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| Docket Number: | 17-ALT-01 |
| Project Title: | 2018-2019 Investment Plan Update for the Alternative and Renewable Fuel and Vehicle Technology Program |
| TN #: | 221820 |
| Document Title: | SoCal Gas Comments on 2018 2019 Investment Plan Update |
| Description: | *** THIS DOCUMENT SUPERSEDES TN 221811 *** |
| Filer: | System |
| Organization: | SoCal Gas |
| Submitter Role: | Public |
| Submission Date: | 11/17/2017 3:07:46 PM |
| Docketed Date: | 11/17/2017 |

Comment Received From: Kevin Maggay

Submitted On: 11/17/2017

Docket Number: 17-ALT-01

SoCal Gas Comments (17-ALT-01)

Additional submitted attachment is included below.



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November 17, 2017

Transmitted via E-commenting at <http://energy.ca.gov/altfuels/2017-ALT-01/>

Re: DOCKET NO. 17-ALT-01, 2018-2019 INVESTMENT PLAN UPDATE FOR ALTERNATIVE AND RENEWABLE FUEL AND VEHICLE TECHNOLOGY PROGRAM

To Whom It May Concern:

Thank you for the opportunity to provide input on the 2018-2019 Investment Plan Update for the Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP) (Docket Number: 17-ATL-02).

Natural gas as a transportation fuel can dramatically help to meet state goals for improving air quality, combatting climate change, and reducing the state's petroleum dependence. Natural gas vehicles continue to be the most cost-effective technology available now to address the largest source of emissions of nitrogen oxides (NOx). The benefits of the use of natural gas have strengthened over the years with continual improvement in emissions reductions. With the advancement of low NOx (near-zero) natural gas engines in the marketplace today, near-zero natural gas vehicles are exceeding required air quality engine standards by up to 90%.

Currently, 60% of the natural gas used as transportation fuel in California is renewable natural gas (RNG). That number is expected to go up to 90% by next year, based on commitments from existing users. RNG can significantly decrease greenhouse gas emissions and on average has a carbon intensity of 60-80% lower than diesel. Based on the source, RNG can have a carbon intensity up to 400% lower than diesel, and can be carbon negative. A study conducted by ICF states there are 650-700 million diesel gallon equivalents available for RNG production in California per year.

When RNG is coupled with near-zero emission natural gas engines certified to 0.02 grams of NOx per brake horsepower-hour, NOx emissions are reduced by over 90% of the most advanced diesel engines. In some duty cycles, research has shown reductions of 99.8% of NOx emissions from these advanced natural gas engines. Accelerating the adoption of the near-zero natural gas vehicles is key to helping the State meet the federally mandated National Ambient Air Quality Standards.

While natural gas as a transportation fuel represents a significant environmental investment opportunity, the Investment Plan Update removes two Funding Activities specific to natural gas – Natural Gas Fueling Infrastructure and Natural Gas Vehicle Incentives, which had \$2.4 million and \$9.7 million allocated in the previous year funding plan, respectively. These activities were merged with the Advanced Freight and Fleet Technologies Activity, which maintained its \$17.5 million allocation from the previous year. We strongly urge the Energy Commission to keep the Natural Gas Fueling Infrastructure and Natural Gas Vehicle Incentives Activities and allocate funding at the same levels as the prior year.

During the ARFVTP Advisory Committee Meeting and Workshop held November 7, 2017, presenter, Jason Orenburg, commented that funds for natural gas vehicles were not being spent. He stated that while funding reservations have been made they have not translated to many purchases. This statement was made as justification to remove the natural gas Activities funding. Reserving funds through the program, with some delays before purchase, has been typical and allowed by the program guidelines. Purchasers often take time to shop for and secure additional financing. There is also time lapsed from vehicle order to delivery. This should not be viewed as a negative characteristic of natural gas vehicles or reasoning to remove or reduce funds for natural gas vehicles.

There are many factors that affect the use of incentive funds. When funding is being underutilized, ARFVTP staff should spend the time to understand funding barriers. It is important to understand why funding is underutilized rather than hastily moving funding from one use to another. SoCal Gas and its partners in the natural gas industry are willing to work with staff to understand and overcome barriers.

The Energy Commission should also understand the trends in the industry to support the implementation of new technologies. Previously, only an 8.9-liter natural gas engine was available. A larger, 11.9-liter natural gas engine will be available in early 2018 and will expand the types of vocations that can utilize the near-zero emission technology. This new engine will be certified to 0.02 g of NOx and can be powered by RNG. Both of these milestones will significantly help the state achieve its air quality and climate goals with heavy-duty trucks. With significant advances in engine technology like these, now is not the time to remove or reduce funding for natural gas technologies. This goes against the goals of the ARFVTP, which is “...to develop and deploy innovative technologies that transform California’s fuel and vehicle types to help attain the state’s climate change policies.” (California Health and Safety Code 44272(a)).

SoCal Gas strongly recommends maintaining the funding for Natural Gas Vehicle Incentives in the same allocation \$9.7 million per year.

Another comment was made at the workshop that the cost of diesel and the cost of compressed natural gas (CNG) as a transportation fuel have been nearly identical for the last five years. This is not the case. The graph below, taken from the July 2017 Clean Cities Alternative Fuel Price Report¹ prepared by the United States Department of Energy, shows the historical

¹ https://www.afdc.energy.gov/uploads/publication/alternative_fuel_price_report_july_2017.pdf

price difference between CNG and diesel fuel. Only in early 2016, when the per barrel price of oil was at historic lows, was diesel priced lower than CNG. Additionally, California recently increased the excise tax on diesel fuel from 16 cents to 36 cents. This increases the cost differential between the fuels.

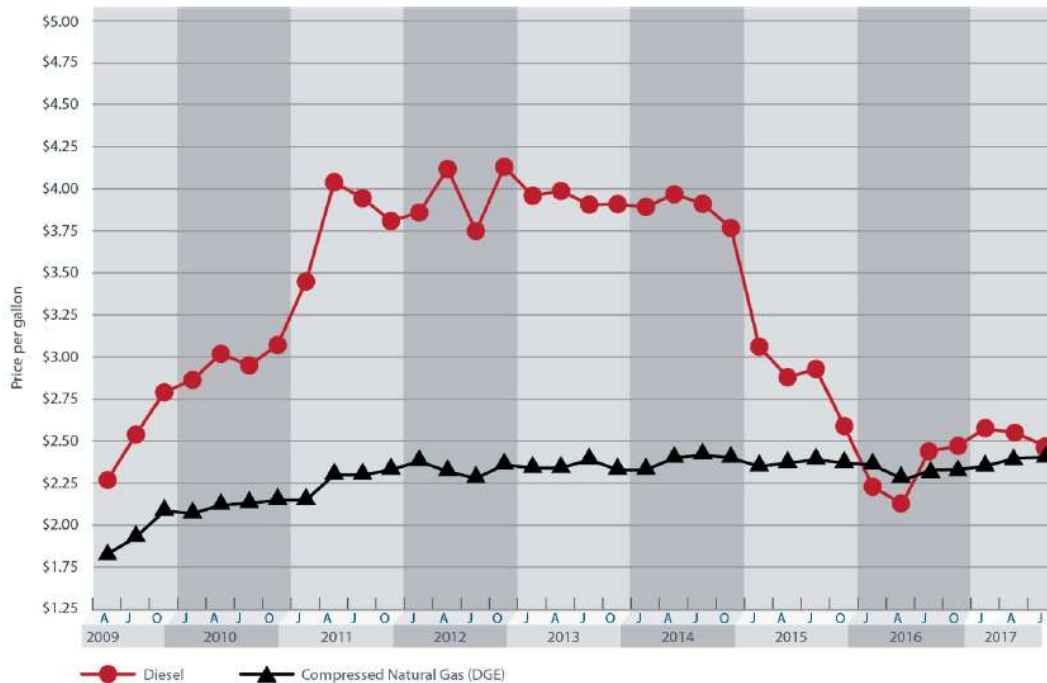


FIGURE 5
HISTORICAL COMPRESSED NATURAL GAS (CNG) PRICES VERSUS DIESEL

Specific comment on the Natural Gas Vehicle Incentive Program (NGVIP) were submitted in response to the Request for Information (RFI) on September 22, 2017. The SoCal Gas comments on the NGVIP RFI are enclosed for your reference.

Thank you again for the opportunity to comment on the ARFVTP. Please do not hesitate to contact me with any questions.

Respectfully submitted,

Kevin Maggay
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