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Application: A.19-02-015
Witness: Tanya Peacock, Grant Wooden, Andrew Cheung, and Reginald M. Austria
Chapter: 5

**PREPARED SUPPLEMENTAL DIRECT TESTIMONY OF**

**TANYA PEACOCK, GRANT WOODEN, ANDREW CHEUNG,**

**AND REGINALD M. AUSTRIA**

**ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)**

**AND SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G)**

September 16, 2019

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# CHAPTER 5

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## I. PURPOSE

The purpose of this prepared supplemental direct testimony on behalf of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E, and jointly herein, the Utilities) is to provide additional information in support of the Utilities' proposed Renewable Natural Gas (RNG) Tariff program (RNG Tariff) in response to the Assigned Commissioner's Scoping Memo and Ruling, issued August 8, 2019 (Scoping Memo). The Utilities have included additional pertinent information throughout this testimony in order to help educate parties and the Commission about the planned RNG Tariff and also about RNG in general.

## II. SCOPING MEMO ISSUES

On February 28, 2019, the Utilities filed their Application for the RNG Tariff. Accompanying the Application were the Prepared Direct Testimony of Tanya Peacock (Policy), the Prepared Direct Testimony of Grant Wooden (Program Design), the Prepared Direct Testimony of Andrew Cheung (Renewable Natural Gas Procurement), and the Prepared Direct Testimony of Reginald M. Austria (Regulatory Accounting). These chapters of testimony were prepared in support of the Utilities' Application.

In the Scoping Memo, the Assigned Commissioner enumerated nine questions that established the scope of issues for consideration in this proceeding. These nine questions were:

1. Whether or not the Commission should authorize SoCalGas and SDG&E to establish new, optional tariffs for residential and core commercial/industrial customers to be sourced with RNG.

2. What supply sources should be used under the program and where should they be located?

3. What contribution will the RGT program have to the state's efforts to reduce GHG emissions?

4. What provisions are necessary to ensure the RGT program results in GHG reductions in CA that are maximized, verified, and not double-counted?

5. What benefits from the RGT program, if any, should be passed on to participating ratepayers?

6. What is the appropriate scope, content and target for a marketing program for the RGT program and how should it be funded?

7. Does the RGT program necessitate any infrastructure investments or safety improvements/enhancements?

8. Would approval of the RGT program have any potential adverse impacts on participating customers, non-participating customers, or core transport agents?

9. What is a reasonable budget and costs for the program, and how should those costs be tracked and allocated?

In addition to setting forth these nine questions, the Scoping Memo established a procedural schedule for this proceeding. Included in the procedural schedule was a direction that the Utilities' submit Supplemental Testimony to address the questions presented in the Scoping Memo by September 16, 2019. In the following sections, the Utilities address each of the questions as enumerated in the Scoping Memo. Where the Utilities believe their Prepared Direct Testimony already addresses a question, the testimony incorporates those sections by reference.

## III. SCOPING ISSUE 1 (SPONSORING WITNESS: TANYA PEACOCK)

*Whether or not the Commission should authorize SoCalGas and SDG&E to establish new, optional tariffs for residential and core commercial/industrial customers to be sourced with RNG.*

The Utilities set forth the purposes and reasons for authorizing the RNG Tariff program in their direct testimony supporting the Application.[1] In addition, there appears to be a growing realization across the United States that RNG is a viable solution for decarbonizing thermal energy usage and an important tool that will be utilized by those states wishing to reduce their GHG emissions (at the least, Washington,[2] Utah,[3] Maine,[4] Nevada,[5] and Oregon[6]). California has shown climate policy leadership by passing laws and regulations that promote the capture and injection of methane produced from organic waste streams, but has not yet considered the role of the consumer beyond the transportation market. California should continue its climate policy leadership by establishing programs and approving tariffs that will allow non-transportation customers an opportunity to decarbonize their thermal energy usage.

