

REVISED

STATE OF CALIFORNIA

GAVIN NEWSOM, *Governor*

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



December 24, 2020

**Advice Letter 5702 G-A**

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

**SUBJECT: Low-Carbon Fuel Standard (LCFS) Program Annual Credit and Revenue  
Estimates (2021).**

Dear Mr. van der Leeden:

Advice Letter 5702 G-A is effective as of December 9, 2020

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

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



**Ronald van der Leeden**  
Director  
Regulatory Affairs

555 W. Fifth Street, GT14D6  
Los Angeles, CA 90013-1011  
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November 9, 2020

Advice No. 5702-A  
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Supplement - Low-Carbon Fuel Standard (LCFS) Program Annual Credit and Revenue Estimates (2021)**

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission or CPUC) estimates for Natural Gas Vehicle (NGV) Low Carbon Fuel Standard (LCFS) credits and revenues for 2021, as shown in Attachment A, including a proposed distribution of revenue from the sale of natural gas LCFS credits starting January 1, 2021, as approved by the Commission in SoCalGas' LCFS Implementation Advice No. (AL) 4779.

**Purpose**

This supplemental AL replaces AL 5702 in its entirety to correct where the 2016 Triennial Cost Allocation Proceeding (TCAP) Public Access Compression volumes were inadvertently used instead of the 2020 TCAP Public Access Compression volumes to calculate the estimated 2021 LCFS rate credit. Also, the Franchise Fees and Uncollectible (FF&U) was updated to reflect the 2019 General Rate Case.<sup>1</sup>

In accordance with Decision (D.) 14-12-083 Ordering Paragraph (OP) 5, this AL provides estimates of LCFS credits and revenues for 2021. As directed by D.14-12-083 OP 3 and D.14-05-021 OP 2,<sup>2</sup> 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.

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<sup>1</sup> AL 5702 was submitted on September 30, 2020.

<sup>2</sup> As modified by D.14-07-003.

**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.

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.

On May 18, 2018, SoCalGas submitted AL 5295 to make balancing account and rate schedule modifications supporting a voluntary renewable natural gas (RNG) procurement pilot. As approved in that AL, SoCalGas created an “RNG Environmental Credit Proceeds” subaccount in the LCFSBA to track and record SoCalGas’ contractual share of the proceeds from the sale of LCFS and Renewable Identification Number (RIN) credits generated by the RNG supplier, any associated program costs (if any), and the proceeds returned to CNG customers served at utility-owned CNG fueling stations. This AL includes revenues for both the traditional LCFS program, as well as revenues received as part of the RNG pilot.

In compliance with the non-standard disposition letter approving AL 5519, SoCalGas’ LCFS Program Annual Credit and Revenue Estimates for 2020, SoCalGas submitted AL 5590 on February 18, 2020 to provide details of SoCalGas’ LCFS revenue return plan designed to increase the quantity of LCFS revenue returned to customers. AL 5590 is still pending before the CPUC. Therefore, this AL is submitted consistent with the revenue return plan approved by AL 4779.

**2021 Credit and Revenue Estimates**

SoCalGas hereby provides the 2021 credit and revenue estimates requested by the Commission in D.14-12-083 as Attachment A to this AL.

**2021 LCFS Rate Credit**

As discussed in Attachment A, SoCalGas proposes to amortize \$2,338 thousand from its LCFS Balancing Account, beginning on January 1, 2021, 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 \$349 thousand that SDG&E proposes to amortize in its AL 2913-G, submitted concurrently, SoCalGas proposes an LCFS Rate Credit from January 1, 2021 through December 31, 2021 of \$0.78946 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.

<b>Description</b>	<b>Units</b>	<b>SoCalGas</b>	<b>SDG&amp;E</b>	<b>Sempra-Wide</b>
Public Access Compression Volumes	Mth per year	2,833	628	3,461
LCFS Balance Amortized and Implied LCFS Rate Credit	\$000	\$2,338	\$349	\$2,687
	\$ per therm	\$0.82525	\$0.55554	\$0.77629
FF&U (%)	%	101.6972%	102.2970%	-
LCFS Revenue Distributed and Effective LCFS Rate Credit	\$000	\$2,237	\$499	-
	\$ per therm	\$0.78946	\$0.79412	-

**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**

In accordance with GO 96-B, Section 7.5.1 and at the direction of Commission Staff, SoCalGas hereby requests that the protest period be waived.

