Exhibit No: ____________

Application: A.19-02-015

Witness: Tanya Peacock

Chapter: 6

PREPARED REBUTTAL TESTIMONY OF

TANYA PEACOCK

ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

AND SAN DIEGO GAS & ELECTRIC COMPANY

(POLICY)

October 31, 2019

CHAPTER 6

PREPARED REBUTTAL TESTIMONY OF TANYA PEACOCK

(POLICY)

I. PURPOSE

The purpose of my prepared rebuttal testimony on behalf of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E, and jointly herein the Utilities) is to address intervenor testimony regarding the proposed Renewable Natural Gas (RNG) Tariff program. My testimony will respond to policy issues brought up in intervenor testimony, including the relationship of the RNG Tariff program to California's Renewable Portfolio Standard (RPS), Senate Bill (SB) 1440, the Green Tariff Shared Renewables (GTSR) program, and concerns about in-state benefits flowing from the program if out-of-state supplies are included.

My testimony will address the following testimony from other parties:

- Public Advocates Office (Cal Advocates) as submitted by witnesses Thomas Gariffo and Crystal Yeh, dated October 14, 2019
- The Utility Reform Network (TURN) as submitted by Matthew Freedman, dated October 14, 2019
- Agricultural Energy Consumers Association (AECA) as submitted by Michael Boccadoro, dated October 14, 2019
- Coalition for Renewable Natural Gas (RNG Coalition or RNGC) as submitted by Sam Wade, dated October 14, 2019
- Environmental Defense Fund (EDF) as submitted by Michael Colvin, dated October 14, 2019
- Sierra Club/Leadership Counsel as submitted by Dustin Mulvaney, Julia Jordan, and Leslie Martinez, dated October 14, 2019
- Wild Tree Foundation (WTF) as submitted by Thomas R. Del Monte, dated October 14, 2019

As a general matter, it should be noted that several parties that filed intervenor testimony including the EDF, WTF, Sierra Club/Leadership Counsel, and the AECA, raise energy and environmental policy issues that are either currently being addressed in other proceedings, or will likely be in the scope of yet to be initiated proceedings. The scope of the RNG Tariff proceeding should be viewed narrowly, as the program is a voluntary program for core customers that is designed not to affect those who choose not to participate. Issues such as the future of the entire natural gas system in California, the most efficient and cost-effective approach to building decarbonization, and the question of where dairies should be located and how they should be operated are not in scope, and should be addressed in the proper proceeding or venue to avoid confusion and duplication.

Although I have not responded to every issue raised by others in our rebuttal testimonies, this should not be construed as agreement by the Utilities with the proposals or contentions made by other parties.

II. AN OPTIONAL TARIFF SHOULD NOT BE LIMITED BY EXISTING ELECTRICAL STATUTORY REGIMES OR YET-TO-BE-DETERMINED PROGRAMS

Both TURN and AECA have suggested that the RNG Tariff be subject to the RPS and the SB 1440 limitations for biomethane.[1] The program contemplated by the Utilities should be considered separately because 1) an optional tariff for one utility should not be limited by statutory regimes to recover costs for a statewide electric renewable energy program like the RPS, and 2) anticipating the interplay with a program that is mostly undefined may result in a program that is more restrictive than it needs to be, resulting in higher costs, lower participation rates, or insufficient supply.

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[1] TURN testimony, p. 6; and AECA testimony, p. 6.

First, comparison to an established statewide statutorily mandated program that provides cost recovery through all customers is fundamentally different than a much smaller voluntary program that must be self-sustaining. California's RPS program was established in 2002 by SB 1078 (Sher, 2002) with the initial requirement that 20% of electricity retail sales must be served by renewable resources by 2017. The program was accelerated in 2015 with SB 350 (de León, 2015) which mandated a 50% RPS by 2030.[2] The Green Tariff Shared Renewables (GTSR) program was implemented after the original RPS had been in effect for over 10 years, starting in 2015 pursuant to Decision (D.)15-01-051[3]; therefore, the provisions of the program and market dynamics are not comparable to the RNG Tariff. The RPS acts as a backstop for the GTSR program by providing a means for the costs of oversupplies to be recovered. Until such time that we can utilize the information learned from the program about the RNG market, and the market develops more, the Utilities need access to diverse RNG supplies to minimize the RNG cost premium over traditional natural gas. Imposing the eligibility criteria for biomethane used in the RPS program[4] on the RNG Tariff could result in a program with higher costs than necessary that fails to sign up participants as a result.