[1] Prepared Direct Testimony of Tanya Peacock (Policy), p. 3.
[2] The Washington State legislature passed 3 bills to support the development of the RNG market, use of RNG in buildings, and procurement of RNG by utilities (House Bill (HB) 2580, Senate Bill (SB) 5116, and SB 5588).
[3] The Utah State legislature passed HB 109, which will allow utility companies to invest in renewable natural gas projects. Further, on July 30, 2019, the Utah Public Service Commission approved a settlement authorizing Dominion Energy Utah to implement the GreenTherm™ Voluntary Renewable Natural Gas Program. *See* Public Service Commission of Utah Docket No. 19-057-T04, July 30, 2019, Order Approving Settlement Stipulation, *available at* https://pscdocs.utah.gov/gas/19docs/19057T04/309367 19057T04oass7-30-2019.pdf.
[4] Summit Utilities has applied to the Maine Public Utilities Commission for a new tariff establishing a voluntary renewable natural gas attribute program. *Available at* https://mpuc-cms.maine.gov/CQM.Public.WebUI/Common/CaseMaster.aspx?CaseNumber=2019-00116&FRM=0.
[5] The Nevada State legislature passed SB 154 authorizing a public utility that purchases natural gas for resale to engage in renewable energy activities and to recover all reasonable and prudent costs.
[6] The Oregon legislature passed SB 98, which requires the Public Utility Commission to adopt by rule a renewable natural gas program for natural gas utilities to recover prudently incurred qualified RNG investments and also sets targets for renewable natural gas procurement by gas utilities in the state.

### A. Growing Support for RNG to Decarbonize Thermal Energy Usage

In May 2019, the Energy Futures Initiative (EFI) released the report "Optionality, Flexibility & Innovation: Pathways for Deep Decarbonization in California," which analyzes ways the state can meet its aggressive 2030 low-carbon energy goals and outlines the innovation agenda needed for mid-century deep decarbonization.[7] The Project Team, led by EFI founder and former Department of Energy Secretary for President Obama, Ernest J. Moniz,[8] conducted a modeling-informed analysis that included a top-down assessment of California's deep decarbonization goal, as well as multiple bottom-up models that approximated how various technologies can contribute to the reduction of emissions.

In order to support aggressive decarbonization in California by 2030, EFI found that use of RNG is a critical pathway because of its flexibility and reliability for energy systems,[9] and concluded that California needs to decarbonize thermal energy usage by utilizing RNG across all economic sectors - electricity, transportation, industry, buildings, and agriculture - to meet its carbon reduction goals by 2030.[10]

Speaking specifically to the development of RNG in California, EFI noted that RNG has multiple tangible benefits including:

> RNG is a carbon-neutral fuel; RNG diverts methane from being released into the atmosphere, enabling major emissions reductions from the difficult-to-decarbonize Industry and Agriculture sectors; and it leverages existing carbon infrastructure, potentially avoiding the costly stranding of these established systems and their associated

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[7] Energy Futures Initiative, "Optionality, Flexibility & Innovation: Pathways for Deep Decarbonization in California" (May 2019), *available at* https://energyfuturesinitiative.org/s/EFI_CA_Decarbonization_Full-b3at.pdf. The report was sponsored by 11 entities, including unions, trade associations, SoCalGas, SDG&E and others.
[8] *See id.*, p. iii, for complete list of Project Team members.
[9] *Id.,* p. xix.
[10] *Id.,* p. xvii.

> workforces, as well as their time-consuming and costly replacement.[11]

Similarly, on June 21, 2019, Lawrence Livermore National Laboratory (LLNL)[12] provided a comment letter to the California Energy Commission on the Natural Gas Infrastructure and Decarbonization Targets (19-MISC-03)[13] where LLNL noted that California's residential sector is highly reliant on natural gas used in space/water heating and cooking. Eighty-eight percent of homes consume natural gas, with two-thirds of homes using natural gas for space heating and 84 percent for water heating.[14] LLNL commented that "consumer choice may affect the pace and degree of electrification: while some consumers may not favor gas over electric water heaters, preference for gas over electric cooking stoves may be particularly strong."[15]

LLNL's letter concludes with a recommendation to the California Energy Commission that it consider "a strategy that hedges the risks of coming up short on emission reductions [and] does not preselect a single winner to the exclusion of all other contributors, but instead banks on a portfolio of possible solutions."[16] The RNG tariff provides an important option in the portfolio of decarbonization solutions because it provides customers with an option to keep their gas range and also do something to help achieve California's climate goals.

