STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

December 19, 2023 Advice Letter 6198-G-A

Gary Lenart
Regulatory Tariff Manager
Southern California Gas Company
E-mail: GLenart@socalgas.com
E-mail: Tariffs@socalgas.com

Subject: Staff Disposition of Southern California Gas Company Supplemental Advice Letter 6198-G-A Low-Carbon Fuel Standard (LCFS) Program Annual Credit and Revenue Estimates (2024)

Dear Mr. Lenart:

Southern California Gas Company (SoCalGas) submitted Advice Letter (AL) 6198-G-A in accordance to Ordering Paragraph (OP) 5 of Decision (D.) 14-12-083, to provide estimates of LCFS credits and revenues for 2024. Energy Division finds that SoCalGas has adequately explained that they have met the requirements set forth in D.14-12-083. Therefore, SoCalGas AL 6198-G-A, is approved with an effective date of November 26, 2023.

Attachment A contains a detailed discussion of the AL, protest, response, reply to protest, supplemental and staff's determination that the AL is compliant with D.14-12-083.

Please contact Christopher Arroyo of the Energy Division staff at christopher.arroyo@cpuc.ca.gov if you have any questions.

Sincerely,

FOR

Leuwam Tesfai
Deputy Executive Director for Energy and Climate Policy/
Director, Energy Division
California Public Utilities Commission

cc: Nora Sheriff
Clean Energy
Email: nsheriff@buchalter.com

Seth D. Hilton
Air Products and Chemicals Inc.
Email: seth.hilton@stoel.com
Email: lilly.mckenna@stoel.com

Service Lists for:
R. 11-03-012
A. 22-05-015/016
A. 22-09-015

<u>ATTACHMENT A</u>
Background and Disposition for
SoCalGas Advice Letter 6198-G-A

Background

On May 19, 2014, the California Public Utilities Commission (CPUC) approved D.14-05-021. Ordering Paragraph (OP) 1 of D.14-05-021 authorized electric and gas Investor-Owned Utilities (IOUs) to sell Low-Carbon Fuel Standard (LCFS) credits, OP 6 authorized recovery of costs associated with administering the sale of LCFS credits upon their approval in an implementation AL, and OP 7 authorized IOUs to establish balancing accounts to track LCFS credit revenue.

On December 23, 2014, the CPUC approved D.14-12-083. OP 2 of D.14-12-083 authorized Southern California Gas Company (SoCalGas) to return to customers revenue from the sale of natural gas LCFS credits using either of the following methods: (1) reduce the fuel price at the point-of–sale at IOU owned compressed natural gas (CNG) refueling stations; (2) reduce the volumetric energy rate levied on natural gas used for refueling natural gas vehicles for customers.

On May 18, 2018, SoCalGas submitted AL 5295-G. As approved in that AL, a subaccount in the Low-Carbon Fuel Standard Balancing Account (LCFSBA) was created to track and record SoCalGas's 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, and the proceeds returned to CNG customers served at CNG fueling stations.

On September 24, 2022, the CPUC approved SoCalGas AL 6024-G that proposed an LCFS Fuel Card Program designed to meet the CPUC requirements while also returning the utility's excess LCFS credit revenue. On September 30, 2022, SoCalGas submitted AL 6039-G for approval of their LCFS program credit and revenue estimates for 2023. On October 20, 2022, Clean Energy responded to AL 6039-G stating that SoCalGas's LCFS credit allocations provide the utility with an unfair competitive advantage over its private competitors. AL 6039-G was approved on October 30, 2022.

On September 29, 2023, SoCalGas filed AL 6198-G and San Diego Gas & Electric Company (SDG&E) filed AL 3237-G for approval of their LCFS program credit and revenue estimates for 2024. On September 25, 2023, SDG&E recognized that its forecast contained an error. The 2024 LCFS Rate Credit included in SoCalGas's and SDG&E's ALs contains a Sempra-Wide Rate impacted by SDG&E's forecast. Consequently, SoCalGas and SDG&E updated their respective forecasts via supplemental AL filings. Only SoCalGas's AL received a protest and the supplemental ALs did not received any protests.

