

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE



December 20, 2019

Advice Letter 5519

Ray B. Ortiz
Regulatory Tariff Manager
Southern California Gas Company
555 West Fifth Street, GT14D6
Los Angeles, CA 90013

SUBJECT: Low-Carbon Fuel Standard (LCFS) Program Annual Credit and Revenue Estimates (2020)

Dear Ray B. Ortiz,

Summary

Southern California Gas Company's (SoCalGas) Advice Letter (AL) 5519, Low-Carbon Fuel Standard (LCFS) Program Annual Credit and Revenue Estimates (2020), is approved with an effective date of October 30, 2019.

Energy Division finds that AL 5519 complies with Ordering Paragraph (OP) 5 of Decision (D.)14-12-083, that required the utilities to provide estimates of their LCFS credits and revenues for 2020.¹ However, Energy Division seeks additional information from SoCalGas on its ongoing plan to distribute its LCFS credit revenue to drivers of compressed natural gas (CNG) vehicles. Energy Division directs SoCalGas to submit this plan within 60 days of this non-standard disposition to detail its plan to increase the quantity of LCFS revenue returned to customers.

Background

On May 19, 2014, the Commission authorized SoCalGas to sell LCFS credits and established criteria and reporting requirements for the sale of LCFS credits.² D.14-05-021 also authorized the utilities to establish balancing accounts to track LCFS credit revenue, and authorized

¹ D.14-12-083 requires: "Beginning in 2015 and in each subsequent year of the program, the utilities shall submit via Tier 2 Advice Letter no later than September 30 the following information: a. An estimate of the number of credits the utility expects to generate for the following year; b. An estimate of the amount of revenue the utility expects to generate from the sale of those credits; c. An estimate of the balance that will be in the utility's balancing account on January 1 of the following year; d. An estimate of the cost of administering the Low Carbon Fuel Standard credit program in the following year, including customer outreach expenses; e. An estimate of the amount of revenue that will be distributed to customers in the following year; and f. An estimate of the number of drivers to whom credits will be distributed and the value that will be distributed to each driver."

² D.14-05-021, Ordering Paragraph (OP) 1

recovery of costs associated with administering the sale of LCFS credits upon their approval in an implementation AL.

On December 23, 2014, the Commission issued D.14-12-083, which authorized SoCalGas to return to customers revenue from the sale of natural gas LCFS credits as either a reduction in the fuel price at the point-of-sale at utility-owned CNG refueling stations or through a reduction in the volumetric energy rate levied on natural gas used for refueling natural gas vehicles for customers.

SoCalGas submitted its Implementation Plan for approval via AL 4779.³ Per this implementation plan, SoCalGas returns the LCFS credit revenue to customers by reducing the pump price at SoCalGas public access CNG stations.⁴ It began doing so in 2019.

While SoCalGas has been providing this rate credit since 2019, it has been accruing LCFS credits since 2011.⁵ Consistent with the Implementation Plan, SoCalGas only returns the revenue generated from a single year of credit generation.⁶ As a result, there is an accumulation of credit revenue within SoCalGas' LCFS Balancing Account.

Utility Response and Protest(s)

SoCalGas AL 5519 did not receive any protests.

Discussion

The purpose of the utility LCFS programs is to provide a vehicle for returning the revenue from the LCFS credits that individual drivers generated by driving low carbon fueled vehicles. Since the SoCalGas program took several years to establish, and since in that time the utility has continued to generate LCFS credits on behalf of its customers driving CNG vehicles, the utility has accumulated credit revenue within its LCFS Balancing Account, as described within AL 5519.

Given this accumulation of credit revenue, Energy Division directs SoCalGas, within 60 days of this non-standard disposition, to submit to Energy Division staff a description of its plan to increase the amount of LCFS credit revenue returned to customers, and decrease the amount of credit revenue within its LCFS Balancing Account. If the proposed plan would require a change to the SoCalGas LCFS Implementation Plan, as approved via AL 4779, SoCalGas should submit a Tier 2 AL requesting changes to that plan.

Disposition

Energy Division approves SoCalGas' LCFS program credit and revenue estimates for 2020, effective as of October 30, 2019, and directs SoCalGas to submit a description of its future plans

³ SoCalGas submitted AL 4779 on March 18, 2015, and it went into effect on July 30, 2015.


