Exhibit No:
Application: A.19-02-015
Witness: Grant Wooden
Chapter: 7

PREPARED REBUTTAL TESTIMONY OF

GRANT WOODEN

ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

AND SAN DIEGO GAS & ELECTRIC COMPANY

(PROGRAM DESIGN)

October 31, 2019

TABLE OF CONTENTS

CHAPTER 7

PREPARED REBUTTAL TESTIMONY OF GRANT WOODEN

(PROGRAM DESIGN)

I. PURPOSE

The purpose of my prepared rebuttal testimony on behalf of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E, and jointly herein the Utilities) is to respond to intervenor testimony regarding program design aspects of the proposed Renewable Natural Gas (RNG) Tariff program. My testimony will address the following testimony from other parties:

- Public Advocates Office (Cal Advocates) as submitted by witnesses Thomas Gariffo and Crystal Yeh, dated October 14, 2019
- Environmental Defense Fund (EDF) as submitted by Michael Colvin, dated October 14, 2019
- Sierra Club/Leadership Counsel as submitted by Dustin Mulvaney, Julia Jordan, and Leslie Martinez, dated October 14, 2019
- The Utility Reform Network (TURN) as submitted by Matthew Freedman, dated October 14, 2019

The focus of my rebuttal will address the testimony related to the program design of the RNG Tariff, specifically the marketing, enrollment, program cost estimates, and reporting requirements of the program. Although I have not responded to every issue raised by parties, this should not be construed as agreement by the Utilities with the proposals or contentions made by other parties.

II. EDUCATION AND OUTREACH WILL PROVIDE CERTAIN GHG AND SOURCE INFORMATION WHEN SUPPLIER INFORMATION IS KNOWN

The Utilities outlined the scope, content, and target for a marketing program for the RNG Tariff program in supplemental testimony submitted on September 19, 2019. Some parties had suggestions on additional information that should be included in the education and outreach material, ranging from more explanations about the sources of RNG, to information on State energy policy information. Only one party (Sierra Club/Leadership Counsel) had an outright opposition to a single aspect of the proposed content[1] and this was based on a misinterpretation of terms.[2]

Cal Advocates recommends that in addition to the education and outreach content outlined in the Utilities' supplemental testimony, the Utilities should include an explanation that:

- RNG use displaces emissions from conventional natural gas, but RNG use still releases greenhouse gas (GHG) emissions; and
- RNG can have differing GHG emissions depending on its feedstock and the methods used during production and refinement.

The Utilities agree that this information would be important for potential customers and should be included.

Cal Advocates also recommends that the Utilities should provide potential participants with the GHG intensity of its conventional fossil natural gas and the average GHG intensity of the RNG mix that it expects to inject into pipelines during the duration of participants' one-year

[1] Sierra Club testimony, p. 30.
[2] Utilities data response to Sierra Club DR 3, Question 5, included in Attachment 2 to Sierra Club's testimony.

commitment. The Utilities believe that the RNG Tariff program will thrive in the long term by providing potential participants transparency on what they will be purchasing. Accordingly, education and outreach information will provide customers RNG supply information known at the time. However, when marketing materials are being created at the beginning of the program, not all suppliers, source types and locations will be known, as contracts for RNG Tariff procurement will likely not be in place at the time. Therefore, program websites and marketing may not be able to initially include information about RNG sources. That said, the Utilities see no reason not to include much of the additional content recommended as it becomes available. Once such information is available, the program webpages will display information on the sources of RNG purchased for the RNG Tariff including:

- The state of the RNG source by percentage for RNG Tariff;
- Feedstock type and percentage;
- GHG intensity by feedstock type;[3]
- Overall carbon intensity for the RNG Tariff;
- Carbon intensity for traditional natural gas.

This information will be updated every six months after program implementation, however it will not be available until procurement contracts for RNG have been finalized. During program implementation, the information will be updated as procurement contracts are finalized.

[3] Based on Low Carbon Fuel Standard (LCFS) Lookup Table Pathways.