Response by Clean Energy

On October 19, 2023, Clean Energy submitted a response to SoCalGas AL 6198-G. Clean Energy states that the CPUC should revisit SoCalGas's current methodology for returning from the sale of natural gas LCFS credits to customers to address unfair competition concerns that result in a harm to alternative fuel markets. Clean Energy states that SoCalGas's request to return the revenue generated from LCFS credit sales through reduced fuel pump prices at its CNG refueling stations and through the LCFS Fuel Card Program provides the utility with an unfair competitive advantage.

Clean Energy states that the historical compressed volumes in SoCalGas's filings show compressed volumes were relatively flat from 2013 to 2017, and since 2017, compressed volumes more than doubled once SoCalGas started to return the LCFS credit revenues thorough a reduction in the compression surcharge. Finally, Clean Energy states that the CPUC approved SoCalGas's proposal to accelerate refunds through the LCFS Fuel Card Program, which allocates 50% of LCFS credit revenues towards a customer incentive program. In Clean Energy's consideration, although this program helps to reduce total funds available for fuel pump price subsidies, it does not eliminate unfair competition concerns. Clean Energy states it would be reasonable to allow customers to use LCFS Fuel Card Program incentives at any RNG Fueling Station.

Protest by Air Products

On October 19, 2023, Air Products and Services (Air Products) submitted a protest letter in response to SoCalGas AL 6198-G. Air Products states that SoCalGas's request to leverage LCFS revenues to enter into a market not previously considered to fall within the utility's scope of service (at a ratepayer-subsidized, below-market price-point) is not a request appropriate for the AL process, because a formal proceeding is appropriate. Air Products states that through AL 6198-G, SoCalGas requests authorization to draw down its LCFS balancing account overcollection for a Fuel Card Program that includes services not yet approved by the CPUC.

Air Products states that in AL 6198-G SoCalGas proposes to return a long-accrued and substantial overcollection in LCFS revenues to prospective "customers" who purchase hydrogen vehicles by providing them preloaded fueling cards to be used exclusively at utility-owned refueling stations. SoCalGas proposes to return a balance of approximately $11.20 million in LCFS revenues both as a point-of-sale discount at utility-owned stations and through pre-paid refueling to customers who purchase hydrogen or RNG trucks and refuel at utility-owned stations. Air Products asserts that SoCalGas (1) does not have CPUC authorization to develop hydrogen refueling stations, and (2) does not anticipate (assuming its request is granted) having a public-facing hydrogen refueling station developed until after 2026.

Reply to Protest by SoCalGas

In response to Air Products, SoCalGas cites OP 5 of D.14-12-083 which states, "Beginning in 2015 and in each subsequent year of the program, the utilities shall submit via Tier 2 Advice Letter (…) the following information (…) An estimate of the amount of revenue that will be distributed to customers in the following year…" Consequently, SoCalGas states their AL filing to be in compliance with a CPUC decision that was the result of formal hearings.

SoCalGas further challenges Air Products' claim that SoCalGas proposes to return a long-accrued and substantial overcollection in LCFS revenues to prospective customers who purchase hydrogen vehicles by providing them preloaded fueling cards. Rather, SoCalGas asserts that AL 6198-G does not propose any return of revenues; rather, it is reporting on the planned rollout of a program that was proposed in AL 6024 and subsequently approved by the CPUC.

SoCalGas addresses Air Products contention that the CPUC should contemplate more broadly whether other state priorities would be better served by investments from Sempra's significant LCFS credits, rather than the prospective subset of customers who would purchase medium-and/or heavy-duty hydrogen vehicles as proposed by SoCalGas under its LCFS Fuel Card Program.

Specifically, SoCalGas notes that D.14-12-083 requires SoCalGas to return LCFS credit revenue directly to customers. For these reasons, SoCalGas argues that Air Products' objections are not within the scope of AL 6198-G.

Supplemental AL 6198-G-A

Supplemental AL 6198-G-A replaced AL 6198-G in its entirety. On September 25, 2023, SDG&E recognized that its forecast contained an error. The Sempra-Wide Rate, which is impacted by SDG&E's forecast, is corrected in SoCalGas's supplemental AL.