## IV. SCOPING ISSUE 2 (SPONSORING WITNESS: ANDREW CHEUNG)

*What supply sources should be used under the program and where should they be located?*

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[11] *Id.*
[12] Lawrence Livermore National Laboratory is a federal research facility in Livermore, California, founded by the University of California, Berkeley in 1952. It became autonomous in 1971 and was designated a national laboratory in 1981.
[13] *Available at* https://efiling.energy.ca.gov/GetDocument.aspx?tn=228811&DocumentContentId=60143.
[14] *Id*. at p. 6.
[15] *Id*. at p. 7.
[16] *Id*. at p. 8.

The Utilities propose to maintain flexibility in the location and types of RNG purchased for the RNG Tariff program. The Utilities will assess available RNG sources by taking into account environmental benefits and acquisition costs for program participants. Currently, RNG supply in California is mostly from dairy sources that will generate significant Low-Carbon Fuel Standard (LCFS) and Renewable Fuel Standard (RFS) credits from fueling at Compressed Natural Gas (CNG) stations. The few other in-state sources are either under construction or in development, while the variety of out-of-state production facilities are more numerous.

### A. The Utilities Will Evaluate Environmental Benefits While Minimizing Costs to Program Participants

To achieve long-term environmental benefits, the Utilities believe it is important to provide offtake opportunities for a diversity of RNG supplies since not all supplies are equally marketable. For example, RNG from dairy digesters currently has a higher price point than wastewater treatment or landfill RNG due to the environmental attributes generated by the CNG transportation market. Therefore, landfill projects will likely need to find non-CNG transportation markets, which can be provided through the RNG Tariff. Encouraging diversity of RNG supplies will capture waste streams that currently emit methane or $CO_2$. In addition to supply diversity, SoCalGas' Gas Acquisition department will evaluate offers by considering supply availability, RNG production reliability, eligibility for cap-and-trade exemption, contract duration and overall portfolio management. Through a diverse RNG supply approach, the Utilities can evaluate RNG projects fully and support the beneficial capture and utilization of methane and $CO_2$ emissions from a variety of waste streams.

### B. California Has Less Near-Term In-State Supply of RNG Compared to Other States

According to the Coalition for Renewable Natural Gas' (RNGC) database of RNG production facilities, currently there are approximately 80 operational RNG production facilities

injecting into the pipeline in North America, two of which are located in California.[17] Below, in Table 1, is a summary of the number of operational projects by geographic region.

**Table 1: Number of Production Facilities in North America by Region[18]**

| **Location[19]** | **Number of Production Facilities** |
|---|---|
| ***California*** | *2* |
| **West (includes CA)** | 8 |
| **Midwest** | 24 |
| **South** | 28 |
| **Northeast** | 10 |
| **Canada** | 10 |

In addition, the RNGC has identified eight new RNG facilities in California and 74 facilities across North America[20] that are under construction or have reached a substantial level of development, and that plan to inject RNG into the pipeline.[21] Given the geographic and feedstock diversity in RNG production and various development stages of upcoming projects, the Utilities must be able to explore both in-state and out-of-state resources for the RNG Tariff program.

[17] Note that SoCalGas has three RNG production facilities that are pipeline injected, but one of those is categorized by RNGC as not pipeline injected because it was initially used for onsite fueling. SoCalGas has contacted RNGC to update the database, but for consistency is using the current database numbers.
[18] Data sourced from the Renewable Natural Gas Coalition at http://www.rngcoalition.com/rng-production-facilities (accessed August 22, 2019) (RNGC Database).
[19] United States regions were grouped according to the U.S. Census Bureau's regional definitions. The Canadian production facilities were all grouped together, and California was summarized individually and is part of the West region.
[20] The North American total is inclusive of production facilities in development in California.
[21] *See* RNGC Database.

## V. SCOPING ISSUE 3 (SPONSORING WITNESS: TANYA PEACOCK)

*What contribution will the RGT program have to the state's efforts to reduce GHG emissions?*

All RNG procured for use by RNG Tariff program participants will reduce GHG emissions by taking methane from wastewater treatment plants, dairies, landfills, or other sources that would normally enter the environment or be wasted as $CO_2$ from flared gas, and instead using them as natural gas for thermal energy, resulting in a reduction in GHG impact. All RNG procured from California state producers will remove GHG emissions in California in alignment with, and supporting, California Air Resources Board's (CARB) Scoping Plan.[22] This includes reduction of emissions of high global-warming potential gases with short atmospheric lifetimes, as further described in CARB's Short-lived Climate Pollutants (SLCP) Reduction Strategy.[23]

The use of RNG as an alternative to natural gas therefore results in a reduction in overall GHG emissions. As discussed in the testimony of Andrew Cheung,[24] the RNG Tariff program will likely use a combination of in-state and out-of-state RNG supplies. Allowing a broad range of supplies balances cost, environmental benefits, and other considerations. All the RNG purchased for the RNG Tariff program will reduce the amount of GHGs that would otherwise go directly into the environment and because GHGs are global pollutants, sourcing RNG from other states and reducing GHGs that would otherwise go directly into the environment also benefits California.