III. EDUCATION AND OUTREACH MATERIAL WILL NOT STATE THAT RNG PRODUCTION CLEANS UP WATER OR ODOR ISSUES

Sierra Club/Leadership Counsel noted concerns that outreach content would tell potential customers that RNG producers are cleaning up the waste streams responsible for biomethane creation, and then describing water and air pollution issues that exist at dairies as examples of other waste streams.[4] The term "cleaning up" referred to the purification and conditioning of gas to pipeline quality that is required for delivery to homes and businesses, a term defined and used repeatedly with this meaning in the World Resources Institute document attached to Sierra Club / Leadership Counsel's own testimony.[5] Education and outreach material will not state that RNG production cleans water or resolves odor issues.

IV. EDUCATION AND OUTREACH MATERIALS WILL BE SUBMITTED FOR REVIEW AS A TIER 2 ADVICE LETTER

Cal Advocates recommends that education and outreach materials should be submitted for review as a Tier 2 Advice Letter.[6] The Utilities agree with this approach as it will be a more efficient method to provide the Commission and parties with finalized materials to review and will provide more time for a comprehensive review of the materials.[7]

---

[4] Sierra Club testimony, p. 31
[5] Sierra Club testimony, Attachment 9 - The Production and Use of Waste-Derived Renewable Natural Gas as a Climate Strategy in the United States, p. 7.
[6] Cal Advocates testimony, pp.1-14
[7] EDF recommended participation in a working group rather than "litigate marketing and outreach strategies." EDF testimony, p. 4.

V. ANNUAL CUSTOMER REPORTS MUST BE ANONYMIZED TO PROTECT CONFIDENTIAL SUPPLIER CONTRACT INFORMATION

The Utilities proposed both quarterly reporting to the Commission and annual reporting to participants in A.19-02-015. Parties provided suggestions on additional information that could be included in both reports.

For the annual customer report, the Utilities are proposing to provide:[8]

- Amount of traditional natural gas purchased;
- Amount of RNG purchased;
- Cost of RNG purchased;
- Annual GHG emission reduction;
- Overall carbon intensity for the RNG Tariff;
- Carbon intensity for traditional natural gas;
- Feedstock type percentage;
- Source state by percentage for RNG Tariff;
- Other RNG news and updates.

Cal Advocates agreed with the schedule and content of the RNG Tariff annual customer reporting with the addition of the following information: "A list of RNG suppliers contracting with the utility including the supplier's primary location and years of operation, as well as the supplier's volume of RNG sold to SoCalGas and/or SDG&E for the year, its cost per therm, and its carbon intensity score."[9]

---

[8] A full list of reports, timing and data elements in Appendix A, Tables of Reporting.
[9] Cal Advocates testimony, pp. 1-14.

TURN comments that "[t]he Commission should require that the actual sources are disclosed in all marketing materials and communications with customers."[10] Providing the explanation that "[a]bsent such information, RNG Tariff customers could be misled into believing that their voluntary purchase are all sourced from local facilities and meet the requirements applicable for other state programs (SB 1440 and RPS)."[11] The Utilities have proposed to provide information on how much RNG is sourced from local facilities[12] by showing source state by percentage. As for meeting the applicable requirements for Renewable Portfolio Standard (RPS) or Senate Bill (SB) 1440, the Utilities disagree with this need for the reasons outlined in the rebuttal testimony of Ms. Peacock.[13]

TURN also recommends that customers receive "regular disclosures" on the RNG sources and locations, the percentage of portfolio acquired from each facility, and that such information be updated regularly, with more detailed information on facilities via an online portal.[14] The information the Utilities proposed to provide to customers will provide adequate source and facility information to customers while protecting the confidentiality of procurement contracts.

Pricing and volume information is confidential and disclosure to the general public would not only be prohibited by the procurement contract, but it would prevent the Utilities from negotiating for the best low-cost prices for RNG. One possible scenario is where the Utilities only procure RNG from one or two sources and this would mean that providing volume, cost and

---

[10] TURN testimony, p 11.
[11] Ibid.
[12] The Utilities assume TURN is using the term "local" to mean "in-state procurement."
[13] See Chapter 6 of SoCalGas and SDG&E's Rebuttal testimony.
[14] TURN testimony, p. 13.

location information would be publishing information that competing suppliers could use to extrapolate confidential contractual information, given the low number of suppliers from which to aggregate data. However, the Utilities are willing to provide this information via quarterly reports to the Commission with the proper confidentiality designations.

