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Additional submitted attachment is included below.

STATE OF CALIFORNIA

**Energy Resources Conservation
and Development Commission**

In the Matter of:

2019 Integrated Energy Policy Report -
Energy Efficiency and Building
Decarbonization

Docket No. 19-IEPR-06

**COALITION OF CALIFORNIA UTILITY EMPLOYEES
COMMENTS ON APRIL 8, 2019 JOINT AGENCY WORKSHOP**

April 22, 2019

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The Coalition of California Utility Employees (“CUE”) appreciates the opportunity to submit comments on the April 8, 2019 Joint Agency Workshop (“Joint Workshop”) on building decarbonization hosted by the California Public Utilities Commission (“CPUC”) and the California Energy Commission (“Energy Commission”).¹ The member unions of CUE represent utility employees who work in both the electric and gas segments of the utility industry.

I. INTRODUCTION

The Joint Workshop was held to discuss building decarbonization policy goals and program implementation ideas, including multi-faceted efforts to reduce natural gas usage in buildings to achieve greenhouse gas (“GHG”) emissions reduction goals. The Joint Workshop will also inform the Energy Commission’s upcoming 2019 Integrated Energy Policy Report, which will update SB 350 energy efficiency doubling targets, refresh the AB 758 Existing Building Energy Efficiency Action Plan, and provide preliminary work on the AB 3232 building decarbonization assessment.

CUE commends the CPUC and Energy Commission for hosting a forum that fosters interagency collaboration and consistent statewide policies in decarbonization. However, while the CPUC has recognized that it must carefully consider interdependencies with electricity and natural gas rates and how to maximize cost-effective reduction of GHG emissions from

¹ The Joint Workshop was held as part of this instant proceeding and the CPUC’s Building Decarbonization proceeding (R.19-01-011).

buildings, a discussion of these interdependencies was noticeably absent from the Joint Workshop. Before the CPUC and Energy Commission consider building electrification programs and policies, a robust analysis of impacts to existing energy infrastructure must be conducted. Impacts on existing natural gas infrastructure safety and maintenance, maintenance costs, energy reliability, rates, and workforce must be addressed as part of the overall assessment of decarbonization planning. A full analysis of these implications is essential in meeting the State's goals in decarbonizing California's electricity and natural gas systems, while maintaining safe, reliable, and affordable service.

II. UNINTENDED CONSEQUENCES OF BUILDING DECARBONIZATION ON NATURAL GAS INFRASTRUCTURE, THE NATURAL GAS GENERATION FLEET, RATES, AND GAS WORKERS MUST BE ANALYZED

Californians rely on natural gas for electricity, to heat homes and businesses, to cook and heat water, and for industrial processes. There are more than 150,000 miles of utility-owned natural gas pipelines that deliver most gas used by Californians. The volume of natural gas used for electric generation has declined and will continue to decline as the Renewable Portfolio Standards in SB 100 are implemented. There are also many efforts in the State to electrify buildings. Electrification of buildings will result in fewer gas utility customers and less gas running through the pipelines. But there will still be some gas running through the pipelines that will continue to require investment and maintenance. The cost to maintain the pipelines

may stay the same but will be paid by remaining customers. This smaller pool of customers will be left to foot the whole cost, and ultimately pay more. This will adversely impact the millions of homes and businesses that depend on gas for heating and cooking but have not transitioned or are unable to transition to electrification at the pace of other consumers in the state.

Alternatively, with fewer customers and rates unadjusted, utilities will be unable to meet their revenue requirement and cover the costs to pay workers to maintain the system. Fewer workers translate to a less safe and less reliable gas system. Some of the anticipated impacts include fewer leaks detected and repaired, reduced customer response levels at call centers, extended response time from reconnections, longer service outages, deferred reliability maintenance projects, deferred gas pipeline replacements, and slower emergency response times. Neither the CPUC nor the Energy Commission has begun to consider how to manage the cost of gas infrastructure with a reduced volume of gas consumption from decarbonization. Before the State continues down the electrification path, it must study these impacts and plan for the reduced use of the natural gas system in a way that does not burden fewer and more vulnerable customers with the fixed costs of maintaining the gas system.

Furthermore, California gas supply rates for generators are based primarily on volumetric charges, which disadvantage efficient California plants compared to inefficient out of state plants and results in higher GHG

emissions. Some California plants also pay much higher gas supply rates than other plants based solely on whether they are connected to backbone gas transmission or local gas transmission. This rate structure will also result in higher GHG emissions. California needs a plan to deal with decreased gas throughput and reduced gas-fired generation.

Similarly, the CPUC and Energy Commission should analyze the impact of electrification on California's natural gas generation fleet. In 2017, the 578 MW Sutter Energy Center and the 1,200 MW La Paloma plant closed because they could not earn sufficient revenues in the CAISO wholesale market. Calpine also reported that operation of its Yuba City, Feather River and Metcalf Energy Center plants may become economically inviable. This trend will continue. As renewable generation increases, gas-fired generation will decrease. It is predicted that another 4,000 to 6,000 MW of plants in California face a significant risk of early retirement. But the rate of renewable generation replacing gas-fired generation will take time. Indeed, for at least the next decade or two, California will need some, but not all, of its current gas fleet for flexible, fast ramping generation and local reliability.

The State needs a thoughtful, targeted approach for the orderly retirement of some facilities and the continued operation of others, accounting for location-specific aspects of natural gas generation, including impacts on disadvantaged communities and air quality impacts. By taking a holistic approach to the viability of the natural gas fleet (i.e. identifying

which natural gas plants should remain in operation to provide essential flexibility and reliability functions and which plants should be retired to make room for non-carbon generation from renewables), the State can avoid closing essential plants and keeping non-essential plants online.

Finally, the CPUC and Energy Commission should identify workforce issues that may arise from rules, policies and procedures aimed at decarbonizing buildings, such as consideration of jobs that could be lost in the transition away from gas appliances and pipefitting. The agencies should also ensure that an adequately trained workforce will be available to safely and properly decommission gas infrastructure and install new technology. It is crucial that decarbonization policies encompass efforts to ensure a just transition for displaced workers and to ensure that this transition does not replace good middle-class jobs with poverty-wage, dead end jobs.

III. CONCLUSION

Before the Energy Commission continues down the electrification path, it should develop a robust study and transition plan that considers technical, safety, economic and employment impact. The plan should aim to reduce risks to workers, the safety of natural gas infrastructure, and affordability and reliability of energy. It should also plan for management of the cost of gas infrastructure and fleet maintenance as gas use declines. This is necessary if the State wants to effectively meet its building decarbonization goals while maintaining safe, reliable, and affordable services to consumers.

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Respectfully submitted,

/s/

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