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November 13, 2020

Sent Via Email

The Honorable Dianne Feinstein
United States Senate
331 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Nanette Barragán
1030 Longworth House Office Building
Washington, DC 20515

Dear Senator Feinstein and Representative Barragán,

Thank you for your letter dated October 29, 2020, inquiring about Southern California Gas Company's (SoCalGas) role in working with the State of California to meet its climate change goals to decarbonize the energy system and reduce greenhouse gas (GHG) emissions. SoCalGas shares and supports the State's goals. Responses to the specific questions posed in your letter are attached.

SoCalGas's mission is to build the cleanest, safest, and most innovative energy company in America. Following are some of the ways we are doing that. We have reached out to your offices for the opportunity to discuss our efforts further and hope to do so in the days ahead.

- We are on track to reduce methane emissions from our system by 20% from a 2015 baseline by year-end 2020 and meet California's 2025 emission requirements *five years ahead of schedule.* In addition, we will be the first gas utility to aerially map our methane emissions, enabling our ability to make our system even tighter.

- We were the first gas utility to install smart meters for the gas system, encouraging efficiency to help reduce GHGs and save on energy costs.

- We established a voluntary goal of 5% core customer deliveries from renewable natural gas (RNG) by 2022, and that goal ramps up to 20% by 2030.

- In response to massive wildfires ravaging the state and to help achieve state climate goals, we advocated for passage of AB 3163, signed into law by Governor Newsom this past October, which expands the definition of RNG to include gas sourced from dead trees, agricultural waste, and vegetation removed for wildfire mitigation.

- We established the first renewable power-to-hydrogen gas demonstration project in the nation at the University of California Irvine, and we are proud to be a leader in the conversation around hydrogen today.

- Regarding safety and reliability, we are executing on the largest capital expenditure plan in our company's history – 90% of which goes to enhance safety and reliability.

California's success in achieving its climate change goals depends in large measure on SoCalGas's success in achieving its mission. As recognized by a recent California Public Utilities Commission's (CPUC) staff report, SoCalGas's gas system (or "grid") is a key component of the State's decarbonization goals.[1] As renewable solar and wind resources have come online, our system has enabled decades of progress toward GHG emissions reductions, all while keeping the lights on. Gas-fired electrical generation currently plays and will continue to play a significant role in California. Gas infrastructure is an energy storage and delivery system that advances the transition to clean fuel solutions like RNG and hydrogen, which are recognized around the world by scientists and experts as crucial components of the clean energy future we all embrace.[2]

In any objective analysis, achieving 100% clean energy in California depends on the actions SoCalGas has taken, is taking, and will take to make renewable deployment and decarbonization achievable.

To affect the decarbonization needed to meet California's climate goals, alongside energy efficiency improvements, we need both clean electrons and clean molecules.[3] We are proactively taking steps to make this a reality and welcome ongoing dialogue and collaboration.

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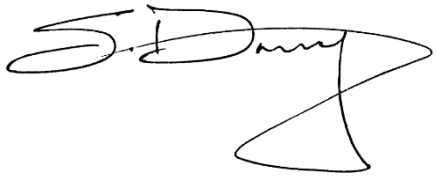
[1] R.20-01-007 Track 1A: Reliability Standards and Track 1B: Market Structure and Regulations – Workshop Report and Staff Recommendations, dated Oct. 2, 2020, *available at* https://www.cpuc.ca.gov/gasplanningoir (Workshop Report). For example, CPUC Staff's recommendations expressly "call[] attention . . . to the two rotating power outages of August 2020" as a "cautionary tale" noting that "[t]he role of California's natural gas infrastructure is especially important during times of low renewable generation." Workshop Report at 8.

[2] *See, e.g.*, Dr. Jane Long of California Council on Science and Technology (CCS&T) stating that "[i]n 2030 and beyond, California will need some type of low greenhouse gas fuel such as biomethane, synthetic natural gas, or hydrogen to address multiday or seasonal supply-demand imbalances." Workshop Report at 25. "[E]liminating emissions, not necessarily fossil fuels, is most consistent with SB100." *Id.* at 27. CCS&T is a non-partisan, not-for-profit entity established by the legislature to provide impartial scientific expertise.

