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)

REPLY 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, the 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, CPUC's Safety and Enforcement Division (SED) and CARB prepared the June 13, 2016 Staff Workshop Report ("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] The Office of Ratepayer Advocates (ORA) provided comments on July 15, 2016. Pursuant to the ALJ Ruling, ORA submits these Reply Comments.

ORA recommends that:

- 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;

- That the CPUC and CARB postpone consideration of an incentive structure until more robust data has been provided; and

[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.

- That the interpretation of SB 1371 maintain technological feasibility and cost-effectiveness as criteria for establishing and implementing best practices.

II. DISCUSSION

A. General Order 112-F

In its opening comments the Environmental Defense Fund (EDF) proposed that General Order (GO) 112-F should be revised to include a compliance and enforcement model. EDF further states that the emission requirements that are set in this proceeding can be easily incorporated in GO 112-F, but there should not be a chance to litigate the issues already being discussed in the current proceeding.[4] ORA's opening comments stated that CPUC and CARB already have the authority to make decisions regarding the enforcement of emission reduction compliance plans. As such it is not necessary for the CPUC to create a new General Order, or revise GO 112, as a result of this proceeding. In this regard ORA agrees with PG&E's assessment that the focus of GO 112 is on safety.[5] GO 112-F states in section 102.2:[6]

> These rules are concerned with [the] safety of the general public and employees' safety to the extent they are affected by basic design, quality of the materials and workmanship, and requirements for testing and maintenance of gas gathering, transmission and distribution facilities and liquefied natural gas facilities.

While GO 112 is related to natural gas leaks and emissions, GO 112's primary purpose is to mitigate the safety risks related to the natural gas system, not to enforce the reduction of methane emissions. Because of this difference in purpose, ORA does not recommend that GO 112-F be revised to incorporate the compliance and enforcement procedures decided on in this proceeding.

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[4] Comments of EDF on the ALJ's Ruling Entering Staff Workshop Summary and Workshop Materials on Targets, Compliance, and Enforcement into the Record and Seeking Comments, p. 16-17.

[5] PG&E's Initial Comments on ALJ Ruling Entering Staff Workshop Summary and Workshop Materials on Targets, Compliance, and Enforcement into the Record and Seeking Comments, p. 11.

[6] General Order 112-F, Section 102.2.

B. Interpretation of SB 1371

The Coalition of California Utility Employees' (CUE) interpretation of SB 1371 is that the CPUC should not establish cost-effectiveness to determine best practices.[7] SB 1371 states that the rules and procedures adopted in this proceeding shall "provide for the maximum **technologically feasible and cost-effective avoidance**, reduction and repair of leaks and leaking components…."[8] If the Commission is to establish and implement best practices that improve safety, reduce methane emissions, and are cost-effective, then it must establish a cost parameter by which the utilities can determine what practices they can reasonably implement.

Additionally, SB 1371 does not state that the Commission has to require all recognized best practices to be adopted by all utilities. ORA agrees with the Independent Storage Providers[9] that small emitters might not be able to recognize significant safety improvements and emission reductions without expending a disproportionate amount of resources to do so.[10] ORA also agrees with PG&E's statement that flexibility in developing compliance plans will allow each utility to implement the best practices that it deems the most suitable for its particular system and service territory.[11] Flexible compliance plans are likely to lead to the greatest overall safety and emissions reductions benefits and most cost-effectiveness, as long as the utilities are held accountable as recommended in ORA's comments.[12]

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[7] Opening Comments of CUE on ALJ Ruling Entering Staff Workshop Summary and Workshop Materials on Targets, Compliance, and Enforcement into the Record and Seeking Comments, p. 2.

[8] SB 1371, p. 7, ll. 3-5.

[9] Central Valley Gas Storage, Lodi Gas Storage, Gill Ranch Storage, and Wild Goose Storage.

[10] Comments on ISP's Regarding ALJ Ruling Entering Staff Workshop Summary and Workshop Materials on Targets, Compliance, and Enforcement into the Record and Seeking Comments, p. 7.

[11] PG&E Initial Comments on ALJ Ruling Entering Staff Workshop Summary and Workshop Materials on Targets, Compliance, and Enforcement into the Record and Seeking Comments, p. 5.

[12] Reply Comments Of The Office Of Ratepayer Advocates on the Summary of Best Practices Working Group Activities And Staff Recommendations, p. 2.

C. Financial Incentives for Reduction Beyond a Target Level

ORA does not recommend implementing financial incentives to exceed a target level at this time.[13] In their opening comments EDF and the Independent Storage Providers provided recommendations regarding incentive structures to exceed a target level.[14] The CPUC and CARB still have to establish a structure for determining which best practices the utilities will need to implement or how those best practices should be implemented. ORA concurs with PG&E, SoCal Gas, SDG&E and Southwest Gas that proposing an incentive structure to meet or exceed a target level is premature and that that issue would be better addressed in Phase 2 of this proceeding.[15]

III. CONCLUSION

ORA appreciates the opportunity to provide these reply 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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[13] Comments on ISP's Regarding ALJ Ruling Entering Staff Workshop Summary and Workshop Materials on Targets, Compliance, and Enforcement into the Record and Seeking Comments, p. 7.

[14] ISP Comments, p. 11 and EDF Comments, p. 16.

[15] PG&E Comments, p. 10, and SDG&E, SoCal Gas, and Southwest Gas Comments on ALJ Ruling, p. 20.