

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking to Adopt
Rules and Procedures Governing
Commission-Regulated Natural Gas
Pipelines and Facilities to Reduce Natural
Gas Leakage Consistent with
Senate Bill 1371.

Rulemaking 15-01-008
(Filed January 15, 2015)

**COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES
ON THE STAFF WORKSHOP REPORT**

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I. INTRODUCTION

On January 22, 2015, the California Public Utilities Commission (CPUC or “the Commission”) issued an Order Instituting Rulemaking (OIR or Rulemaking), (R.) 15-01-008, “...to carry out the intent of Senate Bill (SB) 1371...”.¹ As described in the OIR, SB 1371 “...requires the adoption of rules and procedures to minimize natural gas leakage from Commission-regulated natural gas pipelines consistent with Public Utilities Code Section 961(d), §192.703(c) of subpart M of Title 49 of the Code of Federal Regulation, the Commission’s General Order 112-E, and the state’s goal of reducing Greenhouse Gas (GHG) emissions.”²

In April 2016, CPUC and the California Air Resources Board (CARB) hosted a workshop at CARB headquarters in Sacramento, California on Methane Emissions and Leak Abatement Targets, Compliance, and Enforcement. Following that workshop, the CPUC’s Safety and Enforcement Division (SED) and CARB prepared the Staff Workshop Report summarizing the joint agency workshop and key points covered in the presentations and discussions consistent with the Scoping Memo objectives for this proceeding. The Report was attached to an Administrative Law Judge’s (ALJ) Ruling issued June 23, 2016.³ Pursuant to that ALJ Ruling, the Office of Ratepayer Advocates (ORA) submits these Comments. Silence on any subject should not be construed as agreement or disagreement with the recommendations of Staff or other parties.

ORA recommends:

- that if a situation arises where the implementation of natural gas safety plans and the reduction of emissions levels are not complementary activities, that safety activities have primacy over efforts to reduce emissions levels;
- that given the need for more robust emissions data, the CPUC and CARB first focus on the establishment and implementation of best practices that

¹ OIR, p. 1.

² OIR, p. 1.

³ See Attachment 1 to June 23, 2016, Administrative Law Judge’s Ruling Entering Summary of Best Practices Working Group Activities and Staff Recommendations into the Record and Seeking Comments.

are proven to increase system safety, reduce risk, and are cost-effective, and not focus on a hard percentage goal at this time;

- that the focus of this proceeding be the implementation of cost-effective best practices that improve system safety, reduce risks, and minimize emissions;
- that emission reduction projections be reconsidered once the utilities' June 2016 reports have been analyzed and vetted by CPUC and CARB Staff;
- at this time, the effort required to revise existing General Orders or establish new General Orders in this proceeding would detract from the important work that should be done to establish and implement best practices.

II. DISCUSSION

1. What suggested edits, clarifications, and comments do you have in response to the summary?

As noted in the Staff Report, PG&E mentioned during its presentation that in the last General Rate Case (GRC) it proposed a four-year leak survey cycle but ORA proposed a five-year cycle.⁴ ORA clarifies that its recommendation to continue the four-year cycle was made in PG&E's Test Year 2017 GRC proceeding. ORA had recommended postponing a change to the leak survey cycle in light of the ongoing work in this Rulemaking (R.)15-01-008 proceeding. Specifically, ORA had stated in its GRC testimony that "The final decision on R.15-01-008 should provide additional guidance on leak survey cycles for gas distribution systems. Any changes to the leak survey cycles should be implemented subsequent to the Commission's directive in that rulemaking."⁵ In other words, this Rulemaking is the appropriate forum in which to determine the term of the survey cycle. ORA does not oppose the establishment of a 4-year survey cycle.⁶

⁴ See Attachment 1 to June 23, 2016, Administrative Law Judge's Ruling Entering Summary of Best Practices Working Group Activities and Staff Recommendations into the Record and Seeking Comments, p. 16.

⁵ ORA Report on the Results of Operations for Pacific Gas and Electric Company Test Year 2017, Gas Distribution Expenses Part 1 of 2, Witness Chia, p. 30, ll. 13-17.