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[22] CARB, California's 2017 Climate Change Scoping Plan, p. 3 (November 2017).
[23] CARB, SLCP Reduction Strategy (March 2017), p. 28, *available at* https://ww2.arb.ca.gov/sites/default/files/2018-12/final_slcp_report%20Final%202017.pdf (SLCP Reduction Strategy). The SLCP Reduction Strategy, developed in 2017 as directed by SB 1383 (Lara, Chapter 395, Statutes of 2016), is California's plan for reducing SLCP emissions, including methane from organic sources, in a way that provides environmental and economic benefits to the State.
[24] *See* Section 2, *supra*.

In addition, by creating a market for RNG in the stationary sector, the RNG Tariff program would increase the potential market for RNG suppliers and signal increased certainty with the RNG market to potential investors in RNG projects. As discussed in the testimony of Tanya Peacock,[25] this could encourage the development of more in-state projects from sources such as landfills and wastewater treatment plants that may not otherwise be developed, further contributing to the state's efforts to reduce GHG emissions. For example, in the United States today, landfills are regularly flaring the methane created by the breakdown of organic waste.[26] This means that $CO_2$ is being released directly to the atmosphere without being used for energy.[27] Utilizing this wasted energy in buildings provides environmental and economic benefits to the State and would offset demand for traditional natural gas.

## VI. SCOPING ISSUE 4 (SPONSORING WITNESS: ANDREW CHEUNG)

*What provisions are necessary to ensure the RGT program results in GHG reductions in CA that are maximized, verified, and not double-counted?*

The RNG Tariff program will be structured to provide verifiable GHG reductions and ensure that the RNG supplies purchased for the program are not double-counted. The RNG Tariff program will strictly follow the requirements of CARB's Regulation for the Mandatory Reporting of Greenhouse Gas Emissions[28] (MRR) and the Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms (Cap-and-Trade

[25] Prepared Direct Testimony of Tanya Peacock (Policy), pp. 4-5.
[26] The United States Environmental Protection Agency keeps a database of landfills nationwide. Of the over 2,600 it has records of at least 1,142 landfills have flares in place. *See* EPA Landfill Methane Outreach Program, *available at* https://www.epa.gov/lmop (accessed August 22, 2019).
[27] Municipal solid waste (MSW) landfills are the third-largest source of human-related methane emissions in the United States, accounting for approximately 14.1 percent of these emissions in 2017. At the same time, methane emissions from landfills represent a lost opportunity to capture and use a significant energy resource. *See* EPA Landfill Methane Outreach Program basic information, *available at* https://www.epa.gov/lmop/basic-information-about-landfill-gas#methane (accessed August 22, 2019).
[28] 17 CCR §§ 95100-95157.

Regulation),[29] two separate sets of GHG regulations. Together these regulations provide reporting and verification guidance for RNG supplied to participants of the RNG Tariff program. Consistent with the MRR, the purchased RNG supplies will be verified by a third-party independent verification body,[30] accredited by CARB, which is necessary to receive the biomethane exemption under the Cap-and-Trade Regulation.

Under the MRR, the verification body must, at a minimum, develop a verification plan, have meetings with the reporting entity, perform site visits, review the reporting entity's operations, compile data on emissions, a sampling plan, perform data checks, modify emissions data reports, log issues, and assess material misstatements. There must also be a review by a separate verifier, referred to by CARB as an "independent reviewer"[31] (typically, one who works with the verification body but is not involved in the services for that year), with a complete findings and verification report submitted to CARB. In addition, the verification body must make itself and its personnel available for a CARB audit. Compliance with the MRR and Cap-and-Trade Regulations will provide a proven safeguard against over-estimating emissions reductions, double-counting and/or false claims. Below is a sample Verification Schedule demonstrating the components of the phases in the MRR process.