[3] *See, e.g.*, Lawrence Livermore National Laboratory (LLNL), Getting to Neutral: Options for Negative Carbon Emissions in California, dated Jan. 2020 at 2, *available at* https://livermorelabfoundation.org/2019/12/19/getting-to-neutral/ ("By increasing the uptake of carbon in its natural and working lands, converting waste biomass into fuels, and removing CO2 directly from the atmosphere with purpose-built machines, California can remove on the order of 125 million metric tons of CO2 per year from the atmosphere by 2045, and achieve economy-wide net-zero emissions.). As this study commissioned by the U.S. Department of Energy shows, natural gas and the pipeline infrastructure can be harnessed to create negative carbon emissions necessary to meet mid-century goals.

Thank you again for reaching out to SoCalGas. We look forward to a productive dialogue on SoCalGas's leading role in achieving California's clean energy future together.

Sincerely,



Scott Drury
Chief Executive Officer
Southern California Gas

Enclosure

cc: CPUC President, Marybel Batjer

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07172020 - CPUC letter requesting Lob

Attachment A – Responses to Questions

- **What is the relationship between SoCalGas and Californians for Balanced Energy Solutions? Please provide a list of all donations SoCalGas has made, including the dates and amounts of each donation.**

Californians for Balanced Energy Solutions (C4BES) is a coalition of labor groups, energy consumers, and community organizations with a shared understanding and vision of how the gas system is and must continue to be a vital part of achieving the State's clean energy goals. SoCalGas is a founding member of C4BES, has traditionally held a seat on the C4BES board of directors, and pays regular membership dues. To date, SoCalGas has donated to C4BES a total of $222,000: $100,000 on 11/22/19, $22,000 on 10/4/19, and $100,000 on 3/28/19. As shown in our annual reporting to the CPUC, these funds were charged to a shareholder-funded account.

We take seriously our responsibility in leading California to its clean energy future and, at the same time, using ratepayer funds appropriately. We disagree with the Public Advocates Office's (Cal Advocates) characterizations of our actions as improper. For this reason, in July 2020, SoCalGas proactively asked the CPUC to open a formal investigation into these issues, including Cal Advocates' expressed concerns, so there can be clarity on the rules for how SoCalGas and other utilities engage and educate consumers and other stakeholders on the importance of energy efficiency, renewable gases, and other components needed to build a clean energy future that includes reliable and affordable energy. A copy of that request is attached to this letter. We were surprised that Cal Advocates opposed SoCalGas's request, saying it saw no need for formal proceedings.

In our July letter, we also committed to the CPUC that we would retain a third party to conduct an independent assessment of our advocacy cost allocation and share the results with the CPUC. We would be happy to discuss the results of the assessment with your offices once completed. SoCalGas is committed to enhancing its controls where needed, including updates to its policies, procedures, and training materials. This clarity on cost allocation is an additional reason why we requested a forum to achieve clarity with respect to the CPUC's expectations for decarbonization-related advocacy.

- **To date, how much has SoCalGas invested to limit the release of greenhouse gases, including methane detection and prevention equipment?**

SoCalGas' robust capital investment in and maintenance of its infrastructure is focused on enhancing safety, reliability and resiliency, while building on a long history of commitment to reducing greenhouse gases. Specific to this commitment, SoCalGas continually invests in leak detection, pipeline replacement, compressor station upgrades, transition to alternative fuels for its fleet, operational processes, and damage prevention funded through its general rate case (GRC).