⁶ Comments of the Office of Ratepayer Advocates on the Summary of Best Practices Working Group Activities and Staff Recommendations, p. 4.

2. Explain your position on CARB’s statement at the workshop that a 40% reduction in 2015 emissions by 2025 is a reasonable target. If such a target (whether it is this one or similar) is established in the foreseeable future, should it be set:

2.a Against a company's total baseline reported emissions profile, allowing it to meet an aggregated reduction target?

No comment

2.b For specific functional components (i.e. emission source/equipment type) of the gas system operated by each individual company?

No comment

2.c On an industry-wide basis using information on potential emission reductions, emissions impact, costs by functional component, such that the total industry achieves a 40% reduction even though specific targets for each company may vary? Please provide an explanation of how the method could be developed/implemented.

No comment.

2. How could the proposed CARB target be coordinated with other emission targets and state policy (e.g., Governor’s Executive Order B-30-15 for a 40% reduction below 1990 levels by 2030, CARB’s Short-Lived Climate Pollutant (SLCP) Plan for a 40-45% GHG reduction levels by 2025)?

No comment.

3. How should emission levels, if any are set, interact with the utilities’ natural gas safety plans and other gas pipeline work?

The utilities’ natural gas safety plans and reduction of emissions levels are likely to be complementary activities. However, if they are not, ORA recommends that the Commission make explicit that implementation of the IOUs’ natural gas safety plans have primacy over activities focusing on reducing emissions levels. Ideally, safety work will result in natural gas emission reductions , but work that is part of a utility’s natural gas safety plan should not be delayed in order to conduct work to reach an emissions

reduction target. Furthermore, SB 1371 clearly states that the repair of leaks should be consistent with established safety requirements.⁷

4. How might technology-specific or work practice requirements interact with a target reduction amount?

No comment.

6.a How can targets be set when accurate and comparable emissions measurements are still in progress? Should the target-setting process wait until the June 2016 data reports have been vetted by CARB and the Commission, anticipated late 2016?

In light of significant data uncertainties, ORA recommends that the CPUC and CARB focus on the establishment and implementation of best practices that are proven to increase system safety, reduce risk and are cost-effective, and not focus on a hard percentage-based emissions reduction goal at this time. While setting a long-term goal is commendable, SB 1371 does not explicitly mandate a hard emission reductions target, but instead requires the maximum feasible cost-effective reduction of emissions.⁸ This is particularly important given the documented shortcomings of the May 2015 data reports. The February 22, 2016 Joint Staff Report notes that the aggregated data from the utilities contains a large amount of uncertainty and that more work needs to be done to quantify the volumes of emitted natural gas using methods that do not rely on estimates or emission factors.⁹ The Joint Staff Report also notes that multiple entities used different emission factors for the same type of emission source.¹⁰ Prior to pursuing an emission reductions target, the CPUC and the CARB should first determine a set of standard factors that can be used by all utilities in order to verify their progress.

⁷Senate Bill 1371, p. 7, ll. 11-14.

⁸ SB 1371 (Leno), p. 6, ll. 10-17.

⁹ 2/22/2016 CARB and CPUC Joint Staff Report, p. 4.

¹⁰ 2/22/2016 CARB and CPUC Joint Staff Report, p. 13.

6.b Which functional component (*i.e.* emission source/equipment type) can utilize direct measurements of leaks and emissions for establishing targets?

No comment.

6.c Should interim targets be developed, as Environmental Defense Fund (EDF) suggests, based on the information gained in the reports from June 2016?

ORA recommends that once the utilities' June 2016 reports have been analyzed and vetted by the CARB and CPUC, the focus of this proceeding should be to determine the appropriate establishment and implementation of cost-effective best practices that improve safety and reliability, reduce risk, and minimize emissions. Until an appropriate course of action for implementing best practices has been established, it would be premature to establish either long-term or interim emission reduction targets.