VI. THE UTILITIES WILL PROVIDE SUPPLIER INFORMATION IN QUARTERLY REPORTS TO THE COMMISSION WITH THE PROPER CONFIDENTIALITY DESIGNATIONS

Regarding the Utilities' quarterly reports to the Commission, Cal Advocates recommends that the report include the following information: "A list of RNG suppliers contracting with the utility including the supplier's primary location and years of operation, as well as the supplier's volume of RNG sold to SoCalGas and/or SDG&E for the year, its cost per therm, and its carbon intensity score." The Utilities will provide all of the information recommended by Cal Advocates in the quarterly report, however this information is confidential for the reasons stated above and will be designated as such.

VII. THE RNG TARIFF SHOULD NOT BE A TWO-YEAR PILOT

Cal Advocates recommends that the RNG Tariff program should be a two-year pilot program with assessment after two years on extension or expansion. The Utilities disagree with this proposal for several reasons. First, supply contracts will likely require periods greater than two years to be cost effective. As is discussed in more detail in Mr. Cheung's rebuttal testimony,[15] a period of two years will restrict the supply available and five years will provide

[15] See Chapter 8 of SoCalGas and SDG&E's Rebuttal testimony.

more options for the contracting of longer term (and potentially more favorable) RNG contracts. Second, participation rates are expected to climb over time as awareness levels gradually rise from education and outreach, but it will take time to build program awareness. In order to keep program costs down, the Utilities have identified the more cost-effective marketing channels,[16] but in the media-dense market of Central and Southern California, those lower cost channels will require several months before customer awareness of the RNG Tariff program will reach a significant level to stimulate participation. Third, the Utilities have proposed a five year budget with more marketing and administration costs in the first year to stimulate participation. The Utilities budgeted to recover those costs from the program participants over the five years. If the program is reduced to just a two-year cycle, participants will be required to pay higher average program costs which would increase the cost of participation. Although the Utilities will manage costs each year to minimize any under- or over-collection of program charges as much as possible and will adjust expenses accordingly, participation limited by two years will not be enough time for average customer acquisition costs to decline. Fourth, as a two-year pilot, capital investments in the billing system, Gas Acquisition system, and website modifications required to support enrollment, billing, and bill printing for the RNG Tariff program could be stranded after only 24 months. Fifth, by making the RNG Tariff a two-year pilot, the intended stimulation of new RNG suppliers could be inhibited by the published duration of only two years. Given the length of time required to acquire financing and to complete construction, two years may not signal the level of certainty that investors desire when seeking investment opportunities.

[16] Prepared Direct Testimony of Grant Wooden (Program Design), Appendix A.

VIII. THE RNG TARIFF SHOULD NOT BE LIMITED TO BUSINESS CUSTOMERS

EDF recommends that the RNG Tariff should be limited to non-residential customers, arguing that electrification is a more viable and cost-effective strategy for residential customers and that percentage of use participation by business customers would be easier to track.[17] The Utilities disagree with both of these arguments because of the wide-ranging types of facilities classified as "residential" and the status of the ongoing proceeding R.19-01-011 that should help inform the Commission on which types of residential facilities may be cost-effective to electrify.

With respect to cost-effectiveness of residential building decarbonization, that issue is being assessed in a separate proceeding[18] and it is premature to only limit customers classified as "residential customers" to electrification only and not offer them participation in the RNG Tariff program. For example, it may not be cost-effective to electrify multifamily residential facilities with combined space and water heating, or small households with only wall heaters, or vice versa. Not allowing residential customers to participate in the RNG Tariff program limits a broad range of buildings and facilities that are classified as "residential," from single family homes to large condominium compounds. Furthermore, many of these residential buildings can have more significant load than non-residential customers or could recently have invested significant amounts of money in natural gas energy efficient equipment that will need to be in-place for some time to realize planned returns on investments (and not disrupt residents with replacements). Regardless of what comes out of that proceeding, as long as residential

[17] EDF testimony, p. 3.
[18] R.19-01-011.

ratepayers are allowed to use gas, being able to elect to use RNG is a choice they should be allowed to make.

