PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

March 1, 2021

Ronald van der Leeden
Director, Regulatory Affairs
Southern California Gas Company
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011

Subject: Updates to Low-Carbon Fuel Standard (LCFS) Program Implementation Plan

Dear Mr. van der Leeden:

Southern California Gas Company's (SoCalGas) Advice Letter (AL) 5590 is denied.

The proposal within AL 5590 is misaligned with current state goals as established by Executive Order N-79-20. This Executive Order, which Governor Newsom issued in September 2020, requires that 100 percent of medium- and heavy-duty vehicles in the state be zero-emission by 2045 for all operations where feasible, and by 2035 for drayage trucks. AL 5590 proposes to provide incentives for the purchase of new Class 8 natural gas trucks, and since Class 8 trucks are drayage trucks, this proposal is not in alignment with Executive Order N-79-20. For this reason, SoCalGas' proposal within AL 5590 is denied.

Attachment 1 contains a summary of the background, request, protest, and a discussion of our determination denying AL 5590.

Sincerely,

(for)

Edward Randolph
Deputy Executive Director for Energy and Climate Policy/

Director, Energy Division

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Service List R.11-03-012

Attachment 1

Background

Decision (D.) 14-05-021 authorized the utilities, including SoCalGas, to sell LCFS credits,[1] authorized the utilities to establish Balancing Accounts to track LCFS credit revenue, and authorized the recovery of administrative costs associated with the sale of LCFS credits upon the approval of the utilities' Implementation Plans.

A subsequent decision in 2014 dealing with LCFS, D.14-12-083, authorized the natural gas utilities to return revenue from the sale of natural gas LCFS credits using either of the following methods:

a) Reduce the fuel price at the point-of-sale at IOU owned compressed natural gas refueling stations; or
b) Reduce the volumetric energy rate levied on natural gas used for refueling natural gas vehicles for customers.[2]

SoCalGas is currently implementing its revenue return program by reducing the fuel price at the point-of-sale at the compressed natural gas (CNG) refueling stations it owns. It has been implementing this program since 2019. However, the utility has been generating LCFS credits since 2011. SoCalGas opted into the California Air Resources Board (CARB) LCFS program to generate natural gas LCFS credits in 2013, but CARB allowed SoCalGas to retroactively generate credits for natural gas dispensed on or after January 1, 2011.

The G-NGV LCFS rate credit, the mechanism by which SoCalGas returns this revenue to customers, is applied to the pump price posted at all SoCalGas public access CNG stations and is available to the general public. As a result, the reduced pump price returns revenue associated with LCFS credits generated through the operation of utility CNG stations. The CPUC approved SoCalGas' AL 4779, which outlined its LCFS Program Implementation Plan. The G-NGV LCFS rate credit became effective on April 1, 2019 and was designed to return LCFS credit revenue associated with a single year of LCFS credit generation.

As of January 1, 2020, SoCalGas' LCFS Balancing Account (LCFSBA) had a balance of $5.26 million. SoCalGas expected that it would return $0.712 million in 2020. According to SoCalGas' AL 5590, at this rate, it would take over seven years to deplete the existing inventory of credit revenues assuming no funds were added. However, funds are being added each year as the utility generates credits.

[1] According to the parameters and restrictions set forth in Appendix A of D.14-05-021.
[2] D.14-12-083 Ordering Paragraph #2

STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

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SCE submitted AL 5590 on February 18, 2020 to seek approval for proposed updates to the Natural Gas Vehicle (NGV) LCFS Program Implementation Plan, as directed under the disposition letter for AL 5519.[3] In accordance with the disposition letter for AL 5519, SoCalGas submitted AL 5590 to provide details of its LCFS revenue return plan designed to increase the quantity of LCFS credit revenue returned to customers.

Summary of SoCalGas' Request in AL 5590

The updated LCFS Program Implementation Plan SoCalGas proposes in AL 5590 is designed to exhaust the accumulated inventory of approximately $4.5 million in LCFS credit revenue. SoCalGas proposes to supplement its existing revenue return plan to distribute the accumulated LCFS credit revenue through a LCFS customer incentive program encouraging the purchase of new, heavy-duty Class 8 natural gas "near-zero" trucks.

Customers participating in the proposed program would be provided a utility station fuel card for each new, heavy-duty Class 8 natural gas "near-zero" truck they purchase to fuel at SoCalGas fueling stations that dispense 100 percent renewable natural gas (RNG). SoCalGas would preload the fuel card with a balance at an amount designed to improve vehicle economics. SoCalGas argues that natural gas Class 8 trucks are an ideal candidate for a targeted customer incentive since they reduce regional air pollution, reduce greenhouse gas emissions through the use of RNG, and support existing programs and goals.

