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SoCalGas Comments on Final 2018 IEPR Update

Please find attached Southern California Gas Company's comments on the CEC's Final 2018 IEPR Update.

Additional submitted attachment is included below.

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California Energy Commission
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Sacramento, CA 95814-5512

Subject: Comments on the Final 2018 Integrated Energy Policy Report Update Volume II, Docket # 18-IEPR-01

The Southern California Gas Company (SoCalGas) appreciates the opportunity to comment on the California Energy Commission's (Commission) Final 2018 Integrated Energy Policy Report (IEPR) Update, Volume II.

The Commission should support sensible, cost-effective and balanced policies that consider climate adaptation and resiliency, affordability, and consumer choice in the roadmap to carbon neutrality by 2045. Building electrification is not the single solution to reduce total greenhouse gas (GHG) emissions from buildings and should not be predisposed in the Final 2018 IEPR Update and other Commission proceedings. The Final 2018 IEPR Update makes the unsupported claim that "there is a growing consensus that building electrification is the most viable and predicable path to zero-emission buildings" and that "this consensus is due to the availability of off the shelf, highly efficient electric technologies (such as heat pumps) and the continued reduction of emission intensities in the electricity sector."[1] SoCalGas is unsure how that "consensus" is measured, however, it is inconsistent with feedback received from gas-users in the industrial, commercial and residential sectors.

SoCalGas is concerned that the Commission is being swayed by the broad misunderstandings and misstatements around both energy usage and related emissions. Their recommendation to pursue building electrification policies while excluding other more viable options, is not based on science or customer choice, but is rather based on agency policy goals that have not had any cost analysis. The Final 2018 IEPR Update and further Commission proceedings should not prejudge end results nor mandate one technology over all others without full research and analysis. The Commission should instead set emission standards, conduct scientific and fact-based studies that lead to the best conclusions to inform decisions to allow the technology market to compete to cost-effectively achieve the state's climate objectives in a safe and affordable manner. Electrification of a sector or an industry is choosing a single technology to achieve

[1] 2018 Final IEPR Update, P. 21.

California's environmental goals. There are other approaches to meet these goals, specifically decarbonizing the existing, resilient natural gas system, that should be considered and compared in terms of efficiency, cost and practicality.

The Final 2018 IEPR Update must support multifaceted approaches that are cost-effective and equitable to lower the carbon impact of buildings to achieve California climate goals. A recent independent study shared with the Commission showed the following:[2]

- If SoCalGas replaces 10-20 percent of our traditional natural gas supply with renewable gas (RG) by 2030, we can achieve GHG emissions reductions equivalent to converting 100 percent of buildings to electric-only energy.
- If we use a mix of both in- and out-of-state RG resources, a RG solution is expected to be up to *two to three times more cost-effective in reducing GHG emissions than eliminating and replacing gas appliances in homes and commercial buildings*. In light of that comparison it seems logical and reasonable to deploy the more cost-effective tactic to achieve these goals given that we are dealing with ratepayer dollars.

It is also important to note that people prefer using gas by a margin of 4 to 1 over electricity for many purposes, because gas heats and cooks efficiently and at a lower cost than electricity.[3] This is an example of why SoCalGas supports building decarbonization strategies that include RG, including biomethane, hydrogen, and methanated hydrogen production to decarbonize the gas supply. A RG pathway is cost-effective and enables customer choice—which must not be undervalued. Customers prefer choices when determining how they heat their homes and cook their food. Pursuing an "all-electric" strategy to the exclusion of other potential approaches chooses to ignore clear customer choice data.

The Final 2018 IEPR Update also includes very little information on the vulnerabilities and resiliency of the natural gas system. There are significant differences in the vulnerabilities when comparing the mostly aboveground electric grid to the predominantly underground natural gas system. This was highlighted in recent Commission funded research on "Potential Impacts and Adaptation Options for Electricity and Natural Gas Systems from Climate Vulnerability in San Diego."[4] The study found that gas assets and service disruptions are far less vulnerable than electric infrastructure to widespread service disruptions caused by extreme heat, sea-level rise, flooding, and other extreme climate driven events. In previous comments to the Commission,[5] SoCalGas included case studies that examined the impacts of various natural disasters throughout the country on utility and transportation infrastructure. The case studies highlighted

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[2] Navigant. July 24, 2018. *Analysis of the Role of Gas for a Low-Carbon California Future, Final Report, Prepared for SoCal Gas*. https://www.socalgas.com/1443741887279/SoCalGas_Renewable_Gas_Final-Report.pdf.