EDF also argues that excluding residential customers will make it easier to estimate demand based on historical gas usage as the non-residential customer will have the option to participate in the RNG Tariff program by selecting a percentage of monthly usage. EDF contends that this will not only make it easier to procure RNG for the program, it will also make it easier for the Commission to track the total amount of gas procured under this program. The Utilities disagree with this assessment and wish to point out that non-residential customers also have the option to select a monthly flat rate and not a percentage of usage for participation in the RNG Tariff.

With a smaller number of customers, it may actually be more difficult to estimate demand for non-residential customers rather than for residential customers. Natural gas usage for residential customers is based primarily on weather, and this provides a fairly consistent annual demand curve for residential customers year-over-year. Non-residential customers, on the other hand, have demand curves based on the success of their business and/or the demand for their product. So, while a large manufacturing firm may have fairly consistent demand for a couple of years, in the beginning of the following year, the firm may not receive a new contract and their demand could drop. Similarly, a business like a restaurant could expand or grow in popularity, doubling in size and requiring twice the usage. Both scenarios are externalities that the Utilities could not predict.

As for estimating and tracking RNG purchases, SoCalGas' Gas Acquisition Department has a long history of estimating both residential and non-residential demand in Central and

Southern California and believes it can procure and track the RNG that will be needed.[19] As stated in the testimony of Andrew Cheung, SoCalGas' Gas Acquisition Department will have at its disposal all tools available to it when contracting for traditional natural gas as approved by the Commission, including but not limited to storage, regulatory account over/under-collection adjustments, and selling excess RNG supplies.[20]

Given the size and range of what comprises a residential facility, the unique circumstances for each facility that make the cost-effectiveness of electrification unknown and the proven ability of SoCalGas' Gas Acquisition Department to procure, track and manage natural gas, the RNG Tariff should not be limited to non-residential core customers.

IX. MARKETING RNG SHOULD NOT DISRUPT EXISTING LEAK ABATEMENT COMPLIANCE PLANS

EDF recommends that to the extent that education and outreach targets specific municipalities, neighborhoods, or geographic regions, the Utilities should be directed to coordinate with operational functions to ensure that the underlying distribution pipelines are high integrity and are not leaking.[21] The Utilities believe that this form of collaboration would be disruptive to current planned and in-progress leak abatement efforts and possibly reduce the overall amount of methane captured by each Utility.

On March 15, 2018, both Utilities submitted their 2018 Leak Abatement Compliance Plans per Decision (D.)17-06-015. The Utilities' 2018 Leak Abatement Compliance Plans encompassed proposed activities to achieve methane emission reductions through the 26 Best

[19] Cheung Direct testimony, p. 3.
[20] Id.
[21] EDF testimony, p. 4.

Practices adopted in D.17-06-015. Milestones were developed to achieve those emission reductions and develop a timeline for implementation. Activities include policy and procedure development, training development and deployment, increased leak surveys, installation of methane sensing technologies, faster leak repair times, capture of blow down gas, replacement of high-bleed pneumatic devices, expansion of dig-alert programs, back-office information technology projects, and development of tools to support monitoring, record-keeping, and reporting.

The Utilities should be allowed to follow their respective Leak Abatement Compliance Plans as submitted without coordination with the education and outreach efforts of the RNG Tariff program to further the goals of Senate Bill 1371 in a safe and cost-effective manner.

X. THE RNG CHARGE FOR CARE CUSTOMERS SHOULD NOT BE FUNDED BY NON-CARE RNG TARIFF PROGRAM PARTICIPANTS

EDF proposes that California Alternate Rates for Energy (CARE) customers receive a 20% discount on their monthly RNG charges[22] and that this discount is funded by the non-CARE participants in the RNG Tariff program.[23] EDF states that "[i]n D.16-11-022, the Commission authorized the use of the CARE discount for a similar voluntary electric program, the Green Tariff Shared Renewables (GTSR) program."[24]

[22] Wooden Direct testimony, p. 11.
[23] EDF testimony, p. 5.
[24] Id.