⁴ AL 4779 p. 6

⁵ AL 4779 p.3

⁶ AL 4779 p.6: "SoCalGas will return the net revenues from the sale of natural gas LCFS credits to customers fueling at utility owned public access CNG vehicle refueling stations by reducing the pump price for any customer that fuels at these stations. The amount of the 'LCFS Rate Credit' will be determined on an annual basis by dividing the public access compression volumes developed in the most recent cost allocation proceeding into the net revenues generated from the sale of natural gas LCFS credits in the previous year."

to increase LCFS revenue return or a Tier 2 AL—if necessary—through the approval of AL 5519.

Sincerely,

Handwritten signature of Edward Randolph in black ink, followed by the text "(601)" in parentheses.

Edward Randolph
Deputy Executive Director for Energy and Climate Policy/
Director, Energy Division

cc:

Sara Kamins, CPUC
Judith Ikle, CPUC
Jaime Ormond, CPUC
Audrey Neuman, CPUC
ED Tariff Unit

Joseph Mock, SoCalGas (jmock@socalgas.com)
tariffs@socalgas.com



Ronald van der Leeden
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
Tel: 213.244.2009
Fax: 213.244.4957
RvanderLeeden@socalgas.com

September 30, 2019

Advice No. 5519
(U 904 G)

Public Utilities Commission of the State of California

Subject: Low-Carbon Fuel Standard (LCFS) Program Annual Credit and Revenue Estimates (2020)

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) estimates for Natural Gas Vehicle (NGV) Low Carbon Fuel Standard (LCFS) credits and revenues for 2020, as shown in Attachment A, including a proposed distribution of revenue from the sale of natural gas LCFS credits starting January 1, 2020, as approved by the Commission in SoCalGas' LCFS Implementation Advice No. (AL) 4779.

Purpose

In accordance with Decision (D.) 14-12-083 Ordering Paragraph (OP) 5, this Advice Letter (AL) provides estimates of LCFS credits and revenues for 2020. As directed by D.14-12-083 OP 3 and D.14-05-021 OP 2,¹ SoCalGas had submitted AL 4779 to provide upfront standards and plans for the sale of natural gas LCFS credits, establish a Low-Carbon Fuel Standard Balancing Account (LCFSBA), revise Rate Schedule No. G-NGV, Natural Gas Service for Motor Vehicles, to provide for a LCFS rate credit, and include other implementation plan requirements. This AL accordingly proposes a distribution of LCFS revenues through the LCFS rate credit.

Background

On May 19, 2014, the Commission issued D.14-05-021, in which OP 1 authorized SoCalGas to sell LCFS credits according to the parameters and restrictions set forth in Appendix A. OP 7 of D.14-05-021 authorized the utilities to establish balancing accounts to track LCFS credit revenue, while OP 6 authorized recovery of costs associated with administering the sale of LCFS credits upon their approval in an implementation AL.

¹ As modified by D.14-07-003.

On December 23, 2014, the Commission issued D.14-12-083, in which OP 2 authorized SoCalGas to return to customers revenue from the sale of natural gas LCFS credits as either a reduction in the fuel price at the point-of-sale at utility-owned compressed natural gas (CNG) refueling stations or a reduction in the volumetric energy rate levied on natural gas used for refueling natural gas vehicles for customers. OP 3 included the list of items that SoCalGas was directed to comprehensively address in its Implementation Plan. The Implementation Plan was directed to also include any information required by D.14-05-021. Appendix A of D.14-12-083 provided a comprehensive listing of the items to be included in the Implementation Plan. SoCalGas submitted its Implementation Plan for Commission approval by AL 4779 on March 18, 2015, which was approved by the Commission on August 5, 2015, and made effective July 30, 2015.

2020 Credit and Revenue Estimates

SoCalGas hereby provides the 2020 credit and revenue estimates requested by the Commission in D.14-12-083 as Attachment A to this AL.

2020 LCFS Rate Credit

As discussed in Attachment A, SoCalGas proposes to amortize \$632 thousand from its LCFS Balancing Account, beginning on January 1, 2020, into the LCFS Rate Credit. Pursuant to AL 4779, SoCalGas' and San Diego Gas & Electric Company's (SDG&E) LCFS Rate Credits will be averaged, to create a Sempra-wide rate. Using the \$96 thousand that SDG&E proposes to amortize in its AL 2802-G, submitted concurrently, SoCalGas proposes an LCFS Rate Credit from January 1, 2020 through December 31, 2020 of \$0.26041 per therm. The following table depicts the calculation of the credit. Schedule G-NGV will be modified as part of SoCalGas' year-end consolidated rate update AL.