[29] 17 CCR §§ 95852.1.1 ("Eligibility Requirements for Biomass-Derived Fuels") 95852.2 ("Emissions without a Compliance Obligation"). The cap-and-trade biomethane exemption is discussed in further detail in Section VII, *infra*.

[30] CARB defines "verification body" as: a firm accredited by ARB that is able to render a verification statement and provide verification services for reporting entities subject to reporting under this article. 17 CCR §§ 95102.

[31] CARB defines "independent reviewer" in the following manner: "Lead verifier independent reviewer" or "independent reviewer" means a lead verifier within a verification body who has not participated in conducting verification services for a reporting entity, offset project developer, or authorized project designee for the current reporting year who provides an independent review of verification services rendered to the reporting entity as required in section 95131. The independent reviewer is not required to meet the requirements for a sector specific verifier. *Id.*

**Figure 1: Sample Verification Schedule**

**4. Verification schedule**

| Visit type > | Stage 1 | Stage 2 | Technical Review | | | | | |
|---|---|---|---|---|---|---|---|---|
| Due date > | 6/27/19 | 8/2/19 | 8/2/19 | | | | | |
| Start date > | | | | | | | | |
| End date > | | | | | | | | |
| Verifier days > | | | | | | | | |
| Process / aspect | | | | | | | | |
| On-Site | ✓ | | | | | | | |
| Strategic Analysis | ✓ | | | | | | | |
| Risk Analysis | ✓ | | | | | | | |
| Preparation of Verification Plan | ✓ | | | | | | | |
| Preparation of Data / Information Sampling Plan | ✓ | | | | | | | |
| Data / Information Verification | | ✓ | | | | | | |
| Criteria Conformance Assessment | | ✓ | | | | | | |
| Review of organisation's inventory assertion, report, etc. | | ✓ | | | | | | |
| LRQA Reporting | | ✓ | | | | | | |
| Preparation of External Verification Report / Assurance Statement, etc. | | ✓ | | | | | | |
| Technical Review | | | ✓ | | | | | |
| | | | | | | | | |
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| | | | | | | | | |

The Utilities are very familiar with this process as they have been reporting their verified GHG emissions through an annual report ("GHG Report") for facilities and operations to CARB in this manner since 2011, receiving a positive verification statement every year.[32] CARB sets the annual schedule for the GHG Report beginning with activation of the required GHG reporting tool (called Cal e-GGRT) in mid-January, in which emissions are calculated and uploaded to CARB. The deadline for submitting the GHG Report is in the spring, and the final verification statements for all reports, emissions data, supplier data and product data are due at

[32] A finding of "Positive" means the verification body has attested that it can say with reasonable assurance that the reported product data are free of errors greater than 5%, the product data conform to the requirements of the regulation, and that all correctable errors identified by the verification body have been addressed. *See id*.

the end of summer. During the spring-summer timeframe, the third-party verifier undergoes the extensive review described above. An example of the timeline is below with the CARB Schedule for 2018 GHG Report submitted in 2019 (Figure 2).

**Figure 2: CARB Schedule for 2018 GHG Emissions Data Reported in 2019 for MRR**

| Date | Activity |
|---|---|
| Mid-January | Cal e-GGRT activated for facilities reporting 2018 data in 2019 |
| February 1 | Registration deadline for electric power entities (EPE) to register specified source facilities and units. |
| **April 10** | Reporting deadline for facilities and suppliers of fuels and carbon dioxide, except when subject to abbreviated reporting. Applies to electricity generation facilities, refineries, cement plants, facilities producing over 25,000 metric tons of CO2e from combustion sources, suppliers, and others. |
| **June 3** | Reporting deadline for submitting electric power entity reports and for those subject to Abbreviated Reporting. Electricity generating facilities must report by April 10th, even if operated by an electric power entity. |
| July 18 | Deadline for corrections to RPS Adjustment data required for electric power entity data reports (i.e., 45 days following the emissions data report due date) |
| **August 12** | Final verification statements due for all reports, including emissions, supplier data, and product data. |

Section 95852.1.1(a) of the Cap-and-Trade Regulation requires purchase of incremental biomethane supply that will ensure the GHG reductions by the RNG Tariff program are real and additional.[33] Biomass-derived fuel procured under contracts for biogas and biomethane must be either: (A) an increase in the biomass derived fuel production capacity, at a particular site, where an increase is considered any amount over the average production at that site over the last three years; or (B) recovery of the fuel at a site where the fuel was previously being vented or

[33] 17 CCR § 95852.1.1(a).

destroyed for at least three years or since commencement of fuel recovery operations, whichever is shorter, without producing useful energy transfer.[34]

By utilizing the existing MRR to verify the RNG supply, the state not only benefits from the emission reductions due to the sequestered methane that the RNG production facilities provide, but it can also be confident that the value of the benefits claimed are real and additional, and further the state's ambition to lead the globe in the fight against climate change.