SoCalGas proposes to amortize $2,948,000 from its LCFSBA, beginning on January 1, 2024, into the LCFS Rate Credit. Pursuant to AL 4779, SoCalGas's and SDG&E's LCFS Rate Credits will be averaged, to create a Sempra-wide rate.

Description	Units	SoCalGas	SDG&E	Sempra
Public Access Compression Volumes	Mth per year	9,080	830	9,883
LCFS Balance Amortized and Implied LCFS Rate Credit	$000	$2,948	$769	$3,717
	$ per therm	$ 0.32463	$ 0.95817	$ 0.37609
FF&U (%)	%	101.6564%	102.3011%	-
LCFS Revenue Distributed and Effective LCFS Rate Credit	$000	$3,471	$309	-
	$ per therm	$0.38232	$0.38475	-

In 2024, SoCalGas expects to launch the LCFS Fuel Card Program that will begin to draw down on the overcollection in the LCFSBA. This program was outlined in AL 6024, which approved SoCalGas's revision to the LCFS Program Implementation Plan.

Clean Energy and Air Products did not submit a protest in response to AL 6198-G-A.

Disposition

Energy Division Staff (Staff) reviewed SoCalGas AL 6198-G, Clean Energy's response, Air Product's protest, SoCalGas's response to the protest, and SoCalGas AL 6198-G-A, and finds that the supplemental AL complies with D.14-12-083 OP 5, which directs SoCalGas to submit the following via Tier 2 AL:

(1) An estimate of the number of credits and revenue the utility expects to generate for the following year.
(2) An estimate of the balance that will be in the utility's balancing account on January 1 of the following year.
(3) An estimate of the cost of administering the LCFS credit program in the following year.
(4) An estimate of the amount of revenue that will be distributed to customers in the following year.
(5) An estimate of the number of drivers to whom credits will be distributed and the value that will be distributed to each driver.

Staff finds that SoCalGas's reply to Air Products' protest is adequate, and its supplemental AL filing makes moot Clean Energy's and Air Products' concerns. Staff also finds that the distribution proposed in AL 6198-G-A is consistent with AL 6024 that was approved by the CPUC. Hence Air Products' protest is hereby rejected. Clean Energy's response raises policy concerns that are outside the scope of AL 6198-G-A and would need to be addressed in a future proceeding.

For the reasons articulated above, SoCalGas AL 6198-G-A is approved.

Joseph Mock
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
Tel: 213.244.3718
Fax: 213.244.4957
JMock@socalgas.com

October 26, 2023

Advice No. 6198-G-A
(U 904 G)

Public Utilities Commission of the State of California

Subject: Supplemental: Low-Carbon Fuel Standard (LCFS) Program Annual Credit and Revenue Estimates (2024)

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 2024, as shown in Attachment A, including a proposed distribution of revenue from the sale of natural gas LCFS credits starting January 1, 2024, as approved by the Commission in SoCalGas' LCFS Implementation Advice No. (AL) 4779 and AL 6024. SoCalGas submits this supplemental AL to correct the forecast to account for updated information from San Diego Gas & Electric Company (SDG&E). This supplemental AL replaces AL 6198-G in its entirety to reflect corrected data previously submitted.

Purpose

In accordance with Decision (D.) 14-12-083 Ordering Paragraph (OP) 5, this AL provides estimates of LCFS credits and revenues for 2024. As directed by D.14-12-083 OP 3 and D.14-05-021 OP 2,[1] SoCalGas 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. Subsequently and in accordance with Commission directive, SoCalGas submitted AL 6024 that updated the LCFS implementation plan. This AL accordingly proposes a distribution of LCFS revenues through the LCFS rate credit consistent with AL 6024.

On September 25, 2023, SDG&E recognized that its forecast contained an error. In short, the forecast was based upon the revenue return plan established in AL 2370-G and does not account for the LCFS credit revenue return plan approved via AL 2844-G. There is insufficient time to either correct the error prior to the compliance deadline

[1] As modified by D.14-07-003.

or request an extension of time pursuant to Rule 16.6 of the Commission's Rules of Practice and Procedure. Therefore, SDG&E is filing a timely advice letter acknowledging the flawed analysis and intend to complete an updated forecast expeditiously to correct the error through a supplemental advice letter. Consequently, the Sempra-wide rate, which is impacted by SDG&E's forecast, is also corrected through SoCalGas's supplemental advice letter.

