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## **SoCalGas Comments on Decommissioning Workshop**

*Additional submitted attachment is included below.*



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Jonah Steinbuck, Deputy Director  
Energy Research and Development Division  
California Energy Commission  
Docket Unit, MS-4  
Docket No. 19-ERDD-01  
715 P Street  
Sacramento, CA 95814-5512

**Subject: Comments on the Staff Workshop on Strategic Pathways and Analytics for Tactical Decommissioning of Portions of Natural Gas Infrastructure**

Dear Jonah Steinbuck:

Thank you for hosting the Staff Workshop on Strategic Pathways and Analytics for Tactical Decommissioning of Portion of Natural Gas Infrastructure on November 17, 2021. Southern California Gas Company (SoCalGas) appreciated the opportunity to participate and appreciates the opportunity to provide post-workshop comments. The following comments highlight several key aspects of the discussion with a focus on informing decarbonization policymaking and planning by market participants. More specifically, we address the state of the policy underpinnings for decommissioning, the associated status of and its relationship to up-to-date experience with electrification, and the implications of electrification and decommissioning to decarbonizing the California energy system.

**Policy underpinnings relating to prospectively decommissioning gas grid infrastructure require transparent investigation.**

As was clearly expressed during the workshop, the decommissioning pilots being advanced by the California Energy Commission (CEC) and participating entities are designed to ground truth whether electrification coupled with strategic decommissioning of the gas system is feasible in practice, as a strategy for decarbonizing buildings. Workshop presenter Amber Mahone of E3 stated that to date, such an approach is hypothetical, and as of yet, has not been demonstrated in practice at any scale. She articulated that,

“[...] out of our prior work, as well as the work of others, has emerged a hypothesis, which is the idea that targeted electrification in geographically specific regions could be combined with strategic decommissioning of gas infrastructure in order to reduce total gas system costs and thereby help to mitigate future rate impacts for remaining customers. Now that hypothesis hasn't been tested or validated at any scale, and so this research is sort of a first step towards further investigation of that (emphasis added).”<sup>1</sup>

SoCalGas is fully committed to advancing California’s decarbonization goals and finding the levers that are feasible for achieving net zero carbon emissions. Because the concept of targeted electrification coupled with decommissioning has been advanced as a prospective building decarbonization lever, SoCalGas is participating in this feasibility investigation, including implementing the project’s zonal electrification/decommissioning pilot project within our distribution system. We respectfully suggest that one takeaway from the workshop is that future policymaking will benefit from taking an eyes-wide-open approach to these early-stage efforts, which can inform, for the first time, the practical feasibility and cost effectiveness of a prospective zonal electrification/decommissioning strategy. As was pointed out by workshop participants, certain early-stage data points for getting to scale are informative. In summary, it appears prudent and in the public interest for the State to await the results of this pilot study before moving forward with any definitive decommissioning policy.

**The limited experience and initial data to date suggests that going from concept to practice will be costly.**

Moving forward with this CEC-sponsored pilot project is critical to investigating the costs of a prospective zonal electrification/decommissioning strategy. Recent analysis by the City of San Francisco estimates the costs of electric appliance retrofitting for San Francisco residences to range from \$14,363 per housing unit at the low end, up to \$19,574 for multi-family units and \$34,790 for single family homes at the higher end. It estimates the citywide cost to retrofit all residential units currently using natural gas-fueled appliances with those fueled by electricity ranges from \$3.5 to \$5.9 billion.<sup>2</sup> According to workshop presenter, David Sawaya, Pacific Gas and Energy (PG&E) has experienced similarly high, if not higher costs associated with electrification. He stated,

“[W]e cannot fund electrification projects at scale using gas rates and expect to have a benefit in terms of reduction of rates on the gas side on the gas bill, because the

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<sup>1</sup> Transcriptions of workshop statements in this comment letter should be considered unofficial and are based on the publicly web-provided workshop video. Zoom recording available at: [https://energy.zoom.us/rec/play/q45LKz4kATlr\\_cqamhc8ECvZVoPpidfaUjZV8zXgtiCemB5qabh\\_YHeIyaAW2XaWgi5XxmUmdJKrEBgs.GJ8oyGESRe6AKsSO?startTime=1637172027000&\\_xzm\\_rtaid=T0ieoV9KTkeWqBn3WE7\\_2w.1638317202212.5e44cb1ccb87f955f7be16a88b308165&\\_xzm\\_rhtaid=149](https://energy.zoom.us/rec/play/q45LKz4kATlr_cqamhc8ECvZVoPpidfaUjZV8zXgtiCemB5qabh_YHeIyaAW2XaWgi5XxmUmdJKrEBgs.GJ8oyGESRe6AKsSO?startTime=1637172027000&_xzm_rtaid=T0ieoV9KTkeWqBn3WE7_2w.1638317202212.5e44cb1ccb87f955f7be16a88b308165&_xzm_rhtaid=149).