## VII. SCOPING ISSUE 5 (SPONSORING WITNESS: ANDREW CHEUNG)

*What benefits from the RGT program, if any, should be passed on to participating ratepayers?*

There are two primary benefits that will be passed on to participating ratepayers. First, the Utilities will procure RNG that is eligible for the cap-and-trade biomethane exemption pursuant to the Cap-and-Trade Regulation. This will result in reduced emissions compliance costs which will be accounted for and passed on to customers participating in the RNG Tariff program as a rate credit on a volumetric basis, as noted in the direct testimony of Mr. Cheung[35] and described in detail below. Second, the environmental benefits associated with the RNG Tariff program can be utilized by the participating customer for voluntary sustainability reporting.

### A. Cap-and-Trade GHG Compliance Cost Savings

RNG purchased for the RNG Tariff program to meet participating customer's subscribed load will conform to eligibility and reporting requirements of the Cap-and-Trade Regulation and MRR and will therefore reduce SoCalGas' annual GHG emissions compliance obligation. The

[34] 17 CCR § 95852.1.1 (Eligibility Requirements for Biomass-Derived Fuels). For more information see, CARB, Biomass-Derived Fuels Guidance for California's Mandatory GHG Reporting Program (2019), *available at* https://www.arb.ca.gov/cc/reporting/ghg-rep/guidance/biomass.pdf.
[35] Prepared Direct Testimony of Andrew Cheung (RNG Procurement), p. 5 and Table ASC-1.

Cap-and-Trade compliance cost savings benefit associated with the reduction in SoCalGas' annual GHG compliance obligation will be quantified and the savings returned to eligible, participating customers on a per-therm basis as a reduction of the RNG commodity rate described in direct testimony.[36]

The compliance cost savings unit rate that is to be included as a reduction of the monthly RNG commodity tariff rate will be calculated on an annual basis in conjunction with SoCalGas' "Annual Regulatory Account Balance Update for Rates" Advice Letter filing effective on the first of January. The unit rate cost reduction will be forecasted using an estimate of participating customer's RNG load and a proxy price[37] for the cost of compliance instruments used to meet SoCalGas' emission compliance obligation for the year. Subsequently, after third-party verified emissions and exempted RNG volumes are published by CARB,[38] the forecasted unit rate for the year will be trued-up to actual RNG volumes burned by participating customers and the actual weighted average cost of compliance instruments purchased by SoCalGas to meet its annual GHG compliance obligation. The rate calculation process will be iterative with a forecasted rate initially calculated and subsequently trued-up when actual burned RNG volumes and compliance instrument costs are available. The savings will be credited monthly as a reduction of the RNG Commodity Charge for currently participating customers.[39]

[36] *Id.*
[37] The compliance instrument proxy price is defined in D.15-10-032, Appendix A, p. 4.
[38] CARB typically publishes compliance obligation volumes by September / October of the current year for the prior calendar year's obligation.
[39] *See* Direct Testimony Chapter 3 (Cheung), p. 6, Table ASC-1, "Proposed RNG Commodity Rate," demonstrating how the Cap and Trade cost savings will be credited in rates.

### B. Voluntary Sustainability Reporting

By virtue of its production process that captures methane being released into the environment, the environmental benefits that result from the development and use of RNG are often referred to as the fuel's "environmental attributes." The environmental attributes associated with the RNG Tariff program may be disclosed by participating customers for voluntary sustainability reporting programs, such as the Carbon Disclosure Project,[40] and for making environmental performance claims. This may be especially useful to businesses and organizations with sustainability goals or environmental performance standards. Customers may utilize the annual report or other documentation provided by the Utilities to verify such claims.

