

<b>DOCKETED</b>	
<b>Docket Number:</b>	23-ERDD-02
<b>Project Title:</b>	Gas Research and Development Program
<b>TN #:</b>	255055
<b>Document Title:</b>	Josh Harmon - PG&E Comments RE Strategic Gas Infrastructure Decommissioning Workshop
<b>Description:</b>	N/A
<b>Filer:</b>	System
<b>Organization:</b>	Josh Harmon
<b>Submitter Role:</b>	Public
<b>Submission Date:</b>	3/13/2024 3:44:05 PM
<b>Docketed Date:</b>	3/13/2024

*Comment Received From: Josh Harmon  
Submitted On: 3/13/2024  
Docket Number: 23-ERDD-02*

**PG&E Comments RE Strategic Gas Infrastructure  
Decommissioning Workshop**

*Additional submitted attachment is included below.*



Josh Harmon  
CEC Liaison  
State Agency Relations

1415 L Street, Suite 280  
Sacramento, CA 95814  
(628) 777-4138  
[Joshua.Harmon2@pge.com](mailto:Joshua.Harmon2@pge.com)

March 13, 2024

California Energy Commission  
Docket Number 23-ERDD-02  
715 P Street  
Sacramento, CA 95814

**RE: Workshop on Analytical Framework Results for Strategic Gas Infrastructure Decommissioning in Northern California**

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to comment on the California Energy Commission’s Workshop on Analytical Framework Results for Strategic Gas Infrastructure Decommissioning in Northern California (draft final report). As the state’s largest energy provider, PG&E embraces our foundational role in transitioning California to a decarbonized and more climate resilient economy. In June 2022, PG&E issued our own *Climate Strategy Report*<sup>1</sup>, which established our commitment to achieve a net zero energy system in 2040 – five years ahead of the California carbon neutrality goal established in Executive Order B-55-18<sup>2</sup> – and be climate and nature positive by 2050. PG&E recognizes that building electrification will be needed to meet these carbon goals and that PG&E and other utilities can serve an important leadership role in developing an affordable, equitable framework for targeted gas system decommissioning. We are proud to have helped support this research.

Below, we highlight additional policy recommendations that will help PG&E expand our strategic gas infrastructure decommissioning efforts.

**Obligation to Serve Reform is Paramount to a Managed Gas Transition**

As described in the draft final report, for targeted electrification and gas decommissioning projects to succeed and achieve systemwide cost savings “regulators and policymakers [must revisit] the obligation to serve, as these projects are likely infeasible under a paradigm where a handful of customers, or even a single customer holdout, can prevent project implementation.”<sup>3</sup> PG&E echoes the need for the legislature, in coordination with regulators and other stakeholders, to address utility obligation to serve. Due to the need to maintain safety and reliability of the gas system, PG&E must continue to make investments into the replacement of gas infrastructure. While we do currently consider non-pipeline

---

<sup>1</sup> PG&E’s full *Climate Strategy Report* is available online here: [PG&E Climate Strategy Report \(pge.com\)](https://www.pge.com).

<sup>2</sup> State of California Executive Department, Executive Order B-55-18 to Achieve Carbon Neutrality, issued September 10, 2018.

<sup>3</sup> Pg. 12, [Benefit-Cost Analysis of Targeted Electrification and Gas Decommissioning in California \(ethree.com\)](https://www.ethree.com)

alternatives such as building electrification when feasible, a modification to obligation to serve would allow PG&E to expand the scope of such cost-effective decarbonization solutions and avoid investment into gas infrastructure that may be underutilized.

### **Additional Financial Modifications Can Scale Gas Decommissioning**

We agree with the statements made by project partners around the need for additional upfront financial resources for targeted decommissioning projects, especially to advance electrification in traditionally underserved communities. As E3 noted in the presentation, many of these communities may be densely populated, leading to lower economic viability when compared to a gas pipeline repair project. In particular, PG&E also wants to note two additional solutions that would assist with a managed transition of the gas system.

#### *Units of Production Depreciation*

As PG&E proposed in our 2023 General Rate Case, a Units of Production (UoP) depreciation methodology for any future gas investments provides for the recovery of costs in a manner that matches gas throughput and/or customer decline. In this way, customers remaining on the system will not be burdened with paying for gas asset costs that should be shared with existing customers as the assets were installed over the past decades for the benefit for all customers and largely have a high fixed cost of service nature per customer. We urge the California Public Utilities Commission to provide guidance on this issue in a timely manner.

#### *Capital Treatment of Behind the Meter Electrification Costs*

PG&E believes that targeted electrification can provide safety and financial benefits where pipeline replacements can be avoided with cost-effective customer electrification. Currently, when PG&E or another gas utility pursues targeted electrification projects, we must treat the costs of such a project as expense. By not being able to leverage outside capital for these projects, PG&E is currently limited in the amount of such electrification projects that we can pursue. We urge the California Public Utilities Commission to consider regulatory asset treatment of the behind the meter costs for cost-effective electrification projects. Such a shift would put non-pipeline electrification projects on the same financial playing field as a gas replacement project. This easy change would unlock the ability for PG&E and other gas utilities to expand the pool of viable decommissioning projects at this early phase.

--

PG&E appreciates the opportunity to be a part of this groundbreaking project and to provide comment on the California Energy Commission's Workshop on Analytical Framework Results for Strategic Gas Infrastructure Decommissioning in Northern California and looks forward to continuing to collaborate with the CEC. Please reach out to me if you have any questions.

Sincerely,

Josh Harmon  
State Agency Relations