

Application No: A.16-12-010
Exhibit No.: _____
Witness: Rasha Prince
Tuan Nguyen
Reginald M. Austria

In the Matter of the Application of Southern
California Gas Company (U 904 G) Requesting
Reauthorization of the Customer Incentive Program.

Application 16-12-010
(Filed December 21, 2016)

SUPPLEMENTAL TESTIMONY
OF
SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

August 11, 2017

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION AND BACKGROUND (WITNESS: RASHA PRINCE).....	1
II. SHOULD THE COMMISSION REAUTHORIZE SOCALGAS’ CUSTOMER INCENTIVE PROGRAM?	1
A. Is the Application fully and satisfactorily addressing the Commission’s concerns as expressed in Resolution G-3515? (Witness: Rasha Prince).....	1
B. Does the proposed Customer Incentive program support current California state policies? (Witness: Rasha Prince)	2
C. If the Customer Incentive Program is reauthorized, will it increase load growth? (Witness: Tuan Nguyen).....	4
D. If the reauthorized Customer Incentive Program will increase load growth, will the additional growth reduce system reliability? (Witness: Tuan Nguyen)	6
III. ARE THE PROPOSED INCENTIVES DUPLICATIVE OF, OVERLAPPING WITH, OR COMPLEMENTARY TO INCENTIVES OFFERED BY OTHER PROGRAMS? (WITNESS: TUAN NGUYEN).....	6
A. Are the program components, such as a proposed increase in energy efficiency standards, consistent with similar components in programs such as the Self Generation Incentive Program and the SoCalGas Distributed Energy Resources Tariff?	6
B. Is the program properly designed to deter free riders?	7
IV. IS THE PROPOSED SHAREHOLDER/RATEPAYER SPLIT FAIR AND REASONABLE? (WITNESS: TUAN NGUYEN).....	8
V. ARE THE PROPOSED COST TRACKING PROCEDURES AND REGULATORY ACCOUNTING TREATMENT REASONABLE? (WITNESS: REGINALD M. AUSTRIA)	9
A. Should the Commission approve tariff GO-CIP, which will serve as the sole and stand-alone tariff for the CIP?.....	9
B. Should the Commission authorize closure of Rule 38, GO-ET, GTO-ET, GO-IR and GTO-IR to any new customers once a decision is issued in this Application?.....	9
ATTACHMENT A – CUSTOMER EXPERIENCE	
ATTACHMENT B – LETTERS FROM AIR QUALITY DISTRICTS	

1 **I. INTRODUCTION AND BACKGROUND (WITNESS: RASHA PRINCE)**

2 The July 19, 2017 *Scoping Memo and Joint Ruling of Assigned Commissioner and*
3 *Administrative Law Judges* (Scoping Memo) identified four primary issues and their subparts as
4 issues within scope of this proceeding. Southern California Gas Company (SoCalGas) submits
5 this Supplemental Testimony on each of the issues identified in the Scoping Memo related to the
6 proposed Customer Incentive Program (CIP)¹ consistent with its December 21, 2016 Application
7 Requesting Reauthorization of the CIP (Application).

8 As set forth in my December 21, 2016 Prepared Direct Testimony as well as the Prepared
9 Direct Testimony of Tuan Nguyen and Reginald M. Austria and this Supplemental Testimony,
10 the proposed CIP is a fully elective, optional, and nondiscriminatory tariff service that will offer
11 an incentive to customers that is fully funded by shareholders. The proposed CIP will provide
12 customers an opportunity to acquire new natural-gas technology that is cleaner or more energy
13 efficient than an alternative technology the customer would have otherwise chosen.

14 **II. SHOULD THE COMMISSION REAUTHORIZE SOCALGAS’**
15 **CUSTOMER INCENTIVE PROGRAM?**

16 **A. Is the Application fully and satisfactorily addressing the Commission’s**
17 **concerns as expressed in Resolution G-3515? (Witness: Rasha Prince)**

18 Yes. The California Public Utilities Commission’s (Commission or CPUC) *Resolution*
19 *G-3515 Southern California Gas Company Report on Core Pricing Flexibility and Noncore*
20 *Competitive Load Growth Opportunities Programs* dated May 12, 2016 (Resolution), Ordering
21 Paragraph 6 required SoCalGas to submit the Application seeking reauthorization of the Core
22 Pricing Flexibility Program and the Noncore Competitive Load Growth Opportunities Program
23 (the Programs).² In the Resolution, the Commission raised the following questions regarding the
24 Programs:

- 25 1. Whether these programs remain consistent with legislation that has been enacted
26 subsequent to the Programs’ institution and current Commission policy;
27 2. Whether the shareholder/ratepayer split of incremental net revenue from the Core
28 Pricing Flexibility Program is consistent with D.98-01-040;

¹ SoCalGas’ sponsoring witness is identified in the Chapter or Section headings.

