STATE OF CALIFORNIA **GAVIN NEWSOM,** *Governor*

PUBLIC UTILITIES COMMISSION
505 Van Ness Avenue
San Francisco CA 94102-3298

Southern California Gas Company
GAS (Corp ID 904)
Status of Advice Letter 6024G
As of October 24, 2022

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

Division Assigned: Energy

Date Filed: 08-25-2022

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Authorizing Documents: None

Disposition:	**Accepted**
Effective Date:	**09-24-2022**

Resolution Required: No

Resolution Number: None

Commission Meeting Date: None

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PUBLIC UTILITIES COMMISSION
505 Van Ness Avenue
San Francisco CA 94102-3298

To: Energy Company Filing Advice Letter

From: Energy Division PAL Coordinator

Subject: Your Advice Letter Filing

The Energy Division of the California Public Utilities Commission has processed your recent Advice Letter (AL) filing and is returning an AL status certificate for your records.

The AL status certificate indicates:

Advice Letter Number
Name of Filer
CPUC Corporate ID number of Filer
Subject of Filing
Date Filed
Disposition of Filing (Accepted, Rejected, Withdrawn, etc.)
Effective Date of Filing
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The Energy Division has made no changes to your copy of the Advice Letter Filing; please review your Advice Letter Filing with the information contained in the AL status certificate, and update your Advice Letter and tariff records accordingly.

All inquiries to the California Public Utilities Commission on the status of your Advice Letter Filing will be answered by Energy Division staff based on the information contained in the Energy Division's PAL database from which the AL status certificate is generated. If you have any questions on this matter please contact the:

Energy Division's Tariff Unit by e-mail to
edtariffunit@cpuc.ca.gov

Joseph Mock
Director
Regulatory Affairs

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August 25, 2022

Advice No. 6024
(U 904 G)

Public Utilities Commission of the State of California

Subject: Update 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 Letter (AL) 5519.

Purpose

In accordance with the disposition letter for AL 5519, this letter updates the SoCalGas LCFS Program Implementation Plan and is designed to "…increase the quantity of LCFS revenue returned to customers."[1] The purpose of these updates is (1) return the portfolio of LCFS credit revenue to customers at utility-owned stations through an LCFS customer incentive program, (2) create an on-going fueling card program by directing 50% of annual LCFS credit revenue to replenish LCFS customer incentive program funding, and (3) transition the LCFS customer incentive program to hydrogen when SoCalGas receives appropriate regulatory approvals to own and operate hydrogen fueling stations.

Background

On December 20, 2019, the Commission issued a disposition letter for AL 5519 approving the 2020 update to the G-NGV LCFS rate credit and directing SoCalGas to "…submit a description of its future plans to increase LCFS revenue return…" On February 18, 2020, SoCalGas submitted AL 5590 to comply with the disposition letter for AL 5519 and update the LCFS Program Implementation Plan.

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[1] LCFS revenue includes all revenues booked to the SoCalGas LCFS Balancing Account net of LCFS Program administrative costs.

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 and is consistent with D.14-12-083, Ordering Paragraph (OP) 2, which states "Southern California Gas Company shall return to customers revenue from the sale of LCFS credits using either of the following methods: a) reduce the fuel price at the point-of–sale at Investor-Owned Utility owned CNG refueling stations; b) reduce the volumetric energy rate levied on natural gas used for refueling natural gas vehicles for customers."

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. On April 1, 2019, SoCalGas also began dispensing 100% renewable natural gas (RNG) at all utility CNG stations. As of September 1, 2020, all RNG dispensed at utility stations was carbon negative. This goes well beyond carbon neutrality by eliminating GHG emissions that otherwise would have naturally occurred. The additional LCFS credit revenues resulting from the procurement of RNG is reflected in the 2021 and 2022 LCFS rate credit.

On March 1, 2021, the Commission issued a disposition letter for AL 5590 denying the SoCalGas proposal stating, "[T]he proposal within AL 5590 is misaligned with current state goals as established by Executive Order (EO) N-79-20."[2] The disposition letter also stated that SoCalGas was "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 EO N-79-20 and the State's other zero-emission vehicle goals."

As of January 1, 2022, the LCFS Balancing Account (LCFSBA) had a balance of $9.7 million. The utility returned $3.5 million in LCFSBA credit revenue to customers in 2021. Based on this rate, it would take approximately 3 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 reduce the accumulated inventory of approximately $5.1 million in credit revenues.

Discussion

Due to the increased LCFS revenue associated with the procurement of RNG, SoCalGas plans to return 50% of LCFS credit revenues associated with

[2] Executive Order N-79-20 states, in part "…It shall be a further goal of 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…"

approximately one year of LCFS credit revenue generation at its public-access fueling stations, consistent with the LCFS Program Implementation Plan approved in AL 4779.

SoCalGas proposes to enhance the LCFS Program Implementation Plan to distribute the accumulated inventory of LCFS credits revenue through a LCFS customer incentive program encouraging both the purchase of new, Class 8 heavy-duty “near zero emission”[3] RNG trucks (“RNG trucks”) and new, Class 8 heavy-duty “zero emission” fuel cell electric hydrogen trucks (“Hydrogen trucks”) once they become feasible (commercially available). Further, since heavy-duty trucks are used, on average, around 7-8 years, there will be 2 to 3 generations of truck purchases prior to the conversion deadlines established in EO N-79-20.[4] The remaining 50% of LCFS credit revenues associated with approximately one year of LCFS credit revenue generation will be used replenish LCFS customer incentive program funding on an annual basis.

Customers participating in the program will be provided a utility station fuel card for each new, RNG or Hydrogen truck they purchase, pre-loaded with a balance at an amount designed to improve vehicle economics and encourage adoption.[5] As an example, for an RNG 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.[6] Under this example, approximately 510 new heavy-duty Class 8 natural gas “near zero” trucks would initially receive funds under the LCFS customer incentive program.