## VIII. SCOPING ISSUE 6 (SPONSORING WITNESS: GRANT WOODEN)

*What is the appropriate scope, content and target for a marketing program for the RGT program and how should it be funded?*

### A. Marketing Communications Scope and Content

The Utilities believes that marketing scope and content should cover three broad categories for the RNG Tariff.

First, informational content that will:

- Inform potential customers that organic waste streams from various sources (e.g. landfills, dairy farms and wastewater treatment plants) can release GHGs such as methane;
- Inform potential customers how RNG is produced from the methane in organic waste streams, and that producers are cleaning up those waste streams and turning them into RNG for delivery to homes and business;

[40] For more information see: https://www.cdp.net/en.

- Describe typical sources of RNG;
- Explain that RNG can be stored or used in space or water heating without any modifications to existing appliances; and
- Describe what California is doing to incorporate RNG generated from these waste streams into the existing natural gas infrastructure.

Second, the benefits of RNG content that will:

- Explain the benefits from the reduction of methane as a SLCP as described in CARB's Short-Lived Climate Pollutant Reduction Strategy;[41]
- Provide, on the customer-facing website, potential ranges of GHG reductions to customers enrolling in the program since Utilities will be pursuing a variety of RNG sources and GHG reduction numbers may change over the course of a customer's subscription;[42] and
- Explain how RNG purchases are verified and not double-counted by the Utilities when purchased through the RNG Tariff.

Third, procedural program information content that will:

- Explain the enrollment process to potential customers;
- Explain participation terms (including cancellation options);
- Describe RNG purchase options;
- Explain how to subscribe, the cooling-off period and the disenrollment process;
- Provide an on-line calculation tool for customers to see how the additional amount paid for RNG will impact their bill; and

[41] CARB, SLCP Reduction Strategy, p. 28.
[42] CARB, LCFS Pathway Certified Carbon Intensities (updated August 30, 2019), *available at* https://ww3.arb.ca.gov/fuels/lcfs/fuelpathways/pathwaytable.htm.

- Inform potential customers about the current cost for the RNG Tariff program per therm and explain how customers can compare their current annual energy costs to their estimated energy costs under the RNG Tariff.

### B. Marketing Communications Targets

The Utilities believe the RNG tariff should be offered and marketed to all core customers to provide the greatest possible awareness of the RNG tariff. This will also contribute to more competitive RNG pricing by offering the greatest possible demand requirements for RNG suppliers and providing increased certainty in RNG markets. Accordingly, the Utilities believe that initial marketing efforts should begin with the broadest communication possible to all customer segments. Actual marketing plans have not been created at this time, but following the initial broad awareness campaigns, targeted marketing could follow to encourage participation by those customer segments that represent the greatest potential for enrollment and/or GHG reductions, such as large multi-family facilities or commercial and industrial customers for whom economic considerations prevent other carbon reduction investments from being implemented. For example, customers that have just completed significant natural gas energy efficiency upgrades may need to maintain equipment in-place for some time to realize planned savings, or customers that rent facilities could experience a split-incentive predicament with landlords not willing or able to invest in energy upgrades.

## IX. SCOPING ISSUE 7 (SPONSORING WITNESS: GRANT WOODEN)

*Does the RGT program necessitate any infrastructure investments or safety improvements/enhancements?*

The Utilities have not identified any additional capital infrastructure investments or safety improvements/enhancements necessitated by implementation of the RNG Tariff.

## X. SCOPING ISSUE 8 (SPONSORING WITNESSES: GRANT WOODEN AND REGINALD M. AUSTRIA)

*Would approval of the RGT program have any potential adverse impacts on participating customers, non-participating customers, or core transport agents?*

### A. No Impacts on Non-participating Customers

Administrative and marketing costs for the program would be recovered from RNG Tariff program participants via the RNG Tariff program charge per utility. 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.[43] Tracking will be accomplished by the establishment of separate Renewable Natural Gas Tariff Balancing Accounts (RNGTBAs) that would consist of two subaccounts: a Commodity Charge Subaccount and a Program Charge Subaccount.[44] The purpose of the Commodity Charge Subaccount is to record the RNG commodity costs the Utilities' opt-in core customers pay for RNG purchases to serve customers' voluntary subscription level, as well as to record the corresponding revenues from the RNG Commodity Charge. The purpose of the Program Charge Subaccount is to record the difference between RNG Tariff program administrative and marketing costs and revenues from the Utilities' RNG Program Charge.[45]