² The Core Pricing Flexibility Program and the Noncore Competitive Load Growth Opportunities Program are referred to collectively as the Programs. The modification to the Programs as submitted for approval in Application (A.)16-12-010 is referred to as CIP.

1 3. Whether the adjustment mechanism for crediting base revenue to the Core Fixed
2 Cost Account (CFCA) is reasonable; and

3 4. Whether there are sufficient mechanisms to deter free riders.

4 SoCalGas initially described how the proposed CIP addressed each of the aforementioned
5 questions raised by the Commission in my December 21, 2016 Prepared Direct Testimony and
6 the Prepared Direct Testimony of Tuan Nguyen and Reginald M. Austria as outlined below. We
7 further address these questions in this Supplemental Testimony:

8 1. Section II of my policy testimony addresses the policy foundations for the
9 proposed CIP including how the CIP supports State energy policy;

10 2. Section II.C of the Prepared Direct Testimony of Tuan Nguyen provides examples
11 of how the shareholder/ratepayer split is determined and provides an overview of
12 the general mechanics applied for determining an incentive amount;

13 3. Section II of the Prepared Direct Testimony of Reginald M. Austria discusses the
14 regulatory accounting treatment of revenues and cost of the CIP; and

15 4. Section III of the Prepared Direct Testimony of Tuan Nguyen discusses the
16 proposed program controls to deter free riders.

17 **B. Does the proposed Customer Incentive program support current California**
18 **state policies? (Witness: Rasha Prince)**

19 Yes. The proposed CIP supports the legislative intent of existing laws and State energy
20 policies. For example, Senate Bill (SB) 350 calls for increased energy efficiency which requires
21 the State to double statewide energy efficiency savings in electricity and natural gas end uses by
22 2030. Additionally, Public Utilities Code (PUC) Section § 740.8(b) requires the reduction of
23 health and environmental impacts from air pollution or the reduction of greenhouse gas (GHG)
24 emissions related to electricity and natural gas production and use.³ The proposed CIP is
25 designed to support SB 350 and § 740.8(b) because it requires customers to save energy or
26 reduce emissions through the following criteria as presented in the Prepared Direct Testimony of
27 Tuan Nguyen⁴:

28 1. Technology must achieve GHG emissions or criteria air pollutant reductions;

³ Amended by Stats. 2015, Ch. 547, Sec. 31. Effective January 1, 2016.

⁴ Prepared Direct Testimony of Tuan Nguyen at 2-3.

2. Onsite generation or Combined Heat and Power (CHP) must meet the Federal Energy Regulatory Commission (FERC) efficiency standards;
3. Technology must qualify for a Leadership in Energy and Environmental Design (LEED) point; or
4. Technology must be at least 10% more efficient than the lower cost alternative.

As discussed in my Prepared Direct Testimony, the proposed CIP will assist SoCalGas' customers to develop cleaner and/or more efficient projects by supporting them to invest in gas technology that could achieve ongoing operating cost and efficiency savings.⁵ The proposed CIP is designed to bridge the gap so that when customers are presented with a choice between a cleaner or more efficient option or a cheaper, dirtier one, customers will have a financial incentive to choose the former. Incentives have helped customers be innovative in growing their businesses while reaching State energy and environmental goals as expressed by Weber Metals, Inc.⁶ and Houweling Nurseries Oxnard, Inc.⁷ as described in Attachment A. Programs such as the proposed CIP provide greater opportunities for customers and developers⁸ to competitively grow and retain their businesses in California.⁹ Additionally, the proposed CIP is supported by certain air quality districts as evidenced by the letters included in Attachment B of this Supplemental Testimony.

Moreover, the CIP can fill the gap that is created by underutilized and sunseting incentives such as the Assembly Bill (AB) 1613 Feed-In Tariff and Federal Government's investment tax credit (ITC) as discussed in my Prepared Direct Testimony.¹⁰

⁵ Prepared Direct Testimony of Rasha Prince at 5.

⁶ Attachment A.1 was included as Attachment A to the Notice of Ex Parte Communication filed by SoCalGas on June 29, 2017 in this proceeding.

⁷ SoCalGas received Attachment A.2 ("Motion from Houweling Nurseries Oxnard, Inc. to the Application of Southern California Gas Company to Address the Issues Raised by the Commission in Resolution G-3515 to Reauthorize its Current Rule 38/Optional Pricing Tariff (OPT) Programs (A.16-12-010)" dated January 27, 2017) to this Supplemental Testimony in the mail. However, it does not appear in the docket for this proceeding.

⁸ Developers include, but are not limited to, technology manufacturers, project developers, and contractors.

⁹ See Attachment A.1 at 1-2.

¹⁰ Prepared Direct Testimony of Rasha Prince at 6.

1 **C. If the Customer Incentive Program is reauthorized, will it increase load**
2 **growth? (Witness: Tuan Nguyen)**

3 SoCalGas does not expect the project portfolio of the proposed CIP to result in a net
4 increase in natural gas throughput, because we do not expect emissions reduction based projects
5 to outnumber energy efficiency based projects. The proposed CIP is intended to incentivize a
6 customer to choose the more efficient or cleaner technology which may have otherwise proven to
7 be cost prohibitive or uncompetitive. Although there may be some load growth on a case by case
8 customer basis, we anticipate that the net impact when all scenarios are considered would be a
9 decrease in load.

10 The scenarios below describe the net effect each criterion is expected to have on natural
11 gas demand.

12 **1. Technology Must Reduce GHG Emissions or Criteria Air Pollutants**

13 A customer can qualify for the CIP by showing that they are reducing emissions. For
14 example, a customer who is using propane to pump water may use incentives offered through the
15 proposed CIP to install a natural gas engine. As natural gas is cleaner than propane,¹¹ this would
16 reduce GHG emissions and would qualify for an incentive through the proposed CIP. Under this
17 scenario, while natural gas usage would increase, emissions are decreasing thereby providing an
18 environmental benefit.

19 **2. Onsite Generation or CHP Must Meet FERC Efficiency Standards**

20 The proposed CIP requires customers installing a CHP system to meet the FERC
21 efficiency of 42.5%.¹² According to the California Energy Commission (CEC), in 2015,
22 approximately 50% of California's total electricity came from fossil fuels; 44% of electricity
23 came from natural gas. Approximately 22% of the power came from renewables, with another
24 9% coming from nuclear.¹³ While California is headed to a 33% renewable goal in 2020 and
25 50% by 2030, the renewables portion of the electric portfolio will most likely offset the nuclear
26 power, which is to sunset in 2025 and the expiring coal contracts. Therefore, even in the future,

¹¹ See U.S. Energy Information Administration (EIA) "Carbon Dioxide Emissions Coefficients."
Available at https://www.eia.gov/environment/emissions/co2_vol_mass.php.

¹² FERC efficiency calculation is $(\text{Power Output} + \frac{1}{2} * \text{useful waste heat} / \text{Lower Heating Value})$. As the FERC efficiency only accounts for $\frac{1}{2}$ the waste heat, the actual total system efficiency will be higher.

¹³ See CEC "Total System Electric Generation." Available at:
http://www.energy.ca.gov/almanac/electricity_data/total_system_power.html.

1 natural gas would still be generating approximately 40% of California’s electricity.¹⁴ Generally
2 speaking, natural gas electric generation will be the last units turned on and the first units turned
3 off. The intermittency of renewables does not allow them to be baseload resources; thus, leaving
4 natural gas generators able to meet the need. As such, until the electric grid reaches 100%
5 renewable resources, any electricity offset with CIP-eligible technology, such as CHP, would
6 likely be offsetting the fossil fuel generation portion of the grid.

7 As the average efficiency of natural gas generation on the grid has been 40%¹⁵ over the
8 past several years, onsite generation or CHP should reduce the overall natural gas usage due to
9 the higher efficiency of the onsite generation or CHP units compared to the efficiency of natural
10 gas generation currently on the grid.

11 **3. Technology Must Qualify for a LEED Point**

12 A customer can qualify through the program by choosing technology that qualifies for a
13 LEED point. For example, a furnace that qualifies for a LEED point would require an Annual
14 Fuel Utilization Efficiency (AFUE) of 90, as compared to the standard level of 80.¹⁶ The higher
15 AFUE results in the customer using less gas than they would have if they chose the less efficient
16 technology.

17 **4. Technology Must be at Least 10% More Efficient**

18 A customer can qualify by showing that the technology is 10% more efficient than a
19 cheaper alternative. For example, where a rich burn engine is cheaper for a customer to install
20 than a lean burn engine,¹⁷ the customer may choose the rich burn engine to save capital cost even
21 though the lean burn engine would be more efficient. An incentive through the proposed CIP

¹⁴ *Id.* When the mix of California reaches 40% renewable, it will mostly be covered by the loss of nuclear and coal [9%(Nuclear) + 6% (Coal)+22% (Renewables) = 37%], leaving natural gas with about 40% of the energy mix.

¹⁵ Calculation performed from EIA data. Electric power industry generation by primary energy source, 1990 through 2014 and Electric power industry emissions estimates, 1990 through 2014. Using 2014 as an example, Natural Gas Power Plants Emitted 54,852,000 metric tons of CO2 while Producing 120,426,435 MWh. As CO2 has a factor of 53.07 kg/MMbtu, [54,852,000 * (1000kg / 1 metric ton) * (1,000,000 btu / 53.07 kg CO2)] / (120,426,435,000 kWh) = 8582.65 btu/kWh. As there are 3412 btu/kWh, 3412 / 8582.65 = 39.7% efficiency.

¹⁶ See U.S Green Building Council LEED “Space Heating and Cooling Equipment.” Available at <https://www.usgbc.org/credits/homes/v4-draft/eac10>.

¹⁷ Rich burn engines run close the exact ratio of fuel to air needed while lean burn engines use excess air so that all fuel is combusted.

1 would encourage the customer to install a lean burn engine that uses less natural gas thereby
2 reducing the load the customer could have brought on by using a cheaper alternative.

3 **D. If the reauthorized Customer Incentive Program will increase load growth,**
4 **will the additional growth reduce system reliability? (Witness: Tuan**
5 **Nguyen)**

6 As a majority of the proposed CIP's eligibility criteria requires a customer to use less
7 load than they would have used otherwise, it is not anticipated that the proposed CIP would
8 reduce system reliability. Instead, it is expected that the proposed CIP would result in net
9 reduced load compared to what would be brought online without CIP.

10 **III. ARE THE PROPOSED INCENTIVES DUPLICATIVE OF,**
11 **OVERLAPPING WITH, OR COMPLEMENTARY TO INCENTIVES**
12 **OFFERED BY OTHER PROGRAMS? (WITNESS: TUAN NGUYEN)**

13 **A. Are the program components, such as a proposed increase in energy**
14 **efficiency standards, consistent with similar components in programs such as**
15 **the Self Generation Incentive Program and the SoCalGas Distributed Energy**
16 **Resources Tariff?**

17 The CIP is not duplicative or overlapping to programs such as the Self Generation
18 Incentive Program (SGIP) or the Distributed Energy Resources Services (DERS) Tariff. Under
19 DERS, SoCalGas owns, operates and maintains the equipment.¹⁸ SoCalGas prices the DERS
20 Tariff to include cost and rate components, adjustments, performance requirements and payment
21 terms agreed upon in advance by the customer and SoCalGas.¹⁹ The customer receives
22 electricity and useful heat from the operation of the equipment without having to spend its own
23 capital to install the equipment and avoids having to use internal resources to operate and
24 maintain the equipment. Participating in DERS does not reduce the operating or capital cost of
25 the project. Instead, the DERS program enables the customer to lease equipment from SoCalGas
26 and pay for its operation and maintenance on a monthly basis.

27 The proposed CIP, on the other hand, is an incentive program that either reduces the cost
28 of the technology by way of an upfront incentive payment, or reduces the operating cost of the
29 technology through a tariff rate reduction. Participation in the proposed CIP will improve

¹⁸ See Schedule GO-DERS. Available at https://www.socalgas.com/regulatory/tariffs/tm2/pdf/GO-DERS_.pdf.

¹⁹ D.15-10-049, Ordering Paragraph 10.

1 project economics by shortening the simple payback period of each project as described in my
2 Prepared Direct Testimony.²⁰ Unlike the DERS program, customers participating in the
3 proposed CIP are expected to own, operate and maintain their technology.

4 In the case of SGIP, the proposed CIP is consistent with SGIP's FERC efficiency
5 standards while supplementing the program's offerings.²¹ However, SGIP is a ratepayer funded
6 program whereas the proposed CIP is completely funded by shareholders. Furthermore, SGIP's
7 new RNG requirements have limited CHP customers from participating in SGIP, due to high
8 costs. Since the new RNG requirements²² have been in effect for SGIP, SoCalGas has received
9 no natural gas fired CHP SGIP applications to date. Therefore, the proposed CIP may improve
10 project economics enough to encourage CHP customers to participate in SGIP.

11 **B. Is the program properly designed to deter free riders?**

12 In my Prepared Direct Testimony, I discuss the primary components of the program
13 controls in place to deter free riders. Customers are required to demonstrate their qualification
14 for the incentive funds through an individual affidavit form²³ which requires the customer to
15 attest that the CIP was a material factor for installing the technology. The affidavit was
16 previously approved by the Commission²⁴ and requires customers to certify that the form is true
17 and correct under penalty of perjury under the laws of the State of California. SoCalGas will
18 also conduct a payback analysis to determine if the project has over a three-year payback. For
19 example, SoCalGas will compare the extra cost of energy efficient equipment to a standard piece
20 of equipment and the savings that would occur. If the value of the energy savings is not enough
21 for the customer to make up the difference in cost within three years of operation, then the
22 technology would qualify for the CIP.

²⁰ Prepared Direct Testimony of Tuan Nguyen at 7.

²¹ See SGIP "Commercial Minimum Operating Efficiency Worksheet." Available at https://www.selfgenca.com/documents/application_forms/moew/commercial.

²² See Decision (D.)16-06-055 at 2. "Beginning with program year 2017, generation projects consuming natural gas must use a minimum of 10% biogas to receive an SGIP incentive. The minimum requirement increases to 25% in 2018, 50% in 2019, and 100% in 2020;"

²³ See Appendix B, 6700-1B Customer Incentive Program Affidavit. Available at <https://www.socalgas.com/regulatory/A16-12-010.shtml>

²⁴ See Sample Forms, Contracts – Rule No. 38 Affidavit, Form No. 6700-1B (5/00) approved by Advice Letter (AL) 2917. Available at https://www.socalgas.com/regulatory/tariffs/tm2/pdf/Rule38_Affidavit.pdf.

1 In addition to showing that the proposed incentive/discount is a material factor for
2 completing the project, customers must also specify a minimum of natural gas to be consumed
3 each year of the contract which is referred to as Minimum Annual Quantities (MAQ). The MAQ
4 requirement obligates the customer to operate their technology in order to realize the efficiency
5 and emissions benefits of the technology.

6 **IV. IS THE PROPOSED SHAREHOLDER/RATEPAYER SPLIT FAIR AND**
7 **REASONABLE? (WITNESS: TUAN NGUYEN)**

8 The shareholder and ratepayer split proposed in the CIP is fair and reasonable to
9 SoCalGas' ratepayers as all the risk associated to the CIP is borne by SoCalGas' shareholders.
10 The proposed CIP isolates ratepayers from any risk under this program as described in the
11 Prepared Direct Testimony of Reginald M. Austria.²⁵

12 In addition, ratepayers should benefit from the expected increased revenues. As
13 illustrated in Attachment 1, Example 1 of my Prepared Direct Testimony, assuming a 20-year
14 useful life technology, shareholders would earn 100% of the revenue for the first 59 months and
15 100% of the revenue for the remaining 181 months (15 years) would benefit ratepayers.
16 Shareholders will also guarantee that the ratepayers are provided with an added benefit of an
17 increase to the Public Purpose Program (PPP) surcharge revenue. As described in my Prepared
18 Direct Testimony, SoCalGas' shareholders will contribute to the PPP account any shortfalls from
19 the expected additional PPP revenue.²⁶ The added PPP revenue should benefit all ratepayers as
20 increasing revenue should lead to decreasing rates. SoCalGas will compare the actual and
21 expected incremental load, and credit the PPP balancing account with any shortfall of
22 incremental load that occurs. For example, if a customer is expected to bring on 4,000 therms of
23 new load and the PPP surcharge is \$0.01/therm, the expected additional PPP revenue is \$40. If
24 the customer only uses 3,950 therms, there would be a \$0.50 shortfall (\$40 minus \$39.50) of
25 what is expected.²⁷ In that example, SoCalGas shareholders will pay the \$0.50 into the PPP
26 balancing account, ensuring that ratepayers receive the full expected benefit.²⁸

²⁵ Prepared Direct Testimony of Reginald M. Austria at 1-4.

²⁶ Prepared Direct Testimony of Tuan Nguyen at 9.

²⁷ Example 4 of Attachment 1 of the Prepared Direct Testimony Tuan Nguyen is corrected here and will be corrected on the stand.

²⁸ Prepared Direct Testimony of Tuan Nguyen at 17.

1 **V. ARE THE PROPOSED COST TRACKING PROCEDURES AND**
2 **REGULATORY ACCOUNTING TREATMENT REASONABLE?**
3 **(WITNESS: REGINALD M. AUSTRIA)**

4 Yes, the regulatory tracking procedures and accounting treatment presented in my
5 Prepared Direct Testimony are reasonable because ratepayers are isolated from any risk of the
6 proposed CIP.

7 **A. Should the Commission approve tariff GO-CIP, which will serve as the sole**
8 **and stand-alone tariff for the CIP?**

9 Yes, the Commission should approve the proposed tariff GO-CIP as the sole and stand-
10 alone tariff for the proposed CIP. SoCalGas requests that the CIP be offered to new customers
11 and that the Commission allow for customers with existing contracts under the Programs to be
12 allowed to fulfill the term of their contracts. SoCalGas currently uses the CFCA and the
13 Noncore Fixed Cost Account (NFCA) as separate balancing accounts for core and noncore
14 customers, respectively, to ensure that applicable revenues are properly allocated to the
15 respective rate classes. Those balancing accounts will continue to be used to adjust for the
16 shareholder's incremental load revenues realized under the new CIP so that the remaining
17 balances in those accounts are accurate for proper rate distribution between core and noncore
18 customers.

19 **B. Should the Commission authorize closure of Rule 38, GO-ET, GTO-ET,**
20 **GO-IR and GTO-IR to any new customers once a decision is issued in this**
21 **Application?**

22 Yes, the Commission should authorize the closure of Rule 38, GO-ET, GTO-ET, GO-IR
23 and GTO-IR to any *new* customers once a decision is issued in this Application. The proposed
24 tariff GO-CIP will serve as the sole stand-alone tariff for the proposed CIP.
25

ATTACHMENT A

CUSTOMER EXPERIENCE

ATTACHMENT A.1

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

April 5, 2016

To whom it may concern:

Based on our work with Southern California Gas over the past couple years in regards to our manufacturing facility expansion, we would like to thank SoCal Gas for helping to provide Rule 38 incentive funding to support the construction and installation of a 115,000 square foot building to house and equip a new 60,000 ton hydraulic-forging press at our facility in Paramount, California. This will be the largest hydraulic press installed in the western hemisphere and provide the foundation for significant growth at Weber Metals beyond its current capacity limitations.

In the first phase of the project, Weber plans to install (4) four new large furnaces in the new forging hall to support the new 60,000 ton forging press. As this new facility ramps up, it is expected that an additional (5) five furnaces will be added into the above mentioned 115,000 square foot new building, as well as (3) three more furnaces in upstream operations to support the increase in production. In total, the added forging capacity of this investments is expected to require (12) twelve additional furnaces at Weber in order to meet full capacity demands ranging in size from 7 MMBTUH to 14 MMBTUH each. These furnaces, along with the new 60,000 ton press, will be the largest privately financed forging press facility in the world and enable Weber to produce large structural components from high strength super-alloys for aerospace applications.

As a part of this planned expansion, Weber intends to incorporate significant environmentally sustainable elements into the design of the project that will reduce energy consumption, water use, solid waste, and air pollution. For example, the design of the hydraulic system is expected to reduce energy consumption by 12%, more efficient furnace technology is anticipated to reduce air pollutants by 15% and there is expected to be a 10% reduction in water use and 5% reduction in solid waste production relative to Weber's existing operations. To achieve these improvements several design changes and improvements are being incorporated into the equipment by Weber.

For the largest structural parts, Weber is procuring a large high temperature rotary furnace with a 30 foot working zone. This furnace is expected to significantly minimize heat losses in comparison to the traditional box style batch furnaces used. Further, advanced energy efficient FLOX burners are being considered in this design. For the planned new die furnaces and conveyor furnace, Weber is planning to improve efficiencies over current industry practices and Weber's current facility by minimizing heat loss through features such as active door sealing designs, improved heating throughput of the furnace through the use of high velocity burners, and dimensionally sizing the working zones of the furnaces to match batch sizes to maximize efficiency. Weber expects that the technology involved with this expansion project will be a tremendous showcase of efficient and innovative design

When our German based parent company (Otto Fuchs KG) evaluated alternative locations for this project, the economics were a major issue. News of this project proposal attracted the attention of several southeastern states which lobbied Weber's parent to consider relocating the facility to an alternative site outside of California. Weber's preliminary 10 year payback analysis showed that without incentives, the costs to expand the current Weber Metals facility in California was higher than alternative locations identified in southeastern states. The Rule 38 funding received by Weber, along with other identified incentives help overcome the economic obstacles and solidified a decision from Otto Fuchs KG to invest in southern California. This investment will have significant benefits to the aerospace supply chain in

southern California and help retain 476 skilled, high paying jobs at Weber, as well as provide an additional 86-92 FTE jobs with this highly efficient manufacturing expansion project.

Weber would like to thank SoCal Gas for their consideration and support with the Ruled 38 funding and looks forward to a mutually rewarding partnership with Southern California Gas as we continue with this expansion project.

With best regards,



Justin Owen
Director of Finance
Weber Metals

ATTACHMENT A.2

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Gas Company to address the issues raised by the Commission in Resolution G-3515 to reauthorize its current Rule 38/Optional Pricing Tariff (OPT) programs.

Application 16-12-010
(Filed May 12, 2016)

MOTION FROM HOUWELING NURSERIES OXNARD, INC. TO THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY TO ADDRESS THE ISSUES RAISED BY THE COMMISSION IN RESOLUTION G-3515 TO REAUTHORIZE ITS CURRENT RULE 38/OPTIONAL PRICING TARIFF (OPT) PROGRAMS (A. 16-12-010)

January 27, 2017

Casey Houweling
Chairman of Board
Houweling Nurseries Oxnard, Inc.
645 W Laguna Road
Camarillo, CA 93012
Phone: (805)271-5105
Fax: (805) 271-5107
Casey.houweling@houwelings.com

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Gas Company to address the issues raised by the Commission in Resolution G-3515 to reauthorize its current Rule 38/Optional Pricing Tariff (OPT) programs.

Application 16-12-010
(Filed May 12, 2016)

MOTION OF HOUWELING NURSERIES OXNARD, INC. TO THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY TO ADDRESS THE ISSUES RAISED BY THE COMMISSION IN RESOLUTION G-3515 TO REAUTHORIZE ITS CURRENT RULE 38/OPTIONAL PRICING TARIFF (OPT) PROGRAMS (A. 16-12-010)

Pursuant to the May 12, 2016 *Application of Southern California Gas Company to Address the Issues Raised by the Commission in Resolution G-315 to Reauthorize its Current Rule 38/Optional Pricing Tariff (OPT) programs*, Houweling Nurseries Oxnard, Inc. respectfully submits a motion.

I. Introduction

Houweling's Tomatoes, is a family owned, world-renowned greenhouse tomato grower with facilities in Camarillo, CA, Mona, UT and Delta, BC. Founded by Cornelius Houweling and now led by his son Casey, Houweling's is dedicated to delivering a full complement of tomatoes and cucumbers, while constantly innovating to reduce its environmental footprint.

The Houweling's vision for sustainability is based on the principles of environmental soundness, economic feasibility and social equity. Houweling's has made tremendous inroads toward fulfilling this vision, such as generating solar electric power, conserving water, minimizing pest and plant disease, and providing year-round jobs for 400+ employees in Camarillo. Five acres of photovoltaic solar panels at the Camarillo, CA site provide one megawatt of electricity. A four-acre on-site retention pond captures rainwater and runoff, filtration technology cleans and recirculates, and computer-monitored drip irrigation conserves water. In California, we produce in excess of 24 times the amount of tomatoes as traditional field farming. Heat is collected from refrigeration equipment, solar thermal and irrigation water for use in heating the greenhouses. Over 90% of waste is recycled. The 13.2 megawatt heat-and-power cogeneration technology at Camarillo is the first of its kind in the United States to capture traditionally wasted heat,

water and CO₂ for use within the greenhouse. This technology aligns Houweling's with the State of California goals in energy and environmental sustainability.

Houweling's is proud to be one of the most innovative Greenhouse Growers in North America, but with innovation comes great financial investment and Houweling's has been fortunate to benefit from Southern California Gas Company's Rule 38 Equipment Incentive Program, making much of this innovation possible.

II. Comments

Houweling Nurseries Oxnard, Inc. appreciates the opportunity to provide a motion on the Application filed by Southern California Gas Company (SoCalGas) to reauthorize Rule 38.