[3] California Building Industry Association. January 2018. https://www.cbia.org/uploads/5/1/2/6/51268865/2018_energy_choice_survey_exec_summary_and_analysis.pdf

[4] CEC. Regional Workshops held on January 24, 2019. Potential Impacts and Adaptation Options for Electricity and Natural Gas Systems from Climate Vulnerability in San Diego Area. Slide deck available at: http://www.climateassessment.ca.gov/events/docs/20190124-Slides_ICF.pdf

[5] SoCalGas Comments Climate Adaptation and Resiliency IEPR Workshop held on August 2, 2018. Available at: https://efiling.energy.ca.gov/GetDocument.aspx?tn=224506&DocumentContentId=55054

concerns with an over-reliance on any single energy source and demonstrated that utilizing a diverse energy delivery system contributes to greater reliability, community resilience, and enhances public safety. They also found that natural gas infrastructure and services were relatively resilient to recent hurricanes and wildfires. Both studies stress the need for the state to pursue balanced energy policies that are inclusive of a diverse energy portfolio that include multiple fuels and technologies. Having a diverse energy delivery system contributes to greater reliability, community resiliency, and enhances public safety. When considering how best to adapt and maintain resiliency in the face of climate change, we urge the Commission to support an approach that acknowledges and reflects the differences in vulnerabilities and resiliency of the natural gas system and electric grids. Electrifying all buildings in California would risk serious exposure of industrial, commercial and residential customers to outages without an alternative energy source during emergency situations.

SoCalGas offers the following additional comments on the Final 2018 IEPR for the Commission's consideration.

I. Comments on Chapter 6: Southern California Energy Reliability

a. Gill Ranch Proposal

As SoCalGas has previously explained, the Gill Ranch proposal – effectively substituting another California storage source located 160 miles away for an existing storage source in an optimal Los Angeles location – would require significant investment in new pipeline and compressor infrastructure.[6] The Gill Ranch proposal is not currently detailed enough for a complete assessment, however, it involves creating a new interconnection between Pacific Gas and Electric Company (PG&E) and Kern/Mojave (Wheeler Ridge) to provide the SoCalGas system access to stored natural gas from Gill Ranch. Storage supply from Gill Ranch would need to be transported over both of these pipelines to the SoCalGas' system. As a result, unless new infrastructure is built, natural gas from Gill Ranch would displace other flowing pipeline supply and would not increase supplies into the SoCalGas system. Therefore, the Gill Ranch proposal would only function as an alternate to existing pipeline supplies.

For Gill Ranch supply to be incremental – to avoid constraining our ability to receive existing supplies – a significant investment in new pipeline and compressor infrastructure would be required on the SoCalGas system. A preliminary examination indicated that this investment would involve installing approximately 160 miles of large diameter, high pressure pipeline and 50,000 horsepower of compression. Preliminary fully-loaded cost estimates for these investments exceed $1.7 billion. SoCalGas has not further examined the project because of the scope and cost of this infrastructure expansion and Aliso Canyon's existing ability to better serve this reliability need.

Even with these significant investments, the Gill Ranch proposal is not a replacement for SoCalGas' locally located and available underground natural gas storage. Natural gas supply

[6] SoCalGas Comments on Joint Agency Workshop on Energy Reliability in Southern California held on May 8, 2018. Available at:
https://efiling.energy.ca.gov/GetDocument.aspx?tn=223536&DocumentContentId=53610

from Gill Ranch will not get to the Los Angeles Basin quickly enough to provide real-time support and its rate cannot be varied outside of the North American Energy Standards Board (NAESB) cycles to meet intraday changes in customer demand. A local source of gas is needed, since gas travels very slowly at speeds of approximately 25-30 miles per hour. Gill Ranch's proposal does not accomplish that goal. Further, SoCalGas' System Operator can immediately dispatch market area storage assets under its control in response to system load fluctuations to maintain system integrity, regardless of nomination deadlines and uniform hourly delivery requirements. On the other hand, third party off-system storage must be scheduled per the tariff of the interconnecting pipeline at uniform hourly rates of delivery. Having a natural gas source already in the Los Angeles area that is not hundreds of miles away and is not vulnerable to extreme weather, contractual rights on interconnecting pipelines, pipeline constraints, or operator upsets, is a tremendous asset and a practical hourly system load management tool, and could not be replaced with supply from Gill Ranch regardless.

b. Natural Gas Prices

SoCalGas disagrees with the Final 2018 IEPR Update statement that, "[t]he data clearly show that natural gas prices have been impacted from the natural gas pipeline outages, rather than restricted use of Aliso Canyon"[7] because it is overly simplistic. SoCalGas' system is integrated system that relies on both flowing supplies and storage to provide gas to its customers. The Southern California area is experiencing reliability and affordability challenges because of supply and demand mismatches. SoCalGas' system capacity and supply are primarily a function of two components: (1) transmission pipelines, which bring gas into and then distribute it throughout the system; and (2) underground natural gas storage connected to transmission pipelines near system load. In other words, the system is integrated to rely on both transmission and underground natural gas storage to provide reliable and affordable natural gas service. As such, one cannot pinpoint individual "clear" factors of market-wide volatility because the market is impacted by the availability and capability of the system as a whole.