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

- <u>Reduces Regional Air Pollution to Provide Immediate Public Health Benefits</u>: 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 RNG trucks will reduce 100 percent of diesel particulate matter (DPM) emissions and hydrogen fuel cell trucks would provide equivalent reductions. DPM is especially harmful to humans because it is small enough to be inhaled and, once absorbed in lung

[3] Near zero emission Class 8 heavy-duty trucks qualifying under this program are defined as those trucks that meet the lowest tier of the 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.
[4] https://www.fleetowner.com/truck-stats/trucking-by-the-numbers/media-gallery/21702887/trucking-by-the-numbers-2018-the-equipment-fleets-use
[5] Amount will not exceed incremental cost of a “near zero emission” or “zero emission” heavy-duty Class 8 truck compared to an equivalent diesel truck.
[6] Cost and operating assumptions based on discussions with heavy-duty truck sales representatives and Southern California heavy-duty fleet demographics.

tissue, can damage DNA and cause cancer.[7] In California, DPM emissions account for about 70 percent of known cancer risk from Toxic Air Contaminants (TACs).[8] NOx emissions will also be reduced by 90 to 100 percent, if replacing diesel trucks with RNG or Hydrogen trucks respectively, which will help mitigate the formation of ozone. Ozone leads to respiratory illnesses like asthma, damages lungs, and increases the risk of premature death.[9]

- Reduces GHG Emissions: Transportation accounts for almost 40% of state-wide GHG emissions. Replacing diesel trucks with RNG or Hydrogen trucks fueling at utility stations supplying 100% carbon neutral or negative RNG or Hydrogen can significantly reduce GHG emissions; and

- Supports Existing State and Local Programs and Goals: The use of “near zero emission” or “zero emission” vehicles can help support state and local programs and associated policy goals.

Administrative costs associated with the LCFS customer incentive program will be booked to the LCFSBA and accumulated inventory tracked/monitored. Fuel cards will be provided to customers in the funding queue upon receipt of an RNG or Hydrogen truck purchase order on a first come, first served basis and until accumulated inventory funding is exhausted. Priority in the funding queue will be given to a) Hydrogen truck purchases and b) fleets of less than 10 vehicles.

Updated LCFS Program Implementation Plan

SoCalGas has revised the LCFS Program Implementation Plan to align with EO N-79-20, prior CPUC decisions[10] and feedback received from Energy Division staff, as follows:

1. Return the portfolio of LCFS credit revenue to customers at utility-owned stations through an LCFS customer incentive program.[11] Fuel cards will be pre-loaded with funds and distributed to customers that purchase new, RNG trucks and, after SoCalGas obtains appropriate regulatory approvals, Hydrogen trucks. Fuel cards for CNG stations is consistent with EO N-79-20 that states “…the climate change crisis is happening now…and…we must accelerate our

[7] California Air Resources Board (CARB). Summary: Diesel Particulate Matter Health Impacts. Retrieved from: https://ww2.arb.ca.gov/resources/summary-diesel-particulate-matter-health-impacts

[8] *Ibid.*

[9] SCAQMD. “South Coast AQMD Issues Ozone Advisory Due to Heat Wave”, May 25, 2020. Available at: http://www.aqmd.gov/docs/default-source/news-archive/2020/ozone-advisory-may-25-2020.pdf?sfvrsn=8

[10] D.14-05-021 and D.14-12-083.

[11] One fueling card will be provided for each new, Class 8 heavy-duty truck. Customers that procure more than one truck will be eligible for multiple fueling cards (one fueling card per truck).

actions to mitigate and adapt to climate change, and more quickly move toward our low-carbon, sustainable and resilient future…" and "…clean renewable fuels play a role as California transitions to a decarbonized transportation sector…" because:

   a. RNG trucks are feasible today (commercially available, able to perform) for customers;
   b. CNG dispensed at SoCalGas' stations is 100% RNG and is carbon negative; and
   c. Based on the average life of Class 8 heavy-duty trucks, the RNG trucks can be replaced by newer, Hydrogen trucks well before 2045.

2. Create an on-going fueling card program by directing 50% of annual LCFS credit revenue to replenish LCFS customer incentive program funding.[12]

3. Transition the LCFS customer incentive program to hydrogen when SoCalGas receives appropriate regulatory approvals to own and operate hydrogen fueling stations and once CARB determines that further support for such vehicles is no longer appropriate because hydrogen fuel cell trucks are commercially available to fleet owners. SoCalGas is informed that the determination will be based on factors such as a comparable total cost of ownership compared to diesel or RNG trucks and strong market demand for hydrogen fuel cell trucks.[13]

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 September 14, 2022. Protests should be submitted to the attention of the Energy Division Tariff Unit at:

E-mail: EDTariffUnit@cpuc.ca.gov

In addition, protests and all other correspondence regarding this AL should also be sent electronically to the attention of:

Attn: Gary Lenart
Regulatory Tariff Manager
E-mail: GLenart@socalgas.com
E-mail: Tariffs@socalgas.com

[12] The remaining 50% of annual LCFS credit revenue will continue to be used to provide an LCFS rate credit applied at public access utility station pumps.

[13] SoCalGas is informed that the determination from CARB that further support for RNG trucks is no longer required will be articulated in a letter from the Executive Officer.

Effective Date

SoCalGas asserts this submittal is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to General Order (GO) 96-B. SoCalGas respectfully requests that this submittal become effective September 24, 2022, which is 30 calendar days after 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.gov.

/s/ Joseph Mock
Joseph Mock
Director- Regulatory Affairs

Attachments

California Public Utilities Commission

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: 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: