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Comments of the Sacramento Municipal Utility District on Natural Gas Distribution Infrastructure and Decarbonization

Additional submitted attachment is included below.

In the matter of:	Docket No. 19-MISC-03
Natural Gas Distribution Infrastructure) and Decarbonization Targets)	Comments On: Natural Gas Distribution Infrastructure and Decarbonization
))	June 21, 2019

Comments of the Sacramento Municipal Utility District (SMUD) on Natural Gas Distribution Infrastructure and Decarbonization

Thank you for the opportunity to provide comments pursuant to the June 6 workshop on Natural Gas Distribution Infrastructure and Decarbonization. As you are aware, SMUD is in strong support of decarbonization, and particularly supports the path of building and transportation electrification. In 2018, SMUD's Board adopted an Integrated Resource Plan that committed to significant investments in building and transportation electrification by 2040 to achieve a "net-zero" GHG signature by that year in the Sacramento region. SMUD has long supported transportation electrification with a variety of programs and incentives and in 2018 launched pilot building electrification incentive programs aimed at both existing and new homes.

SMUD agrees that the transition to less natural gas infrastructure in our buildings, homes and cities must be carefully planned and managed. Initial movements in this direction should not be delayed, however, but monitored to learn better what impacts need to be carefully addressed in the long run to ensure safety and reliability in addition to greenhouse gas reductions. SMUD supports and discusses the following recommendations in the workshop presentation:

• SMUD agrees that state policy should examine how to limit or reduce the expansion of gas infrastructure. This "do no further harm" principle will help to avoid stranded costs and increased GHG emissions from the buildings sector down the road. SMUD has a pilot "all-electric" incentive program for new homes and communities, with several participating initial developments. Avoiding installation of gas infrastructure in the home saves builders significant money in the cost of a new home, and highly efficient electric heat pumps can provide cost effective heat and hot water. Induction cooktops are not well known by consumers today, but SMUD's information is that consumers quickly embrace this technology after gaining some hands-on experience.

• SMUD also supports geographically-targeted retirement of gas distribution pipes – the "pruning the tree" concept. Rather than spending funds to replace aging gas distribution infrastructure in a geographic area, targeted electrification can allow the old pipes to be abandoned in place. However, the Commission should understand that for geographically targeted retirement to work gas and electric utilities need to coordinate on the locations of gas pipes and pipe status and maintenance plans and gain early experience on how targeted retirement will work. It will take us a few years to learn how to successfully run targeted programs because we don't currently do anything like this, so it's important for us to get started soon if we're going to have an impact by 2035 or 2040. These issues are primarily faced when the gas and electric service is handled by different utilities in an area, but even at dual-fuel IOUs there may be coordination difficulties. This coordination likely needs significant help from regulators.

In addition, SMUD understands the issue of gas cost recovery as the volumetric use of natural gas declines in the long run – this is one reason to avoid creating new stranded assets for which cost recovery will be an issue. However, SMUD does not support transferring these costs to electric customers in some fashion, either as exit fees for leaving gas service or other charges on the electric bill. The state should not make the necessary transition to zero-GHG energy in the buildings sector more costly to the electric end consumer.

Thank you again for the opportunity to comment.

/s/

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cc: Corporate Files (LEG 2019-xxxx)