### B. Impacts on Core Transport Agents

The proposed RNG Tariff does not foresee any adverse impact on Core Transport Agents (CTAs) as it does not modify any aspect of the existing rules and processes for customer

[43] Prepared Direct Testimony of Grant Wooden (Program Design), p. 17.
[44] Prepared Direct Testimony of Reginald M. Austria (Regulatory Accounting), p. 1.
[45] Prepared Direct Testimony of Reginald M. Austria (Regulatory Accounting), p. 1.

participation in the Utilities' Core Aggregation Transportation (CAT) program and does not prevent any CTA from marketing similar or competing products to new or existing customers.[46]

Customers currently enrolled in the CAT program wishing to enroll in the RNG Tariff will need to complete their remaining contract term with the CTA prior to enrollment in the RNG Tariff. Conversely, customers enrolled in the RNG Tariff that wish to enroll in the CAT program will need to complete the remaining contract term of the RNG Tariff prior to enrollment in the CAT program (unless they are still within the 60 day "cooling off" period). Customers that are not participating in either program that wish to participate in the CAT program to reduce their carbon-footprint (and are otherwise eligible to join a CTA) can enroll with the CTA of their choice and choose any product that an individual CTA may offer them.[47]

## XI. SCOPING ISSUE 9 (SPONSORING WITNESSES: GRANT WOODEN AND REGINALD M. AUSTRIA)

*What is a reasonable budget and costs for the program, and how should those costs be tracked and allocated?*

### A. The Costs Proposed are Reasonable Compared to Similar Programs of Similar Scope (Sponsoring Witness: Grant Wooden)

The Utilities have each submitted individual estimates for ongoing marketing and administration costs for the RNG Tariff.[48] For SoCalGas, the on-going annual costs over five years are estimated to be approximately $770,000, consisting of approximately $440,000 for administration and approximately $330,000 for marketing. SDG&E has estimated on-going

[46] The Utilities publish a list of CTAs on their websites, https://webarchive.sdge.com/customer-choice/natural-gas/core-service, https://www3.socalgas.com/for-your-business/energy-market-services/participating-energy-service-providers.
[47] *See* Protest of A.19-02-015 by SFE Energy California, Inc., April 5, 2019, p. 2.
[48] Prepared Direct Testimony of Grant Wooden (Program Design), p. 14.

annual costs over five years to be approximately $400,000 for administration and approximately $200,000 for marketing.

As a point of reference, Southern California Edison (SCE) with less residential customers than SoCalGas (approximately 4.4 million residential customers at the end of 2014[49] compared to SoCalGas' approximately 5.5 million currently) and with a service territory similar in size to SoCalGas, originally filed a projected budget of $952,000 to implement its marketing, education, and outreach plan for its Green Tariff Shared Renewables Program (GTSR) over a shorter timeframe of four years (between 2015 and 2018).[50] By the end of 2018, SCE reported that it had spent $940,000 to "develop, implement, and market the GTSR program."[51]

### B. Tracking and Allocating Program Costs (Sponsoring Witness: Reginald M. Austria)

The Utilities have proposed to track program costs in the Program Charge Subaccount of the proposed Renewable Natural Gas Tariff Balancing Accounts (RNGTBAs) as described in Chapter 4, the Prepared Direct Testimony of Reginald M. Austria.[52]

The Utilities will allocate funding as shown in A.19-02-015[53] but may make adjustments as required to improve the effectiveness and efficiency of the RNG tariff program while staying within the budget.

This concludes the Utilities' supplemental prepared direct testimony.

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[49] Edison International, Edison International and Southern California Edison 2018 Financial and Statistical Report, p. 13, *available at* https://www.edison.com/content/dam/eix/documents/investors/sec-filings-financials/2018-financial-statistical-report.pdf.
[50] SCE, Advice Letter 3220-E, Attachment A, Proposed Budget (October 6, 2015), p. 1.
[51] SCE, Southern California Edison Company Annual Green Tariff Shared Renewables Program Progress Report (March, 2019), p. 8.
[52] Prepared Direct Testimony of Reginald M. Austria (Regulatory Accounting), p. 1.
[53] Prepared Direct Testimony of Grant Wooden (Program Design), Attachment A.