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SoCalGas Comments on Final 2019 IEPR

Additional submitted attachment is included below.



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California Energy Commission
Dockets Office, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

Subject: Comments on Final 2019 Integrated Energy Policy Report, Docket # 19-IEPR-01

Dear Commissioners:

I write on behalf of the Southern California Gas Company (SoCalGas) in response to the California Energy Commission's (CEC) Final 2019 Integrated Energy Policy Report (IEPR). SoCalGas appreciates the State's bold attempts to address climate change and wants to continue being a key partner to reduced greenhouse gas emissions. SoCalGas believes that a portfolio approach, utilizing all energy sources and technologies to meet our climate goals, will best serve Californians and those that follow our lead. Natural gas and renewable gases (such as hydrogen, synthetic natural gas, and biomethane/renewable natural gas (RNG)) are clean, reliable, affordable, and resilient sources of energy that should be part of the *solution* to California's energy concerns.

California's policymaking is appreciated all over the world due to a dedication to open, transparent, and participatory regulatory processes. However, this year's IEPR proceeding has fallen short of this expectation by limiting stakeholders' ability to meaningfully participate in the public process. The amount of time to review and provide feedback on both the Draft and Final IEPRs (less than two weeks) is inadequate for such an important energy policy document (of about 240 pages) that makes recommendations that impact energy reliability, resilience, and affordability in the State.

SoCalGas appreciates the new information on hydrogen in the Final IEPR. However, we ask CEC staff to rereview our comments in response to the Draft IEPR¹ as they have largely not been addressed and are still relevant to the following: Chapter 2: Building Decarbonization & Energy Efficiency; Chapter 3: Advancing Zero-emission Vehicles; Chapter 5: Climate Change Adaptation; Chapter 6: Southern California Energy Reliability; and Chapter 9: Natural Gas Assessment.

¹ SoCalGas Comments on Draft IEPR. December 2, 2019. Available at:
<https://efiling.energy.ca.gov/GetDocument.aspx?tn=230895&DocumentContentId=62538>

Given the limited time to comment and the fact that CEC staff made minimal edits to the Final IEPR based on SoCalGas' comments on the Draft IEPR, this letter focuses on our most significant areas of concern.

I. Final IEPR Inappropriately Dismisses Natural Gas, Synthetic Gas, and Renewable Gas and the Gas System as Solutions

Despite some wordsmithing from the Draft to Final IEPR, it still largely treats electrification as a foregone conclusion and fails to recognize how the natural gas system can be leveraged to be a solution by storing and transporting carbon-free fuels. The all-electrification strategy fails to seriously consider the research and recommendations by numerous groups on the importance of a diverse energy portfolio. And it is not mandated by state law or policy.

For example, the Lawrence Livermore National Laboratory (LLNL) recently published a study detailing three pathways California could take to achieve carbon neutrality by 2045. The report assessed advanced carbon reduction technologies available now, their costs, and the tradeoffs necessary to reach the State's decarbonization goal. According to the findings, California will need to physically remove 125 million tons of CO₂ from the atmosphere per year to achieve carbon neutrality: and we can achieve this goal at a cost of less than \$10 billion per year (<0.4% of the State's GDP).² This study specifically finds the importance of converting the State's enormous quantities of biomass to renewable natural gas and/or hydrogen to achieve enough carbon negative solutions to be carbon neutral in 2045. The study also indicates the importance of the gas system for conveyance of hydrogen, renewable natural gas, and new pipelines installed in gas system rights-of-way for CO₂ sequestration. This last finding was also in Dr. Moniz' study *Optionality, Flexibility & Innovation: Pathways for Deep Decarbonization in California*.

SoCalGas urges the CEC to consider this new LLNL study and include it in the Final 2019 IEPR. Currently, the CEC appears to be downplaying the importance of providing reliable and resilient energy to the residents of California. Instead of focusing on an all-electrification approach and strategizing how to eliminate the natural gas system, the CEC should explore how the benefits of the natural gas system can maximize resilience and operational flexibility benefits to enhance the reliability and resiliency of the State's energy supply (e.g., fuel cells to power microgrids).

Natural gas, synthetic, and renewable gas are viable decarbonization strategies and CEC staff should conduct a scientifically sound assessment of these fuels and the integral role of gas infrastructure to deliver these fuels that will be needed to complement renewable energy and provide reliable and affordable energy in a decarbonized future.

² Lawrence Livermore National Laboratory. *Getting to Neutral: Options for Negative Carbon Emissions in California*. January 2020. Available at: https://www-gs.llnl.gov/content/assets/docs/energy/Getting_to_Neutral.pdf

II. Final IEPR Fails to Satisfy Requirements of Assembly Bill 1257 (Appendix A)

As SoCalGas commented previously,³ the CEC is mandated by the Legislature in Assembly Bill (AB) 1257, the Natural Gas Act, to “identify strategies to maximize the benefits obtained from natural gas, including biomethane.”⁴ Although the CEC did include an appendix on AB 1257 in the Final IEPR, the material presented – which largely points to existing efforts - does not meet the mandate to recommend forward-looking strategies and proposals for maximizing the beneficial use of natural gas and renewable natural gas and to issue a separate report on AB 1257.