Protest

Public Advocates Office submitted a protest to AL 5590 on March 9, 2020, recommending that the CPUC deny SoCalGas' AL 5590 because it does not comply with D.14-12-083. Public Advocates Office argues that the SoCalGas proposal is not one of the two revenue return models authorized in that decision. Further, Public Advocates Office argues that SoCalGas does not provide information suggesting that it cannot simply distribute the $4.5 million surplus LCFS credit revenue in the Balancing Account as a further reduction of the CNG station price amortized over several years.

The protest states that while the proposed program supports the spirit of the LCFS program, it does not support the letter of the decision. Public Advocates Office concludes by recommending that a more proper venue for this proposal would be in a Petition for Modification (PFM) rather than an AL.

Discussion

The protest from Public Advocates Office raises a question about SoCalGas' proposed program: does the proposal align with the revenue return options adopted in D.14-12-083?

SoCalGas, within its reply to Public Advocates Office's protest, argued that by using fuel cards, customers participating in the proposed program would have their fuel price reduce to zero. As a result, SoCalGas argues that the proposed program complies with D.14-12-083 because it will "reduce the fuel price at the point-of-sale at Investor-Owned Utility owned compressed natural gas refueling stations."

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[3] On December 20, 2019, the CPUC issued a disposition letter for SoCalGas AL 5519 approving the 2020 update to the Schedule No. G-NGV, Natural Gas Service for Motor Vehicles, LCFS rate credit.

We find that offering a fuel card to customers who purchase a new Class 8 natural gas vehicle, as SoCalGas has proposed in AL 5590, is in line with D.14-12-083, Ordering Paragraph 2. While not a direct reduction of the fuel price, the fuel card would reduce the price that customers pay at the point-of-sale at IOU owned CNG refueling stations. Thus, we disagree with Public Advocates assertion that SoCalGas' request violates the decision.

However, SoCalGas' proposal has another critical issue--the proposal is not aligned with current state goals. In September 2020, Governor Newsom issued Executive Order N-79-20 to require all in-state sales of new passenger vehicles to be zero-emission by 2035. The Executive Order also sets a further goal for the State that 100 percent of medium- and heavy-duty vehicles, in the state be zero-emission by 2045 for all operations where feasible, and by 2035 for drayage trucks. Further, it sets a goal to transition to 100 percent zero-emission off-road vehicles and equipment by 2035 where feasible. This Executive Order builds on other previous Executive Orders and legislation, like Senate Bill 350, that push for aggressive zero-emission vehicle goals.

While natural gas vehicles are lower emission than conventional gasoline-fueled vehicles, they do not satisfy the State goals for zero-emission vehicles. Class 8 trucks, which are drayage trucks, fall under the 2035 zero-emission goal. It is thus is not in alignment with Executive Order N-79-20 to provide public funding to incentivize the purchase of new Class 8 trucks that do not meet the zero-emission criteria. We as a state must begin to move towards zero-emission transportation before 2035 so that we can be prepared to meet this goal. While non-zero emission vehicles may and will continue to be purchased between now and 2035, it is not in alignment with state policy to provide incentives for the purchase of these vehicles as it undermines our ability to meet the 2035 zero-emission vehicle goals.

Further, the LCFS credit revenue should be used to support the establishment of sustainable business practices that can support our state's transition towards zero-emission transportation. The credit revenue would be better used to further SoCalGas' support of that transition rather than supporting a technology that is not included in the State's transportation goals.

Although SoCalGas is currently using other LCFS credit revenue to reduce the fuel price of CNG at utility-owned fueling stations, the proposal within AL 5590 would encourage the purchase of new natural gas trucks that would ensure the vehicles would be on the road for many years to come.

For these reasons, SoCalGas' proposal within AL 5590 is denied.

Disposition

Energy Division denies SoCalGas' proposed LCFS credit revenue return plan proposed through AL 5590. SoCalGas is encouraged to work with Energy Division staff to determine options for returning the utility's excess LCFS credit revenue discussed in AL 5590 in a manner that aligns with Executive Order N-79-20 and the State's other zero-emission vehicle goals.

Ronald van der Leeden
Director
Regulatory Affairs

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February 18, 2020

Advice No. 5590
(U 904 G)

Energy Division
Public Utilities Commission of the State of California

Subject: Updates to Low-Carbon Fuel Standard (LCFS) Program Implementation Plan

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) updates to the Natural Gas Vehicle (NGV) Low Carbon Fuel Standard (LCFS) Program Implementation Plan, as directed under the disposition letter for Advice No. (AL) 5519.

Purpose

In accordance with the disposition letter for AL 5519, this submittal provides details of SoCalGas' LCFS revenue return plan designed to increase the quantity of LCFS revenue returned to customers.