Description	Units	SoCalGas	SDG&E	Sempra-Wide
Public Access Compression Volumes	Mth per year	2,099	744	2,843
LCFS Balance Amortized and Implied LCFS Rate Credit	\$000	\$632	\$96	\$728
	\$ per therm	\$0.30115	\$0.12858	\$0.25596
FF&U (%)	%	101.7370%	102.2946%	-
LCFS Revenue Distributed and Effective LCFS Rate Credit	\$000	\$537	\$191	-
	\$ per therm	\$0.26041	\$0.26184	-

Confidentiality

Due to the confidential nature of certain credit and revenue estimates requested by the Commission in D.14-12-083, the redacted information in Attachment A is being provided only to the Energy Division pursuant to General Order (GO) 66-D and D.17-09-023. A declaration requesting confidential treatment is being provided to the Commission concurrently with this AL.

Protest

Anyone may protest this AL to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date of this AL, which is October 20, 2019. The address for mailing or delivering a protest to the Commission is given below.

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

A copy of the protest should also be sent via e-mail to the attention of the Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Ray B. Ortiz
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No.: (213) 244-4957
E-mail: ROrtiz@socalgas.com

Effective Date

Per OP 5 of D.14-12-083, this submittal is subject to Energy Division disposition and is classified as Tier 2 (effective after staff approval) pursuant to General Order (GO) 96-B. SoCalGas respectfully requests that this submittal be approved on October 30, 2019, which is 30 calendar days from the date submitted.

Notice

A copy of this AL is being sent to SoCalGas' GO 96-B service list and the Commission's service list for R.11-03-012. Address change requests to the GO 96-B service list should be directed via e-mail to tariffs@socalgas.com or call 213-244-

2837. For changes to all other service lists, please contact the Commission's Process Office at 415-703-2021 via e-mail at Process_Office@cpuc.ca.gov.

Ronald van der Leeden
Director- Regulatory Affairs

Attachments



ADVICE LETTER SUMMARY

ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.:

Utility type:

ELC GAS WATER
 PLC HEAT

Contact Person:

Phone #:
E-mail:
E-mail Disposition Notice to:

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas WATER = Water
PLC = Pipeline HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #:

Tier Designation:

Subject of AL:

Keywords (choose from CPUC listing):

AL Type: Monthly Quarterly Annual One-Time Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required? Yes No

Requested effective date:

No. of tariff sheets:

Estimated system annual revenue effect (%):

Estimated system average rate effect (%):

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected:

Service affected and changes proposed¹:

Pending advice letters that revise the same tariff sheets:

¹Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov

Name:
Title:
Utility Name:
Address:
City: State:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

Name:
Title:
Utility Name:
Address:
City: State:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

**BEFORE THE PUBLIC UTILITIES
COMMISSION OF THE STATE OF CALIFORNIA**

**DECLARATION OF PATRICK BROWN
REGARDING CONFIDENTIALITY OF CERTAIN DATA/DOCUMENTS
PURSUANT TO D.17-09-023**

I, Patrick Brown, do declare as follows:

1. I am the Clean Transportation Business Development Manager in the Technology Solutions Department for Southern California Gas Company (“SoCalGas”). I have been delegated authority to sign this declaration by Jeffery Walker, Officer and Vice President of Customer Solutions. I have reviewed Attachment A to SoCalGas’ Advice No. 5519, Low-Carbon Fuel Standard (LCFS) Program Annual Credit and Revenue Estimates (2020), submitted concurrently herewith (“AL 5519 Attachment A”). I am personally familiar with the facts in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or information and belief.

2. I hereby provide this Declaration in accordance with Decision (“D.”) 17-09-023 to demonstrate that the grey highlighted information (“Protected Information”) provided in AL 5519 Attachment A is within the scope of data protected as confidential under applicable law.

3. In accordance with the legal citations and narrative justification described in Attachment A, the Protected Information should be protected from public disclosure.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge.

Executed this 30th day of September, 2019, at Los Angeles, CA.

A handwritten signature in black ink, appearing to read 'Patrick Brown', written over a horizontal line.

Patrick Brown
Clean Transportation Business
Development Manager

ATTACHMENT A

SoCalGas Request for Confidentiality on the following information in AL 5519 Attachment A

Location of Protected Information	Legal Citations	Narrative Justification
AL 5519 Attachment A, Grey Highlighted Information.	<p>Material, market-sensitive trade secret information protected under Govt. Code Sections 6245(k) and 6254.7(d), and that the disclosure of this information would place SoCalGas at an unfair business disadvantage under General Order 66-D, Section 2.2(b). Evidence Code Section 1060 provides a privilege for trade secrets, which Civil Code Section 3426.1 defines, in pertinent part, as information that derives independent economic value from not being general known to the public or to other persons who could obtain value from its disclosure.</p> <p>The Protected Information is also similar to the type of market-sensitive electric procurement information that the CPUC has protected under D.06-06-066.</p>	Publicly releasing the Protected Information provides parties with insight into SoCalGas' sales strategy, which would unfairly undermine SoCalGas' bargaining power and potentially result in lower revenues to return to natural gas vehicle customers.

