMENT
OF THE INDICATED SHIPPERS**

Evelyn Kahl
Alcantar & Kahl LLP
33 New Montgomery Street
Suite 1850
San Francisco, California 94105
415.421.4143 office
415.989.1263 fax
ek@a-klaw.com

Counsel to the Indicated Shippers

April 10, 2014

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Pursuant to Rule 6.2 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure and the Commission's Order Instituting Rulemaking to Address Natural Gas Distribution Utility Cost and Revenue Issues Associated with Greenhouse Gas Emissions filed March 13, 2014 (OIR), the Indicated Shippers¹ hereby provide these comments.

I. INTEREST IN THE PROCEEDING

The Indicated Shippers are sellers, transporters and/or end-users of natural gas in the Southern California Gas Company and Pacific Gas and Electric Company service territories. The end-use facilities operated by the Indicated Shippers include "Covered Entities" with direct compliance obligations under the California Air Resource Board's (ARB) Greenhouse Gas (GHG) Cap-and-Trade regulations for GHG emissions from natural gas combustion. The Indicated Shippers thus are interested in ensuring competitive neutrality of any

¹ Member companies include Aera Energy LLC, BP Energy, Chevron U.S.A. Inc., ConocoPhillips Corp, Shell Oil Products and Occidental Energy Marketing Inc.

Commission-approved GHG regulations and ensuring the obligations of “covered facilities” are not duplicated by the Commission.

II. PROPOSED CATEGORIZATION AND NEED FOR HEARING

The Indicated Shippers agree with the proposed categorization of this proceeding as ratesetting and concur there is no need for a hearing.

III. SCOPE OF ISSUES

The Indicated Shippers generally agree that the issues identified in Section 3.1 of the OIR are appropriately within the scope of this proceeding. The Indicated Shippers intend to participate in the rulemaking regarding some or all of the issues in the OIR. The Indicated Shippers propose that the Commission:

- Ensure the utilities do not directly or indirectly charge end-use customers who are ARB-regulated Covered Entities for emissions already covered by those entities’ direct ARB-compliance obligation.
- Maintain competitive neutrality and implement rules to distribute allowance revenue so that Commission-regulated gas distribution utilities and non-regulated natural gas suppliers are treated fairly. Non-regulated natural gas suppliers should not be at a competitive disadvantage when compared to Commission-regulated utilities;
- Reserve for clean energy projects a portion of GHG allowance auction revenues resulting from any allocation of free allowances by ARB. allocation to the utilities

The Indicated Shippers also reserve the right to address all other issues that come to light in the course of the proceeding.

IV. PRIORITY OF RESOLVING ISSUES AND PROCEDURAL MECHANISMS

The Indicated Shippers are not opposed to the Commission placing greater priority on some issues and are not opposed to any expedited procedural mechanisms, as suggested in Section 5 of the OIR. The Indicated Shippers propose that the Commission direct the utilities at the outset to exclude from cost allocation any Covered Entities with direct ARB compliance obligations.

V. PROPOSED SCHEDULE

The Indicated Shippers do not have a position at this time for a proposed schedule.

Respectfully submitted,

A handwritten signature in cursive script that reads "Evelyn Kahl".

Evelyn Kahl

Counsel to the Indicated Shippers

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