

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 SUMMARY OF BEST PRACTICES WORKING GROUP
ACTIVITIES AND STAFF RECOMMENDATIONS**

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I. INTRODUCTION

On January 22, 2015, the California Public Utilities Commission (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 1371² "...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."³

On January 19, 2017, the Administrative Law Judge (ALJ) filed a ruling entering two documents into the record and seeking comments. One document was a Joint Staff Report entitled "Analysis of the Utilities' June 17, 2016, Methane Leak and Emissions Reports Required by SB 1371" (Joint Staff Report) filed by the Commission and the California Air Resources Board (CARB).⁴ The Joint Staff Report summarizes the aggregated 2015 emissions data that was submitted by the natural gas utilities in June 2016. The second document was the CPUC's Safety and Enforcement Division (SED) "Natural Gas Leakage Abatement Summary of Best Practices Working Group Activities and Revised Staff Recommendations" (SED Recommendations).⁵ That document outlines the changes made to the proposed best practices recommended by SED Staff. The document also includes SED's recommended procedures for

¹ OIR, p. 1.

² SB 1371, Ch. 525 Stats. 2014.

³ OIR, p. 1.

⁴ See Attachment 1 to January 19, 2017 Administrative Law Judge's Ruling Entering CARB and CPUC Joint Staff Annual Report on Analysis of June 17, 2016 Utilities' Reports and Commission Staff Proposal on Best Practices into the Record and Seeking Comments.

⁵ See Attachment 2 to January 19, 2017 Administrative Law Judge's Ruling Entering CARB and CPUC Joint Staff Annual Report on Analysis of June 17, 2016 Utilities' Reports and Commission Staff Proposal on Best Practices into the Record and Seeking Comments.

implementing the proposed best practices. Additional information was provided via ALJ Kersten's February 3, 2017 email. Pursuant to the January 19, 2017 ALJ Ruling, the Office of Ratepayer Advocates (ORA) submits these Comments.

II. DISCUSSION

1. Does the January 2017 Joint Staff Annual Report clearly illustrate the trends of findings based on ARB/Commission staff's analysis of the June 17, 2016 reports?

Yes. The Joint Staff Report explains how the changes in data collection procedures, such as estimating emissions in un-surveyed service territories, have impacted the information presented in comparison to the previous annual Joint Staff Report.⁶

2. Are there "Lessons Learned" from this reporting and analysis process that were not identified by staff?

Overall, the Joint Staff Report is a step forward in identifying the steps that need to be taken to further refine the measurement and quantification process.

3. Please provide comments on the proposed changes to the data reporting templates (Appendix E). Do respondents have any additional template changes they would like to propose before a "third" revised annual report template is issued at the end of first quarter 2017?

ORA supports the proposed changes with the expectation that those changes will help expedite the review process and provide additional transparency to the utilities' reported emission data.

4. Based on available information, are the January 2017 proposed Commission SED Staff revised Best Practices reasonable? Why or why not? What revisions are appropriate to ensure they fulfill SB 1371 goals?

Most of the proposed changes SED and CARB have undertaken have been driven by input solicited from the various stakeholders in the last round of workshops in December 2016. Additionally, many of the Best Practices have been improved by

⁶ Joint Staff Report, p. 32.

permitting the deployment of pilots and research and development (R&D) projects, where the feasibility of a full-scale program is uncertain. This will allow each utility to study different methods of complying with best practices and allow determinations regarding which method is optimal in cost-effectively reducing emissions in its system.⁷

As noted during the previous workshop, the utilities already implement public awareness programs to encourage excavators to call 811 (Best Practice 24 “Dig-Ins/Public Education Program”). Additionally, California State Law requires excavators planning to conduct an excavation to contact the appropriate notification center two days in advance of excavation work.⁸ The concern from some of the utilities is that excavators may opt not to call 811 even if they have been informed of the necessity to do so through existing education programs. If an excavator is willfully refusing to notify the utilities of excavation work, then expanding on an education program might not have a major impact on reducing natural gas emissions.^{9 10} Accordingly, it is unclear what additional benefit this Best Practice as currently proposed will provide over current practices. An examination of the expanded programs is needed to determine their efficacy in increasing safety and reducing emissions.

5. Are SED “Staff Recommendations” including “Implementation of Compliance Plans” and Evaluation of Best Practices and R&D Pilots” reasonable? Why or why not? Other considerations that haven’t been previously discussed or proposed in previous comments?