ATTACHMENT A

Advice No. 5519

2020 Credit and Revenue Estimates

**CONFIDENTIAL – PROVIDED ONLY TO THE ENERGY DIVISION
UNDER THE PROVISIONS OF THE GENERAL ORDER 66-D, SECTION 583
OF THE PUBLIC UTILITIES CODE, AND DECISION 17-09-023**

ATTACHMENT A
Advice No. 5519
2020 Credit and Revenue Estimates

SoCalGas hereby provides the credit and revenue estimates requested by the Commission in D.14-12-083.

The number of credits SoCalGas expects to generate in 2020

In prior Advice Letter (AL) submissions, SoCalGas forecasted credit generation by

[REDACTED]

On April 1, 2019, in accordance with SoCalGas Advice Letter 5295, SoCalGas began dispensing renewable natural gas (RNG) at all utility-owned CNG vehicle refueling stations. In the first full quarter (Q2 2019), the RNG contract resulted in the generation of [REDACTED] LCFS credits, which would result in an estimated annual production of [REDACTED] LCFS credits.¹ Actual credits generated in 2020 may be above or below this level based on market conditions for NGV fueling activity.

The amount of revenue SoCalGas expects to generate from the sale of LCFS credits

The August 2019 LCFS credit transfer activity report published by the Air Resources Board showed LCFS credit prices ranging from \$140 per metric ton to \$199 per metric ton. Assuming average LCFS credit prices are within historical reported averages for the sale of one years' worth of generated LCFS credits, 2020 LCFS credit revenues are expected to range from [REDACTED].² Actual LCFS credit revenues in 2020 may be lower or higher depending on the actual LCFS credit prices at the time of LCFS credit sales, and actual sales activity.

The balance that will be in SoCalGas' LCFSBA on January 1, 2020

SoCalGas has sold [REDACTED] LCFS credits to date and expects to receive revenue associated with approximately [REDACTED] RNG LCFS credits by the end of the year. Assuming there are no additional credit sales by the end of the year, the balance in the LCFSBA will be approximately \$4.96 million overcollected. This balance takes into account administrative costs already incurred and estimated through the end of the year.

¹ Per Advice Letter 5295, SoCalGas did not receive the actual LCFS credits generated since the RNG supplier assumes ownership per LCFS regulations. Rather, SoCalGas received the resulting revenue from the generation and sale of the credits in question from the RNG supplier.

² [REDACTED] metric tons multiplied by \$140 per metric ton and \$199 per metric ton, respectively.

The cost of administering the LCFS credit program in 2020, including customer outreach expenses

SoCalGas' estimated administrative costs for 2020 are \$170 thousand. These costs are related to the administration, management and generation of credits and revenues for all utility-owned CNG stations. These costs include CNG offtake reporting and analysis, confirmations, billing and accounting processes, incremental costs for negotiating and administering contracts for the sale of LCFS credits and RNG revenue generation.

The amount of revenue that will be distributed to customers in 2020

SoCalGas proposes to amortize \$632 thousand from its LCFSBA into the G-NGV LCFS Rate Credit during 2020. As shown in the body of this AL, that level of amortization will result in a Sempra-wide LCFS rate credit of 25.596 cents per therm. When allowances for Franchise Fees and Uncollectibles (FF&U) are added, SoCalGas' effective LCFS Rate Credit for 2020 will be 26.041 cents. Accordingly, SoCalGas expects to distribute approximately \$537 thousand to SoCalGas customers in 2020.

The number of drivers to whom credits will be distributed and the value that will be distributed to each driver

As stated in SoCalGas' LCFS implementation plan AL 4779, since SoCalGas public access CNG vehicle refueling stations are open to the general public, the number of customers served in any one year and who will receive the value of any LCFS rate credit cannot be accurately predicted. However, AL 4779 used an analysis of the number of unique credit card transactions as a reasonable proxy for the number of individual customers to whom LCFS credits may be delivered.

In 2018, SoCalGas recorded 8,418 unique credit card transactions. Assuming a 2020 LCFS rate credit as discussed above, these 8,418 customers may expect to receive, on average, \$64, depending on individual refueling volumes.