The SoCalGas system is designed around strategically located underground storage resources to provide system flexibility and resiliency. Existing pipeline outages and reductions on the SoCalGas system are occurrences that a prudent operator plans for and has capabilities in place to mitigate. For SoCalGas, underground natural gas storage is designed and intended to be a key mitigation measure by responding quickly to manage supply and demand mismatches. Notably, the reductions or outages on Line 235-2, Line 3000, and Line 4000 result in a reduction of approximately 0.7 billion cubic feet per day (Bcfd) of system supply capacity. This supply reduction is notably less than the over 1 Bcfd of withdrawal capacity at Aliso Canyon that cannot be scheduled and can only be used as a last resort, despite the California Division of Oil, Gas and Geothermal Resources (DOGGR) and the California Public Utilities Commission (CPUC) deeming Aliso Canyon safe to resume injection a year and a half ago. Further, pursuant to the Aliso Canyon Withdrawal Protocol, SoCalGas relied on Aliso Canyon for 11 days of withdrawals in January 2019. During this time, lower price volatility was experienced than other periods of high demand. This was likely due to the market's apparent assumption that Aliso Canyon would be utilized as an additional source of supply to meet demand.

[7] 2018 IEPR Update, P. 210.

Therefore, it is inaccurate to conclude that the data clearly shows that natural gas prices have been impacted from the pipeline outages and reductions, rather than the CPUC staff-imposed restrictions on the use of Aliso Canyon. More accurately, the data shows that SoCalGas' system requires storage and transmission to function as designed, and the storage restrictions and transmission reductions have a combined impact on system reliability and natural gas prices.

c. California Council of Science and Technology Analysis

SoCalGas disagrees with the Commission's recommendation to develop a long-term strategy to close Aliso Canyon. The analysis by the California Council of Science and Technology (CCST) has already validated the importance of underground storage to energy reliability and should inform the Commission's views regarding natural gas storage facilities in the State, including Aliso Canyon, which accounted for approximately 23 percent of the natural gas storage inventory in California and 64 percent in Southern California, before the current restrictions imposed by the CPUC staff. Aliso Canyon has been and will be instrumental in supporting an affordable, reliable, and resilient energy system; enabling the integration of renewable resources; and promoting a healthy and functioning economy. The CCST study validates the importance of natural gas storage. Evidence should be carefully weighed in the appropriate proceeding before any reductions to the use of the State's largest natural gas storage facility that will impact the reliability and affordability of energy in California.

The CPUC is already examining the future of Aliso Canyon through the proceeding it opened pursuant to Senate Bill (SB) 380 (I.17-02-002). The Commission's statements that Aliso Canyon should be closed in 10 years do not reflect thorough analyses that have shown the true impact of closing it down. The Commission is undermining the reliability and affordability of energy in California and the due process afforded to all parties in the CPUC's open proceeding. SoCalGas respectfully suggests that the CPUC's regulatory process be permitted to be completed in a considered and objective manner before the Commission makes any such recommendation. It is also necessary that policy be guided and informed by technical analysis such as the CCST report, especially when assessing the energy needs of a region as large as Southern California.

d. Corrections to Erroneous Statements and Figures

On August 7, 2018, SoCalGas entered into a settlement agreement with the Los Angeles City Attorney's Office, the County of Los Angeles, the California Office of the Attorney General, and the California Air Resources Board to resolve all outstanding claims by those government bodies against SoCalGas related to the 2015-2016 natural gas leak at Aliso Canyon. The settlement agreement is irrelevant to the Final 2018 IEPR Update. To the extent the settlement agreement is referenced, SoCalGas recommends the Commission quote directly from the agreement to avoid making inaccurate statements.

As SoCalGas previously noted,[8] the Final 2018 IEPR Update incorrectly states that "Line 235-2 ruptured on October 1, 2017, and damaged nearby Line 4000." The remediation work for Line

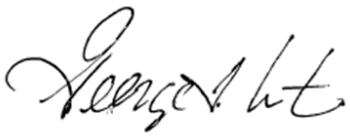
[8] 2018 IEPR Update, P. 196.

4000, however, was not caused by damage from the rupture on Line 235-2. SoCalGas again respectfully requests that the Commission correct this inaccuracy before finalizing the 2018 IEPR Update. In addition, the Final 2018 IEPR Update inaccurately states that "Line 3000 has been out of service since July 2016."[9] SoCalGas suggests this sentence be revised to read, "Line 3000 returned to service on September 17, 2018." Additionally, the figures provided on pages 12 and 107 of the Final 2018 IEPR Update are no longer current. SoCalGas has enclosed an updated map of the Southern California Gas System Outages (Figure 1).

Conclusion

In conclusion, SoCalGas provides these comments to support California's move towards our aggressive climate goals in a thoughtful, informed, and cost-effective way that supports customer choice. The State and its ratepayers need and benefit from balanced and sensible policies that are cost-effective and preserve customer choice while meeting our GHG emissions reduction goals.

Sincerely,



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[9] *Ibid.*

Figure 1. Southern California Gas System Outages