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. On March 1, 2021, AL 5590 was denied and SoCalGas was "…encouraged to work with Energy Division staff to determine options for returning the utility's excess LCFS credit revenue…". On August 25, 2022, SoCalGas submitted AL 6024 that proposed an LCFS fuel card program designed to meet the Commission requirements while also returning the utility's excess LCFS credit revenue. AL 6024 was approved by the Commission on September 24, 2022. Therefore, this AL is submitted consistent with the revenue return plan approved by AL 6024.

2024 Credit and Revenue Estimates

SoCalGas hereby provides the 2024 credit and revenue estimates requested by the Commission in D.14-12-083 as Attachment A to this AL.

2024 LCFS Rate Credit

As discussed in Attachment A, SoCalGas proposes to amortize $2,948,000 from its LCFSBA, beginning on January 1, 2024, into the LCFS Rate Credit. Pursuant to AL 4779, SoCalGas's and SDG&E's LCFS Rate Credits will be averaged, to create a Sempra-wide rate. Using the $769,000 that SDG&E proposes to amortize in its AL 3237-G, submitted concurrently, SoCalGas proposes an LCFS Rate Credit from January 1, 2024, through December 31, 2024, of $0.38232 per therm. The following table depicts the calculation of the credit. Schedule No. 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	9,080	803	9,883
LCFS Balance Amortized and Implied LCFS Rate Credit	$000	$2,948	$769	$3,717
	$ per therm	$0.32463	$0.95817	$0.37609
FF&U (%)	%	101.6564%	102.3011%	-
LCFS Revenue Distributed and Effective LCFS Rate Credit	$000	$3,471	$309	-
	$ per therm	$0.38232	$0.38475	-

2024 LCFS Fuel Card Program

In 2024, SoCalGas expects to launch the LCFS Fuel Card Program that will begin to draw down on the overcollection in the LCFSBA. This program was outlined in AL 6024, which approved SoCalGas's revision to the LCFS Program Implementation Plan to align with EO N-79-20, Decisions (D.) 14-05-021 and D.14-12-083.

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.21-

09-020. A declaration requesting confidential treatment is being provided to the Commission concurrently with this AL.

Protest

Anyone may protest this Advice Letter 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 submitted electronically and must be received within 20 days of the date of this Advice Letter, which is November 15, 2023. 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 Advice Letter 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

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 November 26, 2023, 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 213-244-2424. 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.

/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:

<table>
<tr>
<td rowspan="2">CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov</td>
<td>Name:
Title:
Utility Name:
Address:
City: State:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:</td>
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<tr>
<td>Name:
Title:
Utility Name:
Address:
City: State:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:</td>
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ATTACHMENT A

Advice No. 6198-G-A

2024 Credit and Revenue Estimates

Confidential and Protected Material
Pursuant to Public Utilities Code Section 583,
General Order 66-D, and D.21-09-20

BEFORE THE PUBLIC UTILITIES
COMMISSION OF THE STATE OF CALIFORNIA

DECLARATION OF ARMANDO INFANZON
REGARDING CONFIDENTIALITY OF CERTAIN DATA/DOCUMENTS
PURSUANT TO D.21-09-020

I, Armando Infanzon, do declare as follows:

1. I am the Director of Business Development for Southern California Gas Company ("SoCalGas"). I was delegated authority to sign this declaration by Neil Navin, in his role of Vice President of Clean Energy Innovations at SoCalGas. I have reviewed Attachment A to SoCalGas's Advice No. 6198-G-A, Low-Carbon Fuel Standard ("LCFS") Program Annual Credit and Revenue Estimates (2024) submitted concurrently herewith (the "AL 6198-G-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.") 21-09-020 to demonstrate that the confidential information ("Protected Information") provided in AL 6198-G-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 26th day of October, 2023, at Los Angeles.

Armando Infanzon
Director – Business Development

ATTACHMENT A

SoCalGas Request for Confidentiality on the following information in its AL 6198-G-A Attachment A

Location of Protected Information	Legal Citations	Narrative Justification
AL 6198-G-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.