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**City of Palo Alto Comments on Natural Gas Distribution Infrastructure
and Decarbonization Targets**

Additional submitted attachment is included below.



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**City of Palo Alto Comments on
Natural Gas Distribution Infrastructure and Decarbonization Targets
Docket 19-MISC-03**

June 21, 2019

The City of Palo Alto (“Palo Alto”) appreciates this opportunity to comment on the recent CEC Workshop on June 6, 2019 regarding the future of natural gas distribution in California.

The workshop led by E3 and UC Irvine presented research results on the economy-wide costs and consumer cost impacts of building decarbonization through: (i) replacing gas equipment with electric alternatives (“building electrification”), and (ii) relying on renewable natural gas. Results presented by E3 and UC Irvine make a compelling conclusion that building electrification is the optimal strategy to achieve the State’s greenhouse gas (GHG) reduction goal, based on the consumer cost perspective as well as improvement to air quality and health outcomes in various California impacted areas.

In addition to its municipal services, the City of Palo Alto owns, operates and maintains a full service utilities department that provides electric and gas services to residents and businesses in the City. In April 2016, the Palo Alto City Council adopted an ambitious GHG reduction target of 80% from 1990 level by 2030. To meet this goal, the City needs to achieve significant electrification in both the transportation and building sector. The E3 study brings into focus many of the issues the City and the community are tackling to achieve our decarbonization goals, including the need for good planning to effectively manage our electric and gas utility services as electric use increases and gas use decreases.

The City of Palo Alto offers the following comments:

The State should offer assistance to local governments to support building electrification

Local governments are a natural partner in achieving the State’s carbon reduction goals, and many of the carbon reduction measures taken to date have related to electricity supply and transportation. But building electrification requires close intervention at the local government level. Cities are best positioned to craft regulations and programs that fit their communities. Cities can work with the local community, providing education, technical assistance, and incentives for electrification of private buildings, reduction of regulatory and process-related barriers to electrification, and institution of mandates where feasible. The CEC, in concert with other state agencies and the legislature, should provide education, funding, and resources to local governments to help them take on this role, particularly in areas most favorable for cost-effective electrification such as communities with abundant new construction opportunities or areas that do not yet have a built out gas distribution network. Local governments in disadvantaged communities are particularly in need of electrification program support.



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Local governments will also need to begin planning for electrification of existing municipal buildings. Electrification of municipal buildings is a way for local governments to show leadership and demonstrate what is possible to the community. However, with local government revenues under pressure, cities may not have the funding to electrify their buildings. This is an area where the State can provide assistance funding while helping to achieve its own climate goals. As such, we encourage the CEC to provide resources to local governments to study the electrification of existing municipal buildings and fleets.

Publicly-owned gas utilities should be included in future discussions of gas system transition strategies

There are only a few publicly-owned gas utilities in California, but they serve a significant number of residents and businesses. These communities will experience the impacts of decarbonization in the rest of the state regardless of their own decarbonization goals. For example, Palo Alto pays PG&E transmission rates for both backbone and local transmission. As costs to maintain these systems have risen in past years, costs to Palo Alto consumers have increased. Decarbonization, by decreasing the throughput of the system, will have similar impacts to Palo Alto consumers.

The idea of targeted physical system retirements should also be approached carefully. One concept discussed in the E3 study is focused decarbonization designed to retire portions of the gas system due for replacement in the coming decades. Were a plan like this to proceed, and if areas near a publicly-owned gas system would be targeted for retirement, it would be critical for the CEC, CPUC, and the applicable investor-owned utility to include that publicly-owned gas system in the planning process to minimize disruptions to that community.

There may also be opportunities for partnership. The City of Palo Alto is in the early stages of exploring strategies for targeted electrification in areas of its gas system due for replacement in the next 15-20 years and would welcome collaborative efforts on this topic.

Publicly-owned electric utilities will also be affected

The City of Palo Alto also runs an electric utility. The dynamics of statewide gas transmission system throughput reductions will also affect our ratepayers through the electric utility. Palo Alto has an electric portfolio that relies heavily on wind, solar, biogas, and hydroelectric power, but like the rest of California, it relies on efficient natural gas generation to supply power when those supplies are not available. As throughput of the natural gas system decreases, supply costs for gas generators will increase as well. This will drive up the cost of power for all consumers and may create reliability risks for the electric system due to gas generator retirements.

It is imperative that this transition be handled carefully to manage and mitigate these risks, and the City urges the CEC and CPUC to work closely with gas utilities as part of their planning processes to address these impacts.

Respectfully,

A handwritten signature in blue ink that reads "Dean Batchelor". The signature is written in a cursive style and is underlined with a single horizontal line.

Dean Batchelor
Director of Utilities
City of Palo Alto