

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking  
Regarding Building Decarbonization.

Rulemaking 19-01-011

**COMMENTS OF THE COALITION OF CALIFORNIA UTILITY  
EMPLOYEES ON THE ORDER INSTITUTING RULEMAKING REGARDING  
BUILDING DECARBONIZATION**

March 4, 2019

Rachael Koss  
Miles Maurino  
Adams Broadwell Joseph & Cardozo  
601 Gateway Blvd, Suite 1000  
(650) 589-1660 Voice  
(650) 589-5062 Fax  
[rkoss@adamsbroadwell.com](mailto:rkoss@adamsbroadwell.com)  
[mmaurino@adamsbroadwell.com](mailto:mmaurino@adamsbroadwell.com)

Attorneys for Coalition of California  
Utility Employees

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Pursuant to Rule 6.2 of the Commission’s Rules of Practice and Procedure, the Coalition of California Utility Employees (CUE) submits these comments on the Order Instituting Rulemaking Regarding Building Decarbonization. The member unions of CUE represent utility employees who work in both the electric and gas segments of the utility industry.

**I. INTRODUCTION**

The OIR outlines the State’s multi-faceted efforts to reduce natural gas usage to achieve greenhouse gas emissions reduction goals and recognizes that the Commission “oversees a wide range of programs and activities to decarbonize California’s electricity and natural gas systems...while maintaining safe, reliable, and affordable service.”<sup>1</sup> These programs include energy efficiency, demand management, renewable and low-carbon electricity generation, reducing emissions from natural gas usage and transportation electrification.<sup>2</sup> Through this OIR, the

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<sup>1</sup> OIR, p. 3.

<sup>2</sup> *Id.*, pp. 3-4.

Commission intends to explore how the “Commission could more effectively support GHG emissions reductions in buildings.”<sup>3</sup> In doing so, the Commission recognizes that it must carefully consider interdependencies with electricity and natural gas rates and how to maximize cost-effective reduction of GHG emissions from buildings.<sup>4</sup> These are important considerations, but not the only ones. Before the Commission considers and approves building electrification programs and policies, it must conduct a robust analysis of impacts from building decarbonization on existing natural gas infrastructure safety, maintenance and maintenance costs, energy reliability, impacts on rates, impacts of higher prices on consumers and industry, and impacts on workers.

**II. THE SCOPE OF THIS PROCEEDING SHOULD INCLUDE EVALUATING THE UNINTENDED CONSEQUENCES OF BUILDING DECARBONIZATION ON NATURAL GAS INFRASTRUCTURE, THE NATURAL GAS GENERATION FLEET, RATES AND GAS WORKERS**

Californians rely on natural gas for electricity, to heat homes and businesses, to cook and heat water, and for industrial processes. There are more than 150,000 miles of utility-owned natural gas pipelines that deliver most gas used by Californians. The volume of natural gas used for electric generation has declined and will continue to decline as the Renewable Portfolio Standards in SB 100 are implemented. There are also many efforts in the State, including this OIR, to electrify buildings. Electrification of buildings will result in fewer gas utility customers and less gas running through the pipelines. But there will still be some

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<sup>3</sup> *Id.*, p. 6.

<sup>4</sup> *Id.*, p. 7.

gas running through the pipelines and, therefore, the pipelines will still require investment and maintenance. The cost to maintain the pipelines will be the same as before but will be paid by just the remaining customers. This smaller pool of customers will have to foot the whole cost by paying more. This will adversely impact millions of homes and businesses that depend on gas for space heating, water heating and cooking.

Alternatively, if the utility has fewer customers but does not raise rates, it will have less revenue. The revenue won't be enough to cover the costs to pay workers to maintain the system. Fewer workers translates to a less safe and less reliable gas system. Some of the anticipated impacts include fewer leaks detected and repaired, reduced customer response levels at call centers, extended response time from reconnections, longer service outages, deferred reliability maintenance projects, deferred gas pipeline replacements, and slower emergency response times. The Commission has not begun to consider how to manage the cost of the gas infrastructure with the reduced volume of gas using that infrastructure. Before the Commission continues down the electrification path in this OIR, it must study these impacts and plan for reduced use of the natural gas system in a way that does not burden fewer and more vulnerable customers with the fixed costs of maintaining the gas system.