Background

On December 20, 2019, the Commission issued a disposition letter for AL 5519 approving the 2020 update to the Schedule No. G-NGV, Natural Gas Service for Motor Vehicles, LCFS rate credit. The G-NGV LCFS rate credit is applied to the pump price posted at all SoCalGas public access compressed natural gas (CNG) stations and is available to the general public. As a result, the reduced pump price returns revenue associated with LCFS credits generated through the operation of utility CNG stations. SoCalGas' LCFS Program Implementation Plan was approved by the Commission in AL 4779.

The G-NGV LCFS rate credit first became effective on April 1, 2019 and was designed to return LCFS credit revenue associated with a single year of LCFS credit generation. Since the G-NGV LCFS rate credit had only been recently implemented, the 2020 update to the G-NGV LCFS rate credit was also designed to return LCFS credit revenue associated with a single year of LCFS credit generation.

As of January 1, 2020, the LCFS Balancing Account (LCFSBA) had a balance of $5.26 million. It is expected the utility will return $0.712 million in 2020. At this rate, it would take over 7 years to deplete the existing inventory of credit revenues assuming no funds were added. However, funds are being added each year as credit revenues are generated from the operation of utility owned CNG stations. Therefore, the updated LCFS Program Implementation Plan included herein is designed to exhaust the accumulated inventory of approximately $4.5 million in credit revenues.

Updated LCFS Program Implementation Plan

SoCalGas plans to continue returning LCFS credit revenues associated with approximately one year of LCFS credit revenue generation at its public-access NGV fueling stations, consistent with the LCFS Program Implementation Plan approved in AL 4779. However, SoCalGas proposes to supplement that plan to distribute the accumulated inventory of LCFS credit revenues through a LCFS customer incentive program encouraging the purchase of new, heavy-duty Class 8 natural gas “near zero” trucks.[1] Customers participating in the program will be provided a utility station fuel card for each new, heavy-duty Class 8 natural gas “near zero” truck they purchase, pre-loaded with a balance at an amount designed to improve vehicle economics and encourage adoption.[2] As an example, for a heavy-duty Class 8 natural gas “near zero” truck with a $60,000 incremental cost (compared to diesel) that travels 72,000 miles per year, a $10k fuel card could improve the simple payback from 4.4 years to 2.5 years.[3] Under this example, approximately 450 new heavy-duty Class 8 natural gas “near zero” trucks would receive funds under the LCFS customer incentive program.

Heavy-duty Class 8 trucks are an ideal candidate for a targeted customer incentive program since there are multiple benefits for ratepayers, as follows:

- Reduces Regional Air Pollution: Heavy-duty Class 8 diesel trucks are the largest single source of NOx in both the South Coast Air Quality Management District and the San Joaquin Valley Unified Air District. Replacing diesel trucks with natural gas “near zero” trucks will reduce NOx emissions by at least 90% and diesel particulate matter by 100%;

[1] “Near zero” trucks are defined as those trucks that meet the lowest tier of the California Air Resources Board (CARB) Optional Low NOx standard (0.02 g/bhp-hr NOx). The lowest tier of the CARB Optional Low NOx standard reduces NOx by 90% compared to current heavy-duty truck NOx emission standards.

[2] Amount will not exceed incremental cost of a heavy-duty Class 8 natural gas “near zero” truck compared to an equivalent diesel truck.

[3] Assumptions based on discussions with heavy-duty truck sales representatives and Southern California heavy-duty fleet demographics.

- Reduces GHG Emissions: Transportation accounts for almost 40% of state-wide GHG emissions. Replacing diesel trucks with natural gas "near zero" trucks fueling at utility stations supplying 100% renewable natural gas will reduce GHG emissions;
- Supports Existing Programs and Goals: The use of "near zero" vehicles can help support state and local programs and associated policy goals. For example, the 2017 Clean Air Action Plan, sponsored by the Port of Los Angeles and Port of Long Beach, states, "In order to continue reducing NOx and GHGs, through the strategies described below, the Ports' goal is to transition the current drayage truck fleet to near-zero technologies in the near-term…"

Administrative costs associated with the customer incentive program would be booked to the LCFSBA and accumulated inventory tracked/monitored. Fuel cards would be provided on a first come, first served basis upon receipt of a Class 8 natural gas "near zero" truck purchase order and until accumulated inventory funding is exhausted.

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 March 9, 2020. 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

SoCalGas believes this Advice Letter is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to General Order (GO) 96-B and therefore respectfully requests that this Advice Letter be made effective on March 19, 2020, 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 email 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 email 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 proposed[1]:

Pending advice letters that revise the same tariff sheets:

[1]Discuss 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: Zip: Telephone (xxx) xxx-xxxx: Facsimile (xxx) xxx-xxxx: Email:
	Name: Title: Utility Name: Address: City: State: Zip: Telephone (xxx) xxx-xxxx: Facsimile (xxx) xxx-xxxx: Email: