



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

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*Order Instituting Rulemaking Regarding  
Building Decarbonization.*

Rulemaking 19-01-011  
(Filed *August 13, 2019*)

**OPENING COMMENTS OF THE AMERICAN PUBLIC GAS  
ASSOCIATION TO ORDER INSTITUTING RULEMAKING REGARDING  
BUILDING DECARBONIZATION 19-01-011**

August 13, 2019

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**I. Introduction**

In accordance with Rule 6.2 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure (“Rules”), the American Public Gas Association (APGA or “Association”) submits comments to the Order Instituting Rulemaking 19-01-011 (“Rulemaking”).

**II. Comments**

The American Public Gas Association (APGA or “Association”), an interested party, wishes to provide comments on the Administrative Law Judge’s Ruling on the Staff Proposal titled “CPUC and CEC Staff Proposal for Building Decarbonization Pilots – Draft” (Staff Proposal). APGA represents the interests of approximately 1,000 public gas systems in 37 states, including several in California. APGA members are retail distribution entities owned by, and accountable to, the citizens they serve. They include municipal gas distribution systems, public utility districts, county districts, and other public agencies that own and operate natural gas distribution facilities in their communities. Public gas systems’ primary focus is on providing safe, reliable, and affordable natural gas service to their customers. APGA members serve their communities in

many ways. They deliver natural gas to be used for cooking, cleaning, heating and cooling, as well as for various commercial and industrial applications.

APGA provides answers to the questions raised in the request for comments, but at the outset, would like to address the central issue present in this proceeding. APGA members recognize the importance of being good stewards of our environment and supporting sound policies achieving that aim. However, such policies must not jeopardize the affordability and reliability of a state's energy system. By forcing consumers to fuel-switch to a single end-use technology (that is, electricity) rather than focusing on greenhouse gas (GHG) emissions reduction, policy makers will threaten energy affordability and grid reliability. Natural gas and its existing pipeline infrastructure can play a significant role in California's achieving the goals of Senate Bill (SB) 1477. There are incredibly efficient natural gas appliances for residential applications that can achieve GHG emissions reductions **and** utility bill savings. The direct use of natural gas in America's homes and businesses achieves 91% energy efficiency. Comparatively, converting natural gas into electricity and then transporting it to the consumer leaves 36% of usable energy.<sup>1</sup> Furthermore, reliance on solar, wind, and battery storage means Californians would be dependent on mining operations in foreign countries versus the natural resources available domestically, or the Californian ingenuity in advancing renewable natural gas technology or energy storage through electrolysis. Natural gas should be a part of any of California's efforts to meet the objectives of SB 1477. APGA urges the state of California to consider the benefits of natural gas direct use and maintaining energy end-use diversity, as it aims to provide all its citizens reliable and affordable energy in an environmentally-sustainable way.

Below are responses to the questions posed:

1. Is staff's proposed approach for using gas corporation revenue from the direct allocation of GHG allowances for funding the BUILD program and TECH program reasonable?
  - **Using gas corporation revenue for funding the BUILD and TECH programs is not reasonable. The natural gas industry already invests heavily in energy efficiency projects that can achieve the environmental goals of California and will continue to do so. Taking more money from these companies to invest in**

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<sup>1</sup> AGA, "Natural Gas Safety, Resilience, Innovation, 2019 Playbook," <http://playbook.aga.org/#p=50>.

**technologies that have the same objective but just use a different energy source is unjust and a government overreach, not to mention is poor stewardship of the payments received from the customers they serve. The state of California should be focused on reducing GHG emissions, regardless of the energy source.**

2. Does staff's proposal appropriately and adequately prescribe how to prioritize among different authorized uses of the directly allocated GHG emission allowance revenue described in Question 1?
  - **APGA does not support using any funds from gas corporation revenues for either the proposed BUILD or TECH programs.**
3. Are the annual budgets proposed for the BUILD and TECH program reasonable? Why or why not?
  - **APGA does not have a position on the annual budgets. The Association does take issue that \$50M is being allocated exclusively to electric technologies, which are inefficient and lead to uneconomic fuel switching that ultimately is not in the consumers' interest.**
4. Is the proposed budget allocation of 40 percent of the budget for the BUILD program and 60 percent for the TECH program appropriate? Why or why not?
  - **APGA does not have a position on the annual budgets and amount allocated.**
5. Is it appropriate for the CPUC to select the CEC as the administrator of the BUILD program? Why or why not?
  - **APGA does not have a position on who administrates the BUILD program.**
6. Are the proposed elements of the BUILD program reasonable and sufficiently comprehensive? If not, what elements should be removed, changed, or added?
  - **APGA appreciates the state's desire to provide energy efficient low-income residences. However, the lack of inclusion of natural gas appliances in these buildings overlooks the projected utility bill savings that could occur. For instance, California families pay almost \$400/year more in energy bills if they have all electric appliances.<sup>2</sup> Should the families the BUILD program is aiming to help be burdened by these high utility bills?**

Specific questions to consider:

- a. Given that production builders (e.g., builders who build houses, townhouses, condos, and rental properties on land owned by a building firm) construct the

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<sup>2</sup> Navigant Consulting, "The Cost of Residential Appliance Electrification: Phase 1 Report – Existing Single-Family Homes", April 2018.

majority of new homes in California, should BUILD incentives be offered separately for each new home or collectively for each new subdivision?