Specifically, the AB 1257 report should provide well-researched information on the following:

1. Making the best use of natural gas as a transportation fuel;
2. The role of natural gas in maintaining electric reliability;
3. Utilizing natural gas, RNG, and hydrogen as low-emission resources;
4. Optimizing the role of natural gas for end uses;
5. Electric and natural gas industries working together to ensure reliability;
6. Determining a long-term policy to ensure adequate infrastructure and storage;
7. The role of natural gas in zero-net energy buildings;
8. Facilitating jobs development through natural gas and RNG;
9. State and federal policy that can help facilitate the development of natural gas and RNG strategies; and
10. Evaluating the economic costs and environmental impacts of proposed natural gas strategies.

The CEC is required under AB 1257 to maximize these strategies, not minimize nor casually dismiss them. SoCalGas met with several Commissioners and submitted an extensive comment letter within two weeks of the release of the draft IEPR and AB1257 report in mid-November to inform the AB1257 report. However, the Commission has largely ignored the factual content and strategies identified by SoCalGas. Further, the Commission has failed to address SoCalGas’ concerns that CEC’s approach to the legislatively-mandated Natural Gas Assessment failed to solicit or incorporate public feedback and held no AB1257 specific workshops. As noted in our prior comment letter, the CEC’s approach undermines the Legislature’s intent to maximize the benefits of natural gas and RNG for Californians.

III. Recommendation to transition away from gas infrastructure is biased and unfounded (Ch 9: Natural Gas Assessment)

The recommendation that “California should initiate an interagency strategic transition planning process to identify the short and long-term transition of the natural gas system to non-fossil gases

³ SoCalGas AB 1257 Letter. November 15, 2019. Available at:

<https://efiling.energy.ca.gov/GetDocument.aspx?tn=230747&DocumentContentId=62358>

⁴ FindLaw. California Public Resource Code. Section 25303.5(b). Available at:

<https://codes.findlaw.com/ca/public-resources-code/prc-sect-25303-5.html>

and other cleaner energy solutions”⁵ is not based on “in-depth and integrated” analysis as required by the IEPR process,⁶ but rather on a foregone conclusion that the State should move toward an electric-only energy supply; referencing the biased assessments of Gridworks and inaccurate assumptions/conclusions made by Energy and Environmental Economics, Inc. It seems the CEC has given very little time and thought about how California’s gas infrastructure could be used for storing, transmitting, and distributing the renewable, non-fossil energy we need to support the reliability and resiliency of the State’s future decarbonized energy system.

The CEC’s recommendation appears to ignore its sister agencies’ perspective on the benefits and solutions offered by natural gas and renewable gas. Both the California Air Resources Board (CARB) and the California Public Utilities Commission (CPUC) have recognized the importance of these resources and are currently considering ways to further integrate RNG.⁷

Presenting overly optimistic assumptions about a single source all-electric pathway does not help the State address the very real challenges of energy reliability and affordability. The CEC should analyze how dependence on a single energy source (electricity) will increase risk for California’s businesses and residents. It is premature to determine a single-energy strategy before understanding the broader economic risks.

IV. Final IEPR Fails to State that Proper Ventilation Mitigates the Impacts of Natural Gas Cooking (Chapter 2: Building Decarbonization and Energy Efficiency)

SoCalGas has made numerous comments regarding research on natural gas cooking and indoor air quality.⁸ Rather than reiterating our concerns here, we ask that CEC staff include an additional statement to page 45 of the Final IEPR that explains that CEC’s 2017 study on air quality indicated that proper ventilation of cooking appliances would mitigate indoor air quality concerns.⁹ This finding is similar to past studies by CEC and CARB and it is misleading to exclude it from the narrative.

⁵ 2019 Final IEPR- Clean Version, at p. 259

⁶ California Energy Commission (CEC). Warren Alquist Act. 2019 Edition. At p. 24. Available at: <https://ww2.energy.ca.gov/2019publications/CEC-140-2019-001/CEC-140-2019-001.pdf>

⁷ For example, see CARB’s *Short-lived Climate Pollutant Reduction Strategy* and *Climate Change Scoping Plan Update* and the CPUC’s Biomethane Order Instituting Rulemaking & IRP process. (CPUC). Assigned Commissioner’s Scoping Memo and Ruling Opening Phase 4 of Rulemaking 13-02-008. November 11, 2019. Available at:

<http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M320/K307/320307147.PDF>. CPUC. Administrative Law Judge’s Ruling Seeking Comment on Proposed Reference System Portfolio and Related Policy Actions. November 6, 2019. At p.22-23. Available at:

<http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M319/K132/319132053.PDF>

⁸ SoCalGas Comments on Draft IEPR. December 2, 2019. Available at:

<https://efiling.energy.ca.gov/GetDocument.aspx?tn=230895&DocumentContentId=62538>

⁹ CEC-500-2017-034: Final Project Report. *Emissions, Indoor Air Quality Impacts, and Mitigation of Air Pollutants from Natural Gas Appliances*. October 2017. Available at:
<https://www.energy.ca.gov/2017publications/CEC-500-2017-034/CEC-500-2017-034.pdf>.