Second, the regulatory process to determine the SB 1440 program has not yet been initiated, and it is thus premature to impose requirements from SB 1440 on the RNG Tariff. All that SB 1440 technically requires is for the Commission to consider adopting goals for biomethane for gas corporations. While in-state biomethane supplies are contemplated in SB 1440, it does not restrict utility procurement of other RNG for other programs. A proceeding to provide the venue for this consideration has not yet been opened. As discussed in the Rebuttal

[2] https://www.cpuc.ca.gov/rps/
[3] https://www.cpuc.ca.gov/General.aspx?id=12181
[4] TURN testimony, p. 7.

Testimony of Andrew Cheung, restriction to in-state only supplies as required by SB 1440 unnecessarily restricts the Utilities' procurement strategy without demonstrable benefits. Ultimately, the Utilities' goals in creating the RNG Tariff is to provide customers with an option for decarbonizing their thermal energy use while helping meet greenhouse gas and Short Lived Climate Pollutants (SLCP) reduction goals, and to encourage the "flexibility of pipeline-injected RNG, which can [be] shifted across sectors over time using existing infrastructure, [and that] should be recognized as an important optionality in decarbonization planning…."[5] To meet those ends, the program should not be overly restricted by the imposition of requirements from a statewide renewable electricity program like the RPS or from a yet-to-be-determined regulatory proceeding to address implementation of SB 1440.

III. BENEFITS FLOWING TO CALIFORNIA

Several parties, including the Public Advocates Office (Cal Advocates), TURN, Wild Tree Foundation, and AECA submitted testimony recommending that the RNG Tariff be limited to procuring RNG only from California. Andrew Cheung's Rebuttal Testimony discusses the procurement and cost challenges associated with this approach. And, as acknowledged by Governor Newsom, "Carbon pollution knows no borders."[6] From a policy and market development perspective, a California-only approach would be potentially detrimental to California and California RNG producers because recently passed legislation in neighboring states[7] may soon create demand for RNG outside of California. Free and fair competition across state borders should be encouraged because demand for RNG in other states could support the

[5] RNG Coalition testimony, p. 9.
[6] https://www.gov.ca.gov/2019/10/23/governor-newsom-statement-on-trump-administrations-attack-on-californias-landmark-cap-and-trade-program/
[7] See Supplemental Direct Peacock testimony, p. 3

development of projects in California, which would result in SLCP reductions. These reductions would then contribute to meeting SB 32 and SB 1383 goals.[8] And as discussed in the RNG Coalition's testimony, if we want California-located RNG projects to be eligible to compete for out-of-state demand, California should provide the same opportunity for out-of-state suppliers.[9]

Furthermore, as discussed in the RNGC testimony, "as long as there exists both natural gas demand and methane being vented from waste streams, it is highly beneficial to the atmosphere to meet the demand using renewable gas derived from the captured methane, rather than conventional natural gas."[10] This perspective is included in the 2017 Air Resources Board (ARB) Scoping Plan, which found that "the cost-effectiveness of a strategy using RNG to reduce SLCPs was on par with other initiatives such as increasing the RPS and the Low Carbon Fuel Standard (LCFS) obligations to 60% and 18-25% respectively."[11]

This means that replacing natural gas demand in California with methane that would otherwise be vented or flared from waste streams is beneficial to California. The California Energy Commission (CEC) also made this finding in the Integrated Energy Policy Report (IEPR), stating that " . . . Projects and policies supporting cost-effective renewable gas development and use in California are important to achieving a significant reduction in methane and help achieve the short-lived climate pollutant goal of reducing methane 40% below 2013 levels by 2030."[12] The IEPR goes on to state that "(a)dditional policies may be needed, and agencies may also need to modify, reconfigure and enhance existing regulations, policies and

[8] See Peacock Direct testimony, p. 2.
[9] RNGC testimony, p. 12
[10] RNGC testimony, p. 4
[11] Table 9, p. 43 of ARB Scoping Plan https://ww3.arb.ca.gov/cc/scopingplan/scoping_plan_2017.pdf ; RNGC testimony, p. 4, fn 14.
[12] 2017 IEPR, p. 283.

programs to fully enable cost-effective commercialization of renewable gas and maximize methane emission reductions."[13]

The RNG Tariff is a program that, while narrow in scope, can help support the cost-effective commercialization of RNG and maximize methane emission reductions.

This concludes my prepared rebuttal testimony.

[13] Id.