ORA agrees with SED Staff that the Best Practices that are adopted in this proceeding should not be incorporated in a revised General Order 112.¹¹ SED Staff have proposed that the utilities include their compliance plans as part of their 2018 gas safety

⁷ Different utility approaches and information sharing amongst parties may reveal certain superior practices, and inferior practices. This is not to say that all utilities must perform the same mitigation efforts.

⁸ <https://www.digalert.org/calaw07.html>.

⁹ Joint Staff Report, pp. 17-18.

¹⁰ Dig Ins, 3rd Party or otherwise, are a significant safety concern. However, based on available data in this proceeding, they are not a significant source of methane emissions.

¹¹ Staff Recommendations, p. 12.

plans.¹² As noted by SED Staff, the Compliance Plans are likely to evolve as utilities pilot and implement new best practices and may not be suitable for incorporation in General Orders.¹³ As noted previously by ORA, the process of revising General Orders would detract from the task of implementing best practices.¹⁴ ORA agrees with SED Staff that, in the future, the question of revising a General Order can be revisited by the Commission when the Best Practices are demonstrated to be effective, and reach a point where they are changing only rarely.

ORA disagrees, however, with SED's new proposal to categorize gas utilities and storage providers into three different categories. The three different categories are based on the relative amount of natural gas emissions their systems contribute compared to the aggregated amount of natural gas emissions.¹⁵ The category in which a utility is placed would influence the amount of permissible leeway that utility would have in being allowed a waiver from implementing some best practices. However, the amount of leeway allowed is only described for Class A utilities, which would need to implement 25 of SED's 26 proposed best practices.

The categorization approach proposed by SED would add uncertainty in the implementation of best practices. Many of the best practices already permit utilities to file for an exemption from implementing those best practices. Additionally, the Commission will review the utilities' Compliance Plans and can determine if any requested exemptions are reasonable.

Additionally, under SED's proposed categorization, the mitigation actions of some utilities may have adverse consequences on other utilities. Under SED's proposal, a utility that emits 0.9% of the total aggregated annual natural gas emissions would be considered a Class C utility. However, if there are sufficient emission reductions achieved by a Class A utility, then that utility would find itself reclassified as a Class B

¹² Staff Recommendations, p. 12.

¹³ SED Recommendations, p. 12.

¹⁴ ORA Comments on Staff Workshop Report.

¹⁵ SED Recommendations, p. 9.

utility, and thus subject to more scrutiny, even if its volumetric emissions have also decreased, but by a lesser amount due to the size and current efficiency of that utility's system. Similarly, if a Class B utility has a series of incidents or issues that result in significant emissions, but has still contributed less than 20% of the aggregated utility emissions, then the class designation does not inform the Commission as to whether the utility needs to follow additional Best Practices in order to rectify its emission issues. Therefore, it is unclear what additional benefit this three-tier structure will add in providing guidance to the Commission's review of the gas utilities' Compliance Plans. ORA recommends that if the Commission deems it necessary to categorize the utilities for the purposes of aiding the review of their Compliance Plans, then the utilities should be classified as either "Large" or "Small." The "Large" gas utilities would be Pacific Gas and Electric Company (PG&E), Southern California Gas Company, and San Diego Gas & Electric Company. The "Small" utilities would be composed of the remaining regulated gas utilities.

ORA recommends that the utilities each file a short illustrative Compliance Plan prior to a Phase One Decision that can serve as an example to the Commission, CARB, and parties. These example Compliance Plans should include descriptions of how at least three best practices, other than the Compliance Plans, would be implemented. Additionally, each utility can include an example of how they plan to request an exemption for one particular best practice.¹⁶

III. RECOMMENDATIONS

Overall, ORA supports the adoption of best practices once they are supported by appropriate risk reduction, emissions reduction, and cost data. Below are ORA's recommendations on the Joint Staff Report and SED Recommendations:

¹⁶ Given SED's proposal to have 25 of the 26 Best Practices be mandatory for large utilities, if a large utility will not seek a waiver for any of the 26 Best Practices, they should be able to so indicate.

1. That if the Commission deems it necessary to classify the utilities for the purposes of determining the reasonableness of waiving the implementation of best practices, then the utilities should be categorized as either “Large” (PG&E and the Sempra utilities) or “Small” (all other gas utilities).
2. That the utilities should each file an illustrative Compliance Plan prior to a Phase One Decision. These illustrative Compliance Plans should include compliance that would be achieved with at least three best practices and one waiver.

Respectfully submitted,

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