V. Final IEPR Fails to Recognize Resilience of Gas System and is Inconsistent with other Statewide Climate Adaptation Policymaking Efforts (Ch 5: Climate Change Adaptation)

The gas system is proven to significantly enhance local resiliency to climate impacts and should be recognized in this chapter. Additionally, the CEC's approach to climate change adaptation is inconsistent with other statewide climate adaptation policymaking efforts. Please see SoCalGas' comments on the Draft IEPR for more information.¹⁰

VI. Final IEPR Misstates SoCalGas' Position on Pipeline Receipt Assumptions (Ch 6: Southern California Energy Reliability)

SoCalGas is pleased that the CEC has incorporated some of our comments in the Final draft, specifically the clarification regarding the useful life of natural gas pipelines and the limitations of the CEC's gas balance analysis and corresponding consequences. However, SoCalGas believes that footnote 471 misstates our position regarding pipeline receipt assumptions.

SoCalGas does not believe that an assumption of 100% utilization is appropriate – our natural gas pipelines do not operate at their maximum capacities 100% of the time, which is what a gas balance analysis based on annual data assumes. This is not only SoCalGas' opinion; after a significant amount of analysis, the CPUC Energy Division concluded that a 100% assumption requires:

1. Perfect forecasting from ALL shippers on the pipeline network;
2. Not relying or scheduling from storage (ignoring price of gas); and
3. Interstate supply availability.¹¹

These conditions range from the impossible (perfect forecasting) to the difficult (interstate supply availability) to the negligent (ignoring gas prices), and illustrate the difficulty in developing an appropriate assumption.

The CEC, however, has chosen to characterize SoCalGas' request to use more realistic utilization assumptions as an attempt to "...automatically show an increased need for withdrawals from Aliso Canyon."¹² The CEC has no basis for this characterization, and in fact, while a more realistic assumption regarding receipt point utilization may show the need for additional supply, SoCalGas has three other storage fields that can be used for that purpose.

SoCalGas requests that the CEC revise this sentence in footnote 471 to simply state: "Staff relies on the long-standing treatment of receipts used in the utilities' California Gas Report and has not accepted SoCalGas' request to use assumptions that automatically show an increased need for withdrawals from Aliso Canyon.

¹⁰ SoCalGas Comments on Draft IEPR. December 2, 2019. Available at:

<https://efiling.energy.ca.gov/GetDocument.aspx?tn=230895&DocumentContentId=62538>

¹¹ Technical Workshop on Hydraulic Modeling Input Data Development, Khaled Abdelaziz, PhD, June 20, 2019, slide 33.

¹² 2019 Final IEPR- Clean Version, at p. 184

VII. Final IEPR Dismisses the Need for Near-Zero Emission Vehicles (Ch 3: Advancing Zero-Emission Vehicles)

Changing the title of this chapter from the Draft to the Final IEPR from Clean Transportation to Advancing Zero-Emission Vehicles is unnecessarily narrow and dismisses California's need for more near-zero emission vehicles, especially those that are low-NOx within the heavy-duty trucking sector.

SoCalGas appreciates the additional information on fuel-cell electric vehicles. However, Chapter 3 still fails to address the need for natural gas and renewable gas for criteria pollutant reductions today, especially in disadvantaged communities where diesel trucks are often the most significant source of air pollution. This chapter should assess potential deployment strategies of all low emission technologies and identify multiple, complementary technology pathways to meet clean air goals.

Conclusion

In the 2019 IEPR the CEC **omits consideration of** significant evidence that demonstrates natural gas and renewable gas are essential to a reliable and affordable energy system. At the same time, the CEC seems to be ignoring the significant risks associated with restricting California to a single-source energy system and the potentially burdensome costs that such a scenario will impose on Californians. The CEC must adequately consider all the evidence available on this subject from diverse sources, take time to allow for public input, and make appropriate recommendations.

Most significantly, it is inappropriate for the Final IEPR to include sweeping recommendations to transition away from the use of gas infrastructure. Dismissing the use of an entire energy supply and distribution system to support the use of high penetration of renewables, limits California's ability to meet climate goals in the long-term, weakens the resilience of the energy system, creates new risks, and exacerbates current affordability issues. Instead, the Final IEPR should acknowledge the benefits of natural gas, synthetic gas, and renewable natural gas as well as hydrogen and explore the role they should play in a low-carbon future. Finally, in order to meet California's air quality and climate goals, the CEC must support the use of low and zero-carbon fuels in the transportation sector.

Sincerely,

/s/ Tim Carmichael

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