It is the Utilities understanding that D.16-11-022 did not authorize the use of CARE funds to discount the renewable energy premium of the GTSR program and thereby preserved the ratepayer indifference required by the statutory provisions governing the GTSR program.

D.16-11-022 required electric utilities to "calculate the discount a non-participating CARE customer would receive and then apply it to the total GTSR bill less the renewable premium on the generation rate."[25] Although the customers' GTSR CARE discount may be less than 30%, the electric utilities' overall CARE participation average would still ensure compliance with the CARE average discount required by Public Utilities Code Section 739.1.[26] This is not the same as providing a CARE discount on the renewable premium.

The Utilities recommend not providing a CARE discount on monthly RNG charges funded by the non-CARE participating customers for the following reasons. First, this will reduce billing complexity for the program by preventing the need to calculate a CARE and non-CARE monthly program charge. Second, it will allow the Utilities to maintain non-participant ratepayer indifference. Finally, it is consistent with how CARE discounts are applied in the GTSR program where charges and credits for the GTSR Tariff are not included in the calculation of the CARE discount.[27]

This concludes my prepared rebuttal testimony.

---

[25] D.16-11-022, p. 341

[26] Pursuant to Public Utilities Code Section 739.1(c)(1), The ***average*** effective CARE discount shall not be less than 30% or more than 35% of the revenues that would have been produced for the same billed usage by non-CARE customers. [emphasis added]

[27] SDG&E, Advice Letter 3024-E, Implementation of CARE Into San Diego Gas and Electric's Green Tariff Shared Renewables Program, p. 3.

APPENDIX A

TABLES OF REPORTING

Program Webpages

Data/information	Update Frequency	Notes
Program information	n/a	"RNG use displaces emissions from conventional NG, but RNG use still releases GHG emissions" "RNG can have differing GHG emissions depending on its feedstock and the methods used during production and procurement"
Carbon intensity of traditional NG	Annually	Available day 1
Carbon intensity for the RNG Tariff	Available once an RNG source is contracted, then every 6 months	
Feedstock type percentage	Available once an RNG source is contracted, then every 6 months	Pie chart of supply by feedstock
Carbon intensity for feedstock	Annually	Available day 1.
Source state percentage	Available once an RNG source is contracted, then every 6 months	Pie chart of supply by state

Enrollment Acknowledgement

Data/information	Update Frequency	Notes
Start date for RNG Tariff	After enrollment	Send asap – same or next day.
Commitment end date		
Cooling-off period end date		
RNG subscription		Either monthly amount or percentage
Cost of RNG		Current monthly cost for RNG
Carbon intensity for the RNG Tariff		If known, average
Feedstock percentage for RNG Tariff		If known, pie chart of supply by feedstock
Source state percentage for RNG Tariff		If known, pie chart of supply by feedstock
Other RNG news and updates		Marketing to EE programs and other

APPENDIX A

TABLES OF REPORTING

Annual Customer Report

Data/information	Update Frequency	Notes
Amount of traditional NG purchased	Annually	Dollars and volume
Amount of RNG purchased	Annually	Dollars and volume
Cost of RNG purchased	Annually	Average
Annual GHG emission reduction	Annually	
Carbon intensity for the RNG Tariff	Annually	Average
Feedstock percentage for RNG Tariff	Annually	Pie chart of supply by feedstock
Source state percentage for RNG Tariff	Annually	Pie chart of supply by state
Other RNG news and updates	Annually	Text

Quarterly Commission Report – submitted within 45 days of the end of each quarter.

Data/information	Update Frequency	Notes
Overall description of program activity since last report	Quarterly	Text
New customers enrolled		By customer type
Customers dis-enrolled		By customer type
Number of customers by purchase subscription		Table by amount, by customer type
Quantity of RNG sold		By customer type
Revenue of RNG sold		By customer type
Overhead expenses		Marketing and Administration
Carbon intensity for the RNG Tariff		Average
RNG SOURCES		
Name		
City/State		Or nearest town
Years in Operation		
Feedstock of source		
Carbon intensity for the source		
Volume purchased		
Cost per Therm		