



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

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Application of Southern California Gas Company  
(U 904 G), to Establish Gas Demand Response  
Pilot Programs.

Application 23-01-004  
(Filed January 6, 2023)

**COMMENTS OF  
ENVIRONMENTAL DEFENSE FUND  
ON PROPOSED DECISION**

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Pursuant to Rule 14.3 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure, Environmental Defense Fund (EDF) respectfully submits the following Comments on the *Decision Denying Application* issued December 21, 2023 (Proposed Decision). This Proposed Decision would deny the present Southern California Gas (SoCalGas) Application to launch a gas demand response (Gas DR) pilot, without offering SoCalGas the opportunity to cure the Application's misalignment with Commission Decision (D.) 20-02-043 (Gas DR Decision). Pursuant to Rule 14.3, these Comments are timely filed. As described further below, EDF strongly disagrees with the outcome of this Proposed Decision and thinks that the Commission should set aside this Proposed Decision so that further consideration of the Application can occur.

**I. THE TREMENDOUS CHALLENGES FACING THE GAS SECTOR REQUIRE PROACTIVE COMMISSION OVERSIGHT AND GUIDANCE**

The investor-owned gas utilities (Gas IOUs) in California are facing critical challenges, which, if they remain unaddressed by the Commission, will result in unconscionably high gas rates and perilous risks to the utilities. According to the Gas IOUs' 2022 California Gas Report filed

with the Commission (California Gas Report)<sup>1</sup> and the 2022 California Air Resources Board Scoping Plan (CARB Scoping Plan), there is no dispute that gas demand is going to be declining considerably in the coming years.

**Table 1: Projected Gas Demand Decline<sup>2</sup>**

Source	2022 to 2027	2022 to 2035	2022 to 2045
California Gas Report – SoCalGas	-9.0%	-19.1%	N/A
CARB Scoping Plan – Statewide	-9.6%	-43.6%	-76.9%

These significant gas demand declines force significant upward pressure on gas rates. The Commission must urgently and proactively address and mitigate risks of stranded gas assets and, to the greatest extent possible, not put new gas “steel in the ground.” With this context established, EDF encourages the Commission to recognize that the state will be facing a large new rate pressure on gas customers and we will need to find ways of keeping the system affordable. Non-pipeline alternatives (NPAs), such as Gas DR programs, are a key tool available to reduce new investments in capital infrastructure.

These NPAs, which resolve gas constraints without developing large, expensive, long-lived infrastructure projects, have the potential to make both affordability and long-term gas system planning more consistent with our state’s climate goals. EDF observes that NPAs are the

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<sup>1</sup> Available at: [https://www.socalgas.com/sites/default/files/Joint\\_Utility\\_Biennial\\_Comprehensive\\_California\\_Gas\\_Report\\_2022.pdf](https://www.socalgas.com/sites/default/files/Joint_Utility_Biennial_Comprehensive_California_Gas_Report_2022.pdf).

<sup>2</sup> 2022 California Gas Report at 185-186 and 223-224. Available at: [https://www.socalgas.com/sites/default/files/Joint\\_Utility\\_Biennial\\_Comprehensive\\_California\\_Gas\\_Report\\_2022.pdf](https://www.socalgas.com/sites/default/files/Joint_Utility_Biennial_Comprehensive_California_Gas_Report_2022.pdf); 2022 CARB Scoping Plan gas demand figures available in the GHG Inventory Sectors Modeling Data Spreadsheet. Available at: <https://ww2.arb.ca.gov/sites/default/files/2022-11/2022-sp-PATHWAYS-data-E3.xlsx>.

gas equivalent of non-wires alternatives in the electric utility context, consideration of which has increasingly become accepted and even required as a part of the electric system planning process. NPAs fall into two categories: those which address peak-day constraints, such as the gas demand response programs proposed here and those which address total annual customer demand, such as energy efficiency programs and fuel switching programs like targeted electrification. While EDF encourages the Commission to conduct a greenhouse gas (GHG) assessment for each of these options in the long-term gas planning docket, we should recognize that this SoCalGas request is headed the state in the right direction. Since there is the opportunity to leverage Federal funds, EDF suggests that that the request would be helpful to get some information from now so that we can fully integrate the lessons learned later.