In 2011, Houweling Nurseries executed a Rule 38 Equipment Incentive Program Agreement with Southern California Gas Company. This resulted in a \$100,000 incentive that was paid upon the commissioning of the first phase of the Cogen system, comprising two 4.4 mW Jenbacher engines and associated equipment. This technology meets all four standards to qualify for the California Incentive Program (CIP). The system achieves GHG emissions and criteria air pollutant reductions, it meets the Federal Energy Regulatory Commission (FERC) standards, qualifies for a Leadership in Energy and Environmental Design, and is at least 10% more efficient than the lower cost alternative. The engines came on line in December of 2011 and a third 4.4 mW engine was installed and operational by October of 2013.

This financial incentive provided Houweling's with the ability to install the new technology, as investment costs and innovation are highly expensive. If the CIP is not reauthorized, innovative companies like Houweling's will suffer a great financial burden, making innovation nearly impossible in order to reach the State of California's energy and environmental goals, and just another impediment along the way towards efficiency. Houweling's stresses the crucial importance for the CIP, as a very strong supporter of the program. Houweling's is an innovator and pioneer in innovation for carbon and energy reduction goals and can only hope such Incentive Programs continue, to make these goals possible.

III. Conclusion

Houweling Nurseries Oxnard, Inc. wishes to thank the CPUC Staff for their time and consideration towards reauthorizing the California Incentive Program.

Dated January 27, 2017

Respectfully submitted,

/s/ Casey Houweling

Casey Houweling
Chairman of Board
Houweling Nurseries Oxnard, Inc.
645 W Laguna Road
Camarillo, CA 93012
Phone: (805)271-5105
Fax: (805) 271-5107
Casey.houweling@houwelings.com

ATTACHMENT B

LETTERS FROM AIR QUALITY DISTRICTS

ATTACHMENT B.1



Mojave Desert Air Quality Management District

14306 Park Avenue, Victorville, CA 92392-2310

760.245.1661 • fax 760.245.2699

Visit our web site: <http://www.mdaqmd.ca.gov>

Brad Poiriez, Executive Director

January 30, 2017

Timothy J. Sullivan, Executive Director
California Public Utilities Commission
320 W 4th St #500
Los Angeles, CA 90013

Re: Southern California Gas Company Customer Incentive Program

Dear Mr. Sullivan:

The Mojave Desert Air Quality Management District (District) is the local air regulatory agency for 20,000 square miles of San Bernardino County and Riverside County. Air quality in the District, as well as in California as a whole, is challenged by emissions from the existing universe of emission sources. The dominant source of emissions impacting ambient air in the District is the greater Los Angeles area with its large population and many stationary sources.

The District supports the customer incentive program as a means to increase the rate and number of clean and efficient natural gas technology installations and retrofits, each of which will serve, by definition, to reduce the emissions in the greater Los Angeles area and indirectly benefit air quality in the District. In particular the District supports the incentive to use renewable natural gas from an overall energy efficiency basis and from a broader reduced greenhouse gas emissions basis.

If you have any questions regarding this letter, please contact Alan De Salvio of my staff at (760) 245-1661, extension 6726.

Sincerely,

A handwritten signature in blue ink that reads "Brad Poiriez".

Brad Poiriez
Executive Director

cc: Noel Muyco, Southern California Gas Company

BP/AJD

CIPSupport

ATTACHMENT B.2



Antelope Valley Air Quality Management District
43301 Division St., Suite 206
Lancaster, CA 93535-4649

661.723.8070

January 30, 2017

Timothy J. Sullivan, Executive Director
California Public Utilities Commission
320 W 4th St #500
Los Angeles, CA 90013

Re: Southern California Gas Company Customer Incentive Program

Dear Mr. Sullivan:

The Antelope Valley Air Quality Management District (District) is the local air regulatory agency for the northern, desert portion of Los Angeles County. Air quality in the District, as well as in California as a whole, is challenged by emissions from the existing universe of emission sources. The dominant source of emissions impacting ambient air in the District is the greater Los Angeles area with its large population and many stationary sources.

The District supports the customer incentive program as a means to increase the rate and number of clean and efficient natural gas technology installations and retrofits, each of which will serve, by definition, to reduce the emissions in the greater Los Angeles area and indirectly benefit air quality in the District. In particular the District supports the incentive to use renewable natural gas from an overall energy efficiency basis and from a broader reduced greenhouse gas emissions basis.

If you have any questions regarding this letter, please contact Bret Banks of my staff at (661) 723-8070, extension 2.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brad Poiriez", is written over a light blue circular stamp.

Brad Poiriez
Executive Director

cc: Noel Muyco, Southern California Gas Company

BP/AJD

CIPSupportAV