**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 GO 96-B. SoCalGas respectfully requests that this submittal be approved on December 9, 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 e-mail to [tariffs@socalgas.com](mailto: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](mailto:Process_Office@cpuc.ca.gov).

*/s/ Ronald van der Leeden*  
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<sup>1</sup>:

Pending advice letters that revise the same tariff sheets:

<sup>1</sup>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](mailto: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 JEFFERY L. WALKER  
REGARDING CONFIDENTIALITY OF CERTAIN DATA/DOCUMENTS  
PURSUANT TO D.17-09-023**

I, Jeffery L. Walker, do declare as follows:

1. I am the Vice President – Customer Solutions for Southern California Gas Company (“SoCalGas”). I have reviewed Attachment A to SoCalGas’ Advice No. 5702-A, Low-Carbon Fuel Standard (LCFS) Program Annual Credit and Revenue Estimates (2021) submitted concurrently herewith (the “AL 5702-A 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 confidential information (“Protected Information”) provided in AL 5702-A 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 6<sup>th</sup> day of November, 2020, at Los Angeles.

/s/ Jeffery L. Walker  
Jeffery L. Walker  
Vice President – Customer Solutions



# ATTACHMENT A

## SoCalGas Request for Confidentiality on the following information in its AL 5702-A Attachment A

<b>Location of Protected Information</b>	<b>Legal Citations</b>	<b>Narrative Justification</b>
AL 5702-A Attachment A, information highlighted in grey.	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. 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.	Market-sensitive LCFS information, if disclosed, could provide market participants and SoCalGas' competitors with insight into SoCalGas' LCFS transactional activity, plans and strategies, which would place SoCalGas at an unfair business disadvantage. This could ultimately result in increased cost to natural gas vehicle ratepayers. If disclosed, SoCalGas' competitors and market participants could also derive economic value from this information.

**ATTACHMENT A**

**Advice No. 5702-A**

**2021 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. 5702-A**  
**2021 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 2021**

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. From Q2 2019 through Q2 2020, the RNG contract resulted in the average quarterly generation of [REDACTED] LCFS credits, which would result in an estimated annual production of [REDACTED] LCFS credits.<sup>1</sup> Actual credits generated in 2021 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 2020 LCFS monthly credit transfer activity report published by the Air Resources Board showed LCFS credit prices ranging from \$167 per metric ton to \$212 per metric ton. Assuming average LCFS credit prices are within historical reported averages for the sale of one years' worth of generated LCFS credits, 2021 LCFS credit revenues are expected to range from [REDACTED].<sup>2</sup> Actual LCFS credit revenues in 2021 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, 2021**

SoCalGas has sold or received revenue for [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 \$8.52 million overcollected. This balance takes into account administrative costs already incurred and estimated through the end of the year.

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<sup>1</sup> 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.

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

**The cost of administering the LCFS credit program in 2021, including customer outreach expenses**

SoCalGas' estimated administrative costs for 2021 are \$153 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 2021**

SoCalGas proposes to amortize \$2,338 thousand from its LCFSBA into the G-NGV LCFS Rate Credit during 2021. As shown in the body of this AL, that level of amortization will result in a Sempra-wide LCFS rate credit of 77.629 cents per therm. When allowances for Franchise Fees and Uncollectibles (FF&U) are added, SoCalGas' effective LCFS Rate Credit for 2021 will be 78.946 cents. Accordingly, SoCalGas expects to distribute approximately \$2,237 thousand to SoCalGas customers in 2021.

**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 2019, SoCalGas recorded 10,175 unique credit card transactions. Assuming a 2021 LCFS rate credit as discussed above, these 10,175 customers may expect to receive, on average, \$198, depending on individual refueling volumes.