The Proposed Decision does not make any acknowledgement of the role of a Gas DR program nor on the overall affordability context of why Gas DR programs are critical at this time.

## **II. GAS DR HAS THE POTENTIAL TO SERVE AS A NON-PIPELINE ALTERNATIVE AS CALIFORNIA DECARBONIZES THE GAS SECTOR**

California is pursuing rapid decarbonization of the energy sector, including the gas sector specifically. Since the adoption of the Gas DR Decision, the Commission undertaken concrete steps toward making this decarbonization cost-effective. D.22-12-021 adopted General Order (GO) 177 which is applicable to certain gas infrastructure. In relevant part, GO 177 provides that a gas utility must perform an “[a]nalysis of alternatives, including non-pipeline alternatives, and a demonstration that no reasonable alternatives to the proposed project exist.”<sup>3</sup> Per the General Order:

Examination of non-pipeline alternatives shall consider:

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<sup>3</sup> GO 177, Section VI.A.4.

1. The customers to be served by the proposed project, and whether direct support for electrification, consumption reduction (energy efficiency, conservation and demand response), and/or alternative methods to provide necessary energy supplies for these customers could be accomplished at a lower cost and/or with lesser environmental impact than the proposed project;
2. The potential environmental impacts of alternatives, including emissions; and
3. An estimate of the costs of the environmental and health impacts of the project, as well as the direct and indirect costs of the project.

EDF offers these Comments in light of both the Gas DR Decision and General Order 177.

In order for the gas utilities to analyze—and hopefully implement—non-pipeline alternatives to costly new gas infrastructure and reduce the risk of even greater stranded assets, they must begin to gather data and better understand how those alternatives, including Gas DR, may be implemented to reduce gas system capital and operational costs. Dismissing the Application in its entirety is a missed opportunity for the Commission and stakeholders to vet and refine Gas DR pilots that are most likely to provide benefit to ratepayers.

### **III. EDF RECOMMENDS THAT THE COMMISSION DIRECT SOCALGAS TO REVISE THE APPLICATION**

EDF understands the frustration expressed in the Proposed Decision due to SoCalGas's failure to comply with three Ordering Paragraphs of the Gas DR Decision. However, in this instance, SoCalGas has brought federal funding to the table to support the deployment of Gas DR and has reduced the scale of the Gas DR Pilots. This is critical non-ratepayer sources of funds, and with the affordability concerns outlined above, it seems foolish to not leverage these funds. In this light, EDF strongly urges the Commission to direct SoCalGas to revise the current Application rather than deny it outright.

EDF supports the deployment of appropriate Gas DR Pilots by SoCalGas. If well designed, the set of gas demand response programs can be deployed to offset peak gas demand, which in

turn can displace investment in new physical infrastructure. EDF's support of the SoCalGas request is to ensure maximum environmental and ratepayer benefits. The Proposed Decision is "penny wise and pound foolish" in that it does save ratepayers approximately \$12 million but it does not give the Commission any data on how to best integrate gas demand response programs and NPAs into its thinking. This is a critical area, and there are non-ratepayer funds available to be leveraged.

For the purposes of informing future analysis under GO 177 and beyond, utilities and the Commission can benefit from appropriate Gas DR Pilots to quantify costs and benefits, identify areas of avoided infrastructure costs, and support a cost-effective decarbonization of the gas system. The Commission should recognize that a relatively minor ratepayer expense can be used to reduce much larger new capital investments that would otherwise be imposed on a declining customer base.

#### **IV. CONCLUSION**

For the above reasons, EDF suggests that the Commission withdraw this Proposed Decision and keep moving forward with consideration of the SoCalGas Application. The ability to figure out how to leverage Federal funds and fulfill the promises of the General Order are too important to pass up. EDF thanks Commissioner Douglas and ALJ Bemserfer for their consideration of these Comments.

Respectfully submitted,

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