

## DOCKETED

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**SoCal Gas Comments (17-ALT-01)**

*Additional submitted attachment is included below.*



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**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 Proposed Investment Plan Update for the Alternative and Renewable Fuel and Vehicle Technology Program (“ARFVTP”) (Docket Number: 17-ATL-01). ARFVTP has been successful in funding the development and deployment of emerging and proven technologies. With aggressive long-term climate goals and strict near-term air quality (criteria pollutant emission) requirements, it is imperative that the state take a balanced approach in spending available funds. With that said, SoCalGas submits the following comments on the Investment Plan Update for your consideration.

**ARFVTP DOES NOT INCLUDE FUNDING FOR NATURAL GAS TRUCKS**

The Investment Plan Update removes two Funding Activities from previous years 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. Natural gas trucks, which are technologically proven and commercially available are key to helping the state meet its near- and long-term climate and air quality goals. As stated in previous comment letters, we strongly urge the Energy Commission to maintain the Natural Gas Fueling Infrastructure and Natural Gas Vehicle Incentives Activities and allocate funding at the same levels as the prior year.

**THE POTENTIAL BENEFITS AND USE OF BIO-METHANE IN TRANSPORTATION IS INCORRECTLY QUESTIONED**

The Investment Plan Update correctly states that “life-cycle GHG emissions can also be significantly reduced with the use of biomethane, which has some of the lowest carbon intensity values established by the LCFS”. However, it then incorrectly states that “The potential of biomethane as a transportation fuel may be limited, however, because of the finite amount that can be produced from waste-based feedstocks”. This statement relies on a single Union of Concerned Scientist study that estimated only 450 million diesel gallon equivalents of RNG. Other studies, however, have reached a far different conclusion. For instance, studies from the University of California, Davis, the American Gas Foundation, and the United States Department of Energy yield estimates of California sources of RNG as high as 1,956 million

diesel gallon equivalents of RNG – far greater than the UCS estimate.<sup>1</sup> Further, actual customer use of RNG supports the idea that RNG is abundant and available as a transportation fuel. Based on California Air Resources Board (“CARB”) Low Carbon Fuel Standard (“LCFS”) data, almost 62% of natural gas fuel reported to CARB through the LCFS Program at the end of 2016 was RNG.<sup>2</sup> Thus, the majority of natural gas transportation fuel use in the state of California is already derived from renewable resources and not fossil fuels. As additional fleets adopt natural gas vehicles and/or RNG, it is expected that the percentage of RNG fueling natural gas vehicles in the state of California will continue to grow.

SocalGas recommends that the Investment Plan Update include additional information on other RNG studies and actual customer use of RNG and conclude that RNG is a transportation fuel that can significantly reduce GHG emissions based on low carbon intensity but also due to availability and abundance.

### **THE NATURAL GAS VEHICLE INCENTIVE PROGRAM NEEDS TO BE MODIFIED**

The program has yet to distribute all of the funds for the Natural Gas Vehicle Incentives funding activity. It is important to note that it is not because of lack of interest. The waiting list has grown to over \$3.8 million. It has been brought to CEC staff’s attention that there are structural deficiencies of the program that need to be modified to spend the funds, including but not limited to the reservation system. The natural gas industry has been working with CEC staff to develop and propose program changes that would increase the speed at which the funds are spent. The natural gas industry appreciates this collaboration and hopes that the discussions will continue and will result in the timely spending of the funds.

### **NO ARFVTP FUNDING IS PROPOSED FOR LOW CARBON FUEL PRODUCTION**

The Investment Plan Update proposes an increase of funding for electric infrastructure from \$20 million to \$134.5 million from the previous version of the Investment Plan, while the “Low-Carbon Fuel Production and Supply” funding activity saw no increase from the previously proposed \$25 million. In fact, the funding source for this funding activity was moved out of ARFVTP to Cap and Trade revenues, which means that it would require a separate approval process, outside of the CEC. Under this proposal, ARFVTP would no longer provide funding for this activity, while adding over \$100 million to electrical infrastructure.

The California Air Resources Board’s (ARB) Scoping Plan specifically highlights using “*methane as a renewable source of natural gas to fuel vehicles and generate electricity*” and as an important measure to reduce greenhouse gas (GHG) emissions and air pollution. The Scoping Plan has a methane emission reduction of 40 percent. Capturing methane emissions and reusing it is integral to meeting the state’s goals. Captured methane processed to create Referable Natural Gas (RNG) has the lowest carbon intensities issued by ARB. ARB recently awarded the company, AMP Americas, a carbon intensity (CI) score of -254.94 grams of carbon dioxide per megajoule (gCO<sub>2</sub>e/MJ) for its renewable natural gas, which is the lowest CI score ever issued by ARB. By comparison, the current CI for electricity is approximately +35 (gCO<sub>2</sub>e/MJ).

Additionally, ARB’s Low Carbon Fuel Standard is currently proposing amendments that continue to decrease the carbon intensity requirements in fuels. As carbon intensity requirements lower, the demand

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<sup>1</sup> ICF International, Deploying Low NOx Trucks fueled by Renewable Natural Gas, May 2017, p. 7-9; Table 3.

<sup>2</sup> Available at <https://www.arb.ca.gov/fuels/lcfs/dashboard/dashboard.htm>.

for low carbon fuel will increase. Now is the opportune time to invest, even more than the proposed \$25 million, in low carbon fuel production.

Interest in developing these projects continues to gain momentum. Over the last several months SoCalGas received inquiries from many of agricultural and other waste-to-renewable gas project developers interested in interconnecting with the natural gas pipeline. We are also in the midst of supporting the execution of the five dairy pilot projects directed by SB 1383, with applicant projects also being critically supported by grants from the CEC and California Department of Food and Agriculture (CDFA).

In order to make sure the market stays strong to produce RNG in California, it will be equally necessary to incent the deployment of RNG-fueled vehicles, especially near-zero heavy duty trucks which help to actualize the GHG benefits of producing RG from waste while simultaneously reducing smog-forming NOx emissions by 90% or more compared to the diesel trucks they replace.

SocalGas recommends that the Investment Plan Update commit to funding Low Carbon Fuel Production and Supply through ARFVTP and additional funding be made available for this funding activity.

**NATURAL GAS ENGINES THAT MEET THE OPTIONAL LOW NOX STANDARD AND ARE SUITABLE FOR TRUCKING ARE NOW AVAILABLE**

Cummins Westport has recently certified an 11.9-liter natural gas engine to the ARB Optional Low NOx standard of 0.02 grams of NOx per brake horsepower hour (g/bhp-hr), which is 90 percent lower than the certification levels of current diesel models. While the 8.9-liter engine meeting the Low NOx standard have been available and in use for several years, the 11.9-liter engine increases the types of applications that can use Low NOx technology, specifically heavy-duty trucking. When paired with low carbon RNG, these engines can significantly help the state meet its climate goals as well as its air quality requirements. Incentives to purchase these trucks and install fueling infrastructure to serve these trucks is required to facilitate the market now that the technology is available.

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

Respectfully submitted,



Kevin Maggay

Energy and Environmental Affairs Program Manager