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**Final SCG Comments_IEPR Workshop NG Price Forecast and Outlook
5.6.19**

Additional submitted attachment is included below.



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California Energy Commission
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1516 Ninth Street
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Subject: Comments on the 2019 Integrated Energy Policy Report (IEPR) Commissioner Workshop on Preliminary Natural Gas Price Forecast and Outlook, 19-IEPR-08

Southern California Gas Company (SoCalGas) appreciates the opportunity to comment on the California Energy Commission's (CEC) workshop on IEPR Commissioner Workshop on Preliminary Natural Gas Price Forecast and Outlook (Workshop) as part of the 2019 IEPR proceeding. AB 1257 requires the CEC to prepare a report every four years to "identify strategies to maximize the benefits obtained from natural gas as an energy source..."¹ The CEC interpretation of Senate Bill (SB) 1374 presented during the Workshop on how the agency plans to meet Assembly Bill (AB) 1257 (Natural Gas Act) requirements is incorrect. The remarks made by CEC staffer, Jennifer Campagna, indicate an incorrect move away from this clear mandate:

*"...the report is due this year and since the bill has been rescinded and the last report will be in 2023 we will actually be covering this requirement as part of the Natural Gas Outlook... Especially given that with the requirements of SB 100 and the declining role of natural gas for power generation in California, we will mostly be discussing natural gas methane emissions studies and will examine the Research and Development Division's work under the deep decarbonization contract and provide a status update on the EDF studies..."*²

The above interpretation of AB 1257 authority is not correct: the bill has not been rescinded, but was rather *amended*, by SB 1374 last year.³ SB 1374 institutes a sunset date for AB

¹ AB 1257 Text Available at:

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201320140AB1257

² Preliminary Natural Gas Price Forecast and Outlook Workshop Transcript Available at:

<https://tinyurl.com/yyqmeofb>

³ SB 1374 Text Available at:

https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1374

1257 requirements and does not change or void any of the statutory requirements mandated by the Natural Gas Act. Section 4 of SB 1374 reads as follows:

“Section 25303.5 of the Public Resources Code is amended to read:

25303.5.

(a) This section shall be known, and may be cited, as the Natural Gas Act.

(b) Beginning November 1, 2015, and every four years thereafter, the commission shall, with the integrated energy policy report prepared pursuant to Section 25302, identify strategies to maximize the benefits obtained from natural gas, including biomethane for purposes of this section, as an energy source, helping the state realize the environmental and cost benefits afforded by natural gas. As part of this report, the commission, at a minimum, shall identify strategies and options for each of the following:

(1) Making the best use of natural gas as a transportation fuel, as appropriate, including for the movement of freight, vessels, mass transit, and other commercial and passenger vehicle use and identifying methods to develop natural gas refueling infrastructure.

(2) Determining the role of natural gas-fired generation as part of a resource portfolio, including, but not limited to, combined heat and power, and the impact of that role on meeting greenhouse gas targets.

(3) Taking the best advantage of natural gas as a low-emission resource, including potential zero and near-zero greenhouse gas emissions, natural gas, and biogas options, taking into account the impact on electric system operations.

(4) Optimizing the role of natural gas as a flexible and convenient end use energy source, including the efficient use of natural gas for heating, water heating, cooling, cooking, engine operation, and other end uses, and the optimization of appliances for these uses.

(5) Identifying effective methods by which the electric and natural gas industries can facilitate implementation of any of the strategies identified in this section.

(6) Determining the extent to which a long-term policy is needed to ensure adequate infrastructure and storage and developing strategies for pursuing additional infrastructure development to maintain or enhance pipeline and system reliability, including increased natural gas storage. In developing those strategies, the commission shall consider needed policies to protect against system capacity constraints, minimize system leakage and related emissions, mitigate investment risk associated with the long-term investment in infrastructure in an evolving energy market, and identify factors that could limit the ability to receive maximum benefits from natural gas as an energy resource.

(7) Determining the role that natural gas can play in the development of zero net energy buildings, as appropriate.

(8) Optimizing the methods by which the pursuit of these strategies can facilitate jobs development in the private sector, particularly in distressed areas.

(9) Optimizing the methods by which state and federal policy can facilitate any of the proposed strategies.

(10) Evaluating the incremental beneficial and adverse economic cost and environmental impacts of proposed strategies, including life-cycle greenhouse gas

emissions from the production, transportation, and use of natural gas, based on authoritative, peer-reviewed, and science-based analysis or in consultation with the State Air Resources Board.

(c) In developing the strategies described in subdivision (b), the commission shall consult with the Public Utilities Commission, the State Water Resources Control Board, the Independent System Operator, the State Air Resources Board, the Department of Oil, Gas, and Geothermal Resources, and the Department of Conservation to obtain relevant input. The report is intended to assist in establishing state policy and does not independently change any statute, regulation, or regulatory decision.

(d) This section shall become inoperative on November 1, 2025, and, as of January 1, 2026, is repealed. [emphasis added]⁴

While the requirements of the Natural Gas Act will be inoperative on November 1, 2025, this does not mean the CEC is not required to comply with the legal obligations outlined in the statute until the end of 2025. **The fact that the California Legislature and the Governor reaffirmed the CEC's obligation, just last year, further evidences the State's policy that all of the items in AB 1257 be complied with and fulfilled in the required report.** The CEC must prepare a report that *at minimum* identifies strategies and options to meet the requirements outlined in Sections 25303.5. (b)(1) through 25303.5. (b)(10) of the Public Resources Code.

Natural gas and renewable natural gas (RNG) are a clean, reliable, affordable, and resilient source of energy and should not be dismissed at the CEC. By discounting these important energy resources, the CEC continues to portray an apparent bias. The CEC bias appears to conflict with Commissioner McAllister's statement that both the California Public Utilities Commission (CPUC) and the CEC need to "work together to navigate this discussion [electrification versus RNG] in a way that is responsible and doesn't sort of project that we are picking winners."⁵ If the CEC fails to meet the statutory requirements of AB 1257 doesn't that project that the agency is "picking winners"? The CEC should continue to support a balanced energy portfolio that includes multiple fuels and technologies which reasonably and cost-effectively move us towards meeting our State's climate goals.

SoCalGas thanks the CEC for the opportunity to provide comments on the Workshop on Preliminary Natural Gas Price Forecast and Outlook. Please let us know how we can engage with the CEC on meeting the statutory requirements of AB 1257. SoCalGas will continue to reach out to CEC staff so we can discuss a balanced energy approaches and share the latest advancements in the RNG and hydrogen sectors.

Sincerely,

/s/ Tim Carmichael

⁴ AB 1257 Text Available at:

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201320140AB1257

⁵ Preliminary Natural Gas Price Forecast and Outlook Workshop Transcript Available at:

<https://tinyurl.com/yyqmeofb>

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