Since the passing of the Global Warming Solutions Act of 2006, otherwise known as AB 32, we have invested over $10 billion in our storage, transmission and distribution infrastructure, along with over $1.4 billion in operations costs on specific programs, for the purpose of safely and reliably delivering energy to our customers. **Of this $11.4 billion, nearly $2.1 billion relates to infrastructure and activities supporting the reduction of greenhouse gasses.** Key components of these investments include:

- Implementation of our Compliance Plan of twenty-six best practices under the CPUC's Leak Abatement Program. Prior to SB 1371, in 1993, SoCalGas was a founding member of the Environmental Protection Agency's Natural Gas STAR program, implementing dozens of Best Management Practices that reduced GHG emissions over two decades. Recent emissions data show just 0.25% of natural gas delivered annually by SoCalGas is lost to leaks or otherwise released – and that number is shrinking. Still, we strive for continuous improvement, so we have set goal of a 42% reduction in our methane emissions baseline by 2025. Our goal surpasses the 20% compliance level set by the CPUC in implementing California law (SB 1371), which we anticipate meeting years ahead of schedule. In SoCalGas's 2020 Natural Gas Leak Abatement Compliance Plan, we propose investing an additional $218 million in 2021 and 2022 and to be the first gas distribution utility to implement an aerial methane detection program.

- Our Distribution Integrity Management Program (DIMP). DIMP includes additional capital and operations integrity work outside of SB 1371 where SoCalGas has invested to replace vintage plastic and steel pipe with state-of-the-art pipe. We have also reduced damages by third parties digging into our pipelines by 33% over the past five years.

- Upgrades at compressor stations, including two large station upgrades at our Blythe and Ventura sites.

- Natural Gas Vehicle (NGV) refueling stations to convert a majority of our Fleet to Alternative Fuel Vehicles and fleet purchases to address the State's Airborne Toxic Control Measures

- Technologies in support of Biogas Rule 39 and Dairy pilots under SB1383. SoCalGas's infrastructure is enabling California dairies and landfills to capture methane, convert it to RNG, and deliver the RNG for productive use, thereby reducing the release of greenhouse gases. SoCalGas is focused on capturing methane from California landfills and agriculture because they are responsible for almost 80% of methane emissions in the State.

Finally, SoCalGas is a national leader in energy efficiency. Since 2000, SoCalGas has partnered with customers to invest over $2 billion in energy efficiency, resulting in a reduction of over 2.8 million metric tons (CO_2 equivalent). To our knowledge, this investment exceeds that of any other natural gas utility in America over this time period. As a result, our core customers are

some of the nation's most efficient in the country, meaning we buy much less natural gas on their behalf than we would without these efficiency gains.

- **Given that SoCalGas clearly states its support for meeting the goals of SB 100 (100% clean energy by 2045), please provide additional context for the utility's lawsuit against California over its Advanced Clean Trucks regulation?**

SoCalGas supports SB 100's goal of meeting 100% of the State's retail electricity supply with zero-carbon resources by 2045. The California Natural Gas Vehicle Coalition (CNGVC) filed suit against the California Air Resources Board (CARB) regarding the Advanced Clean Trucks (ACT) regulation based on the assertion that the regulation violates the California Environmental Quality Act (CEQA). While SoCalGas is a member of CNGVC, the company is not a party to the lawsuit.

- **What is your action plan towards achieving your goal of 100% clean energy by 2045 and what are your interim plans to reduce emissions?**

The SoCalGas system is indispensable in facilitating California's decarbonization. As concluded in numerous decarbonization models conducted by or on behalf of California energy regulators, policymakers, and the California Independent System Operator, gas-fired electric generation and gaseous fuels are cornerstone enablers of decarbonization. These models maintain nearly all of the gas-fired power fleet through 2045 and indeterminately as the only practically known method for providing long-duration storage and dispatchable backup generation for extended periods of diminished renewable output. The Clean Air Task Force's Armond Cohen testified to the U.S. House of Representatives Committee on Environment and Climate Change (July 24, 2019) quantifying seasonal energy production patterns in California:

> The consequence of this seasonal variation is that, even when California procures enough wind and solar output to meet total electricity demand on an annual average basis, **roughly 27% of hours of the year cannot be served by wind and sun.** (bolded emphasis in original)

Dr. Long[4] of the CCST recently presented, at a July 21 CPUC workshop, its evaluation of potential approaches to maintaining reliability during extended periods of seasonal variation, concluding that it requires molecules today and is likely to in the future:

> The only currently available means to address multiday or seasonal supply demand imbalances without using fossil natural gas appears to be low-GHG chemical fuels.[5] These solutions have the same storage challenges as natural gas and may introduce new

[4] Dr. Long is chairman of the CCST's California Energy Future committee. She recently retired from Lawrence Livermore National Laboratory.