<sup>2</sup> “Budget and Legislative Analyst Policy Analysis Report,” April 2021, available at: <https://sfbos.org/sites/default/files/BLA.ResidentialDecarbonization.042221.pdf>.

electrification of the individual premises is very expensive in our experience. Generally speaking, we're talking about anywhere from \$25[,000] to \$50,000 per resident if we're talking about residential in order to electrify them. So, when you start talking about projects at the scale of 50 or 100 homes those numbers start getting very big very quickly and quickly outstrips the potential savings that you would have.”

Mr. Sawaya further observed that:

“If you're paying the full cost of the electrification measures that are needed in order to reduce the gas system infrastructure requirements, the projects become very expensive very quickly, and so I think that's really the biggest barrier that we need to start confronting up front.”

PG&E’s experience to date, while limited, reinforces the need to thoroughly assess the feasibility and financial challenges to homeowners and building owners under such a strategy. The CEC-funded pilot project provides an appropriate means and structure to investigate the feasibility of a prospective zonal electrification/decommissioning strategy because such a strategy has not been tested or validated at any scale. The backdrop to this investigation should thus include a fact-based understanding of the costs and financial challenges for implementing electrification at scale and the decarbonization implications of a prospective zonal electrification/decommissioning strategy, on which the workshop also shed some light.

**Emissions reductions are projected to result from electrification, not from decommissioning.**

During the workshop Q&A, it was revealed that decommissioning does not necessarily bear a causal relationship to reducing emissions, which is sometimes mistakenly presumed to exist. Put another way, the zonal electrification/decommissioning hypothesis is premised on electrification as the implement for reducing emissions. Decommissioning arises, on the other hand, only as a prospective mitigant for the rate impacts resulting from electrification rather a direct driver for underlying emissions reductions themselves.

For example, a questioner asked: “how is carbon displacement calculated in this effort?” In response, workshop presenter Ari Gold of E3 stated that “emissions are not likely to be a driving factor for [decommissioning pilot] site selection” and that “the carbon avoided might be very similar in untargeted electrification versus targeted electrification.” He went on to explain that “[b]ut only in that latter case, would you have the opportunity to start exploring some of these options for strategic decommissioning of gas system infrastructure.” Mr. Gold’s response accurately reveals that the zonal electrification/decommissioning hypothesis does not express or imply a causal relationship between decommissioning and emission reductions. Rather, it is theorized that decommissioning may provide a means to mitigate disparate and disproportionate rate impacts that are caused by electrification, which is the emissions reductions lever. The CEC-funded pilot project and analysis provide an important opportunity to better understand the cause-and-effect relationships between electrification, cost impacts resulting from electrification

(particularly insofar as they may impose disproportionate community and household impacts) and decommissioning as a prospective tool to mitigate those cost impacts.

One recent paper proposes to address potential inequitable customer cost impacts resulting from electrification “through the general tax base rather than from utility customers.”<sup>3</sup> This approach, coupled with the high homeowner cost of building electrification, raises the possibility of subsidies being required in order to offset costs to households and building owners to electrify, and then adding on additional tax revenue-funding in order to address the fixed cost impacts of electrification on remaining gas customers. Accordingly, it is necessary and appropriate to undertake projects such as those being funded by CEC as the topic of the workshop to assure that decarbonization tools and policies are thoroughly investigated prior to being effectuated.

## **Conclusion**

The CEC-hosted workshop and its project investigating “Strategic Pathways and Analytics for Tactical Decommissioning of Portions of Natural Gas Infrastructure” are critical components necessary to assess the feasibility of the zonal electrification/decommissioning hypothesis and its costs implications. The workshop presentations and discussions clarified that the investigation must consider the practicalities of decommissioning in tandem with the effects of scaling up electrification, including costs impacts and prospective or expected emissions reductions. These prospective feasibility, efficacy, and cost implications, as expressed during the workshop, have not been tested or validated at any scale. It is imperative that the necessary decarbonization policies, especially those adopted for widespread implementation and with equally widespread effect, such as the zonal electrification/decommissioning hypothesis, are also developed with a thorough and fact-based understanding of prospective consequences and results. SoCalGas remains fully and openly engaged in this investigation and all such relevant efforts to explore implementation of decarbonization levers in the future. We appreciate the opportunity to participate and to provide these comments.

Sincerely,

*/s/ N. Jonathan Peress*

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<sup>3</sup> See L. Davis and C. Hausmann, “Who Will Pay for Legacy Utility Costs?”; Energy Institute at Haas, July 2021.