Similarly, the Commission must analyze the impact of electrification on California's natural gas generation fleet. In 2017, the 578 MW Sutter Energy Center and the 1,200 MW La Paloma plant closed because they could not earn

sufficient revenues in the CAISO wholesale market. Calpine also reported that operation of its Yuba City, Feather River and Metcalf Energy Center plants may not be economically viable. This trend will continue. As renewable generation increases, gas-fired generation will decrease. For at least the next decade or two, California will need some, but not all, of its current gas fleet for flexible, fast ramping generation and local reliability. It is predicted that another 4,000 to 6,000 MW of plants in California face a significant risk of early retirement. The Commission recognizes this issue but has no plan to decide which gas plants will be needed and has no mechanism to keep plants we need and retire those we don't.

Furthermore, California gas supply rates for generators are based primarily on volumetric charges, which disadvantages efficient California plants compared to inefficient out of state plants. Higher GHG emissions result from this rate structure. Also, some California plants pay much higher gas supply rates than other plants based solely on whether they are connected to backbone gas transmission or local gas transmission. This rate structure results in higher GHG emissions. California needs a plan to deal with decreased gas throughput and reduced gas-fired generation.

In this OIR, the Commission should devise a plan to manage the cost of gas infrastructure as gas use declines. The Commission should also examine the impact of increased electrification on California's natural gas generation fleet. The State needs a thoughtful, targeted approach for the orderly retirement of some facilities and the continued operation of others, accounting for location-specific aspects of

natural gas generation, including impacts on disadvantaged communities and air quality impacts. By taking a holistic approach to the viability of the natural gas fleet (i.e. identifying which natural gas plants should remain in operation to provide essential flexibility and reliability functions and which plants should be retired to make room for non-carbon generation from renewables), the Commission avoids closing essential plants while non-essential plants remain online.

Finally, the Commission should identify workforce issues that may arise from rules, policies and procedures aimed at decarbonizing buildings, including transitioning away from gas appliances. The Commission should ensure that an adequately trained workforce will be available to safely and properly decommission gas infrastructure and install new technology. The Commission should also consider jobs that could be lost in the transition away from gas pipefitting. Decarbonization policies should encompass efforts to ensure a just transition for displaced workers and to ensure that this transition does not replace good middle-class jobs with poverty-wage, dead end jobs.

To address gas system safety and reliability, rate impacts and potential worker displacement, CUE recommends adding the following to Section 2.4 of the OIR regarding Building Decarbonization Policy Development:

***Unintended Consequences:*** This proceeding will evaluate potential unintended impacts from the development of building decarbonization rules, policies and procedures, including impacts on existing natural gas infrastructure safety, maintenance and maintenance costs, energy reliability, rates and workers.

***Sufficient Workforce:*** The proceeding will identify potential workforce issues from the development of building

decarbonization rules, policies and procedures, including the availability of an adequately trained workforce to safely decommission and maintain the gas system and implement BUILD and TECH, identifying training needs, and impacts on workers from the reduction of available natural gas pipeline and building piping work.

### III. CONCLUSION

Before the Commission continues down the electrification path, it must develop a robust study and transition plan that considers technical, safety, economic and employment impacts, and reduces risks to workers, existing natural gas infrastructure safety, and energy affordability and reliability.

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Respectfully submitted,

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Rachael Koss  
Miles Maurino  
Adams Broadwell Joseph & Cardozo  
601 Gateway Blvd., Suite 1000  
South San Francisco, CA 94080  
(650) 589-1660 Voice  
(650) 589-5062 Fax  
[rkoss@adamsbroadwell.com](mailto:rkoss@adamsbroadwell.com)  
[mmaurino@adamsbroadwell.com](mailto:mmaurino@adamsbroadwell.com)

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