[5] According to Dr. Long, low-GHG chemical fuels include biomethane, synthetic natural gas, or hydrogen.

constraints, such as the need for new, dedicated pipeline and storage infrastructure in the case of hydrogen or CO2.

Within the last two weeks, Stanford University and the Energy Futures Initiative, working with academics and scientists, including those from the Environmental Defense Fund, released a study concluding that the most cost-effective pathway to decarbonization in California includes maintaining a substantial fleet of combined-cycle gas generation equipped with carbon capture and sequestration (CCS).[6] SoCalGas reliably and affordably delivers the fuel, when and as needed with little to no notice, for decarbonization support services for the majority of California and electric generation capacity in the State.

SoCalGas has extensive plans to provide these services both in the present and future, including to decarbonize the gaseous feedstock delivered on our system upon which decarbonization in California depends.

In the present, it is SoCalGas's infrastructure that provides valuable balancing reliability and resiliency during extreme heat events. Over an eight-day period in August, which left over 400,000 homes and business without power, natural gas kept the electric grid from collapsing. Renewable electricity declined during peak evening hours and batteries provided no meaningful support.

SoCalGas's vision and action plan toward decarbonization will include implementing a clean fuels strategy through fuel cells, RNG, CCS, and hydrogen. SoCalGas is actively participating in several low-carbon energy sectors such as RNG, hydrogen, CCS, and distributed energy using fuel cells. This work entails research, development, and demonstration and broader market development efforts in collaboration with leading research centers and industrial companies worldwide.

To achieve our goal of delivering 20% RNG by 2030, early last year we applied to the CPUC for permission to offer customers a voluntary RNG tariff for residential and business customers to replace some or all their traditional natural gas use with RNG. We received a proposed decision approving the tariff on October 27 and look forward to a positive final decision before the year's end.
SoCalGas also supports the California Legislature's directive for the CPUC to consider developing an RNG procurement program for gas utilities (SB 1440, Hueso) similar to the Renewables Portfolio Standard (RPS) for electric utilities. Because incentives drive scale, SoCalGas seeks more support from the CPUC for RNG in the form of a renewable gas standard, as this would accelerate GHG reductions by displacing traditional natural gas delivered to homes and businesses with RNG.

In the transportation sector, SoCalGas has made considerable progress. As of October 2019, 100% of the gas delivered to company use and public access compressed natural gas (CNG) stations has been RNG. Since we started delivering RNG to CNG stations in April 2019, over

[6] An Action Plan for Carbon Capture and Storage in California: Opportunities, Challenges, and Solutions, dated Oct. 2020 *available at https://sccs.stanford.edu/sites/g/files/sbiybj7741/f/efi-stanford-ca-ccs-full-rev1.vf-10.25.20.pdf.*

23,000 metric tons of CO2e have been reduced as a result of switching to RNG from traditional natural gas.

In addition to RNG from organic sources, SoCalGas believes zero-carbon and renewable hydrogen will be essential to achieving the State's decarbonization goals. There is a proceeding at the CPUC to develop a standard for blending hydrogen into natural gas pipelines. In an application to be filed later this month, SoCalGas will show how it is leading the development of a hydrogen blending standard that will support pipeline decarbonization and can provide long-duration energy storage through the production of electrolytic hydrogen for times when renewable electricity cannot be used by the electric grid.

The totality of these efforts make clear that SoCalGas is and must remain a vital partner for California to achieve its climate goals.