6.d Before targets are established, to what extent should cost-effectiveness and affordability (including consideration of rate impacts) methodologies and criteria be developed and implemented? What approaches should be developed and implemented? What approaches should be used to account for the fact that technologies, tools, and information will improve over time, potentially quickly over the next few years? What options are there to ensure rate impacts are affordable, while achieving significant emissions reductions?

As mentioned in the response to question 6.a, ORA recommends that the focus of this proceeding be the establishment and implementation of cost-effective best practices that improve system safety, reduce risks, and minimize emissions. ORA agrees with EDF that prior to establishing any hard target, the “repair threshold[s] by which an action becomes infeasible on C/E[cost-effective] grounds must be established”¹¹ ORA also shares the concern of the Independent Storage Providers (ISPs) that a percentage

¹¹ EDF presentation: ARB/CPUC Hosted Workshop on Targets, Compliance and Enforcement for R.15-01-008, Slide 13.

reduction target may result in unreasonable expenditures.¹² ORA recognizes that leak abatement technology and tools are continuously being developed and refined, which may make it difficult to accurately establish a feasible long-term target for emission reductions that is consistent with SB 1371. As noted in the February 22, 2016 Joint Staff Report, it is possible that more existing leaks will be detected as more sensitive equipment is deployed.¹³ This implies that an increase in leak detection does not necessarily mean that more natural gas is being emitted, which is an inherent flaw in using leak detection to verify progress toward an emissions reduction target. As ORA recommended in its May 6, 2016 comments on the Summary of Best Practices Working Group, new technologies could be reviewed, updated, and implemented every 2 or 10 years.¹⁴ If the emphasis of this proceeding remains on implementing and updating best practices based on the criteria listed above, the CPUC and CARB should be able to encourage the maximum amount of emission reductions while keeping costs to a minimum.

7. Explain your opinion on the individual emission reduction projections illustrated on CARB’s “An Example of Compliance Plan” on Slide 19. Are they realistic? Why or why not?

ORA advises caution regarding the validity of projections based on the utilities’ May 2015 reports. As noted by the CARB and CPUC Staff, some of the data from the 2015 reports is inconsistent, and conclusions that stem from those reports cannot be definitely made.¹⁵ ORA recommends reconsideration of this question once the utilities’ June 2016 reports have been analyzed and vetted by CPUC and CARB Staff.

¹² R.15.01.008 ARB/CPUC Workshop: Targets, Compliance and Enforcement ISP Presentation, Slide 11.

¹³ 2/22/2016 CARB and CPUC Joint Staff Report, p. 17.

¹⁴ ORA Comments on the Summary of Best Practices Working Group Activities and Staff Recommendations, p. 8.

¹⁵ 2/22/2016 CARB and CPUC Joint Staff Report, p. 3.

8. How should the Commission structure incentives for reduction beyond a target level?

ORA recommends that the focus of this proceeding be the implementation of effective best practices and that targets should be set when more robust data has been provided. In general, ORA recommends caution in creating or adopting an incentive structure that encourages reductions beyond a target level. Such a structure may result in utilities finding and exploiting perverse incentives that may have unintended and unwanted consequences.

9. What enforcement models might most effectively ensure reductions are achieved and maintained? Should the Commission revise GO 112-F to include a compliance and enforcement model to address SB 1371 requirements? Or should it establish a new general order specific to meeting SB 1371 requirements similar to the Commission's exiting GO 167, Enforcement of Maintenance and Operation Standards for Electric Generating Facilities? What role, if any, should ARB or local air districts, or other entities, play in helping to ensure reductions are achieved and maintained?

For the purposes of developing enforcement models, the process of revising or establishing General Orders in this proceeding would detract from the important task of establishing and implementing best practices. ORA advises against revising existing General Orders or establishing new General Orders at this time. The CPUC and CARB have sufficient existing authority to ensure compliance with approved gas leak abatement best practices.

III. CONCLUSION

ORA appreciates the opportunity to provide these comments on the Administrative Law Judge's Ruling Entering Summary of Best Practices Working Group Activities and Staff Recommendations.

Respectfully submitted,

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