- **APGA has no position on this question.**

- b. Should BUILD incentives be offered on a first-come, first-served basis across the state, or should BUILD incentives be limited to the regions of the state where the largest GHG emission reduction potentials exist? Or should it be based on some other standard? Please explain your rationale.

- **GHG emission reduction is the goal of SB 1477, so the BUILD program should target the opportunity for the greatest emissions reduction without adversely impacting the affordability and reliability of the state's energy system. The role of natural gas appliances should also be a consideration in execution of the BUILD program, as they have environmental and consumer benefits.**

- c. Should each developer or builder have a limit on the total share of incentive dollars received per year, or overall?

- **APGA has no position on this question.**

- d. What is the appropriate incentive level for the BUILD program?

- **APGA has no position on this question.**

- i. Should the level of BUILD incentives be equivalent to or greater than the current social cost of carbon (e.g. \$48/Tonne CO<sub>2</sub>e)?

- **APGA takes issue with the social cost of carbon being used as a metric for anything. APGA supports energy efficiency metrics that include full-fuel-cycle costs. Additionally, any social cost analysis must include impacts to public health, as well as the physical and biological environments.**

- e. Should BUILD incentives target the qualifying residential equipment and/or systems that have the highest costs?

- **Given this program is for low-income residences, ensuring these individuals are not burdened by high utility bills should be an objective. Residential equipment and/or systems that have the highest costs should be the target, and natural gas appliances should be a part of the conversation with the BUILD program. Energy efficiencies and affordable utility bills result from end use of natural gas in the home.**

- f. For the low-income component of BUILD, should funding levels be prioritized for the technical assistance work or for the incentive budget? Why or why not?

- **APGA has no position on this question.**
- g. Is the funding for the low-income component of BUILD at 30 percent of total budget appropriate? Why or why not?
- **APGA does not have a position on the annual budgets and amount allocated. APGA does believe it is important to care for low-income families and believes natural gas supply can be a reliable and affordable energy source for them.**
7. Which elements of the BUILD program should be established by the Commission in a decision, and which should the BUILD program administrator have the flexibility to modify in implementation, with oversight by Commission staff?
- **APGA does not have any insight into which elements should be established at the outset and those that can be modified during implementation. However, to effectively balance the interests of consumers by maintaining a reliable and affordable energy system, natural gas appliances should be included in the BUILD program.**
8. Comment on whether the Staff Proposal's analysis and recommendations for the BUILD program's technology eligibility criteria, process for evaluating new technologies, guidelines and evaluation metrics, and criteria for scoring and selecting projects are reasonable.
- **The BUILD program does not allow for consumer-preferred natural gas appliances. However, natural gas appliances can achieve substantial benefits in each of the evaluation metrics, which include the following: Total avoided GHGs, number of low-emission systems installed, projected utility bill savings, cost per metric ton of avoided GHG emissions.**
9. Is the proposed mechanism for selecting a program administrator for the TECH program reasonable?
- **APGA has no position on this question.**
10. Are the proposed elements for the TECH program appropriate? Are there any elements that should be removed, changed, or added prior to initiating the solicitation process?
- **APGA does not believe the elements of the TECH program are appropriate. It is essentially forced electrification in a state where 80% of residents oppose prohibiting the use of gas appliances.<sup>3</sup> Based on the environmental benefits**

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<sup>3</sup> California Building Industries Association, *California Natural Gas Poll* - Consumer Survey of 3000 California Voters (January 2018)

**and the contributions to energy affordability and reliability, natural gas appliances should be eligible for the TECH program.**

Specific questions to consider:

- a. The staff proposal describes a four-pronged effort which includes an upstream strategy, a mid-stream strategy, a grants program, and a prize program. Is this four-pronged approach appropriate? Why or why not?
  - **APGA has no position on this question. The Association just would note that natural gas appliances are energy efficient and the program, as detailed currently, would force electrification through the appliance manufacturing and distribution sectors.**
11. Comment on whether the Staff Proposal's analysis and recommendations for the TECH program's technology eligibility criteria, process for evaluating new technologies, guidelines and evaluation metrics, and criteria for scoring and selecting projects are reasonable.
  - **APGA has no issue with the TECH program criteria. In fact, the Association would offer that natural gas appliances could achieve many of the goals better than electric appliances. However, this is not allowed under the program's current design.**
12. Is the proposed process for selecting an evaluator for the BUILD and TECH programs appropriate? Why or why not?
  - **APGA has no position on this question.**
13. Other Questions:
  - a. The staff proposal includes a list of GHG metrics and sub-metrics to measure the success of the BUILD and TECH programs. Are these metrics appropriate? Why or why not? Are there any additional or different metrics that should be considered? Why or why not?
    - **APGA supports the GHG metrics proposed. However, if GHG emissions reductions are the goal of implementation of SB 1477, why are natural gas appliances not even considered?**
14. Transcripts: the upcoming July 30, 2019 workshop will be transcribed. Therefore, parties are encouraged to comment on the discussion transcribed at the workshop.
  - **APGA will comment as appropriate on the transcript.**

### **III. Conclusion**

APGA's participation in this proceeding will not prejudice any party and will not delay the schedule or broaden the scope of the issues in the proceeding.

Dated: August 13, 2019

Respectfully submitted,

A handwritten signature in purple ink, reading "Bert Kalisch".

Bert Kalisch

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