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September 3, 2014

California Energy Commission
Dockets Office, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

California Energy Commission DOCKETED 14-IEP-1E
TN 73736 SEP 03 2014

RE: Docket No. 14-IEP-1E Comments of Southern California Gas Company on the 2014 IEPR Workshop on Southern California Electricity Reliability

Dear Commissioners:

SoCalGas appreciates the opportunity to comment on the Lead Commissioner Workshop on Southern California Electricity Reliability held on August 20, 2014 and provide additional information to address Commissioner Weisenmiller’s question regarding gas deliverability into San Diego posed during the Q&A session following Panel 2 of the CEC IEPR Workshop on electric reliability. As further described below, SoCalGas has taken several actions to further facilitate reliable gas service to support electric reliability.

1. **Gas-Electric Coordination** – SoCalGas’ Gas Control department communicates regularly with the CAISO regarding the availability of gas system capacity to serve electric generation requirements. The objective is to minimize outages and curtailments on both the electric grid and the SoCalGas/SDG&E gas systems.
2. **Low Operational Flow Order (Low OFO)** – On June 27, 2014, SoCalGas/SDG&E filed an application with the CPUC (A.14-06-021) proposing a Low OFO to replace its current Winter Balancing Rules. The Low OFO would require marketers, suppliers and customers to deliver sufficient supplies for their needs instead of diverting flowing supplies to higher-value markets when those supplies are needed in Southern California for reliability, a key cause of the December 6-11, 2013, and February 6-10, 2014 standby procurement service curtailments and the February 6, 2014 emergency curtailment of electric generators. SoCalGas/SDG&E’s proposed Low OFO requirements are similar to that employed by PG&E, which appeared to have adequately dealt with supply-related challenges on the PG&E system last winter, and in a manner that was more measured than the curtailments SoCalGas and SDG&E were forced to call.
3. **North-South Pipeline Project** – On December 20, 2013, SoCalGas/SDG&E filed an application with the CPUC (A.13-12-013) for authority to recover the cost of a new pipeline and compression capital project (the North-South Project) in customer rates. The North-South Project is needed to maintain Southern System reliability and alleviate the potential for curtailments of customers on the Southern System due to a potential mismatch between the demand of such customers and the volume of flowing supplies delivered to the Southern System. SDG&E and its electric generators are, among other customers, served from the Southern System. The North-South Pipeline Project would provide Southern System natural gas customers with the same level of reliability as customers elsewhere on our integrated transmission system by making it physically possible for Southern System customers to access gas supplies from SoCalGas’ storage and other receipt points.

SDG&E Potential Capacity Improvements: In the Pipeline Safety Rulemaking (D.11-06-017), the CPUC required SoCalGas and SDG&E to pressure test or replace those pipelines that lack sufficient documentation of pressure

testing. Due to system reliability and customer impacts, SDG&E/SoCalGas proposed a new line to be placed in service prior to the testing of the 16-inch diameter Line 1600 in SDG&E territory. This plan to build a new pipeline to enable the testing of Line 1600 for safety reasons presents an opportunity for SDG&E to resolve long-standing reliability and capacity issues in San Diego. The 30-inch diameter Line 3010 transports 90% of SDG&E's gas supply. An outage on this pipeline, either planned or unplanned, would be very disruptive. An outage will severely reduce the SDG&E system capacity leading to noncore curtailments (both interruptible and firm), as well as jeopardize our ability to maintain continuous, reliable service to core customers. Using a 36-inch diameter for the new pipeline will provide the redundancy that is critically needed on the SDG&E system. Additionally, SoCalGas also appreciates the ability to comments on Combined Heat and Power (CHP) and Distributive Generation (DG) reliability in SoCalGas service territory. DG is one of the four Preferred Resources in the CEC's Loading Order, following energy efficiency, demand response, and renewable energy.¹ Among the commercially available DG technologies, CHP has long been considered as the most energy efficient and cost effective form of DG. CHP systems provide on-site generation and thermal energy while using less fuel than in comparable conventional systems. Moreover, there is also the added benefit of eliminating electric transmission losses from using DG facilities.

As stated in the CEC Staff Report, *A New Generation of Combined Heat and Power: Policy Planning for 2030*: Well-designed CHP systems are the most energy-efficient and cost-effective form of thermal DG, providing benefits to California residents in the form of reduced energy costs, more efficient fuel use, fewer environmental impacts, improved reliability and power quality, locations near load centers, and support of utility transmission and distribution systems.²

Under AB 32, California has a goal of reducing greenhouse gas (GHG) emissions to 1990 levels by 2020. The 2008 Energy Action Plan Update stated that CHP could have a large role in GHG reduction due to combined efficiencies.³ The GHG reduction benefit from CHP was shown by the performance of the various CHP installations in the Self-Generation Incentive Program (SGIP). In 2012, the SGIP program reduced GHG emissions by 128,000 metric tons.⁴

The California electric utilities must comply with reliability guidelines and present the results in the Annual Reliability Reports (D.96-09-045).⁵ CEC recognized the importance of natural gas and CHP in supporting a smart grid. In the report prepared for the CEC, *California Utility Vision and Roadmap for the Smart Grid of 2020*, it states: CHP and other types of DER can support the grid by achieving kWh and kW reductions, while potentially lowering overall customer energy costs...Natural gas-fueled DERs and large-scale generators are generally fast ramping and dispatchable, and can be located strategically to support grid reliability and stability. Natural gas-fueled units not only provide relatively "clean" generation to the overall electric power supply, but also facilitate the integration of more renewable generation into the grid. Hence, optimally planning an entire suite of generation resources, considering the use of natural gas as fuel, is a strategically important linkage between the electric and gas industries.⁶

¹ CEC, Staff Report, *Implementing California's Loading Order for Electric Resources*, July 2005, p. 9.

² Neff, Bryan, CEC Staff Report, *A New Generation of Combined Heat and Power: Policy Planning for 2030*, September 2012, p. 1.

³ *2008 Energy Action Plan Update*, p. 15.

⁴ Itron, *2012 SGIP Impact Evaluation and Program Outlook*, February 2014, p. 6-1.

⁵ CEC, EPRI Report, *California Utility Vision and Roadmap for the Smart Grid of 2020*, July 2011, p. 23.

⁶ EPRI Report, p. 107.

On a national level, CHP is well regarded as a way of providing grid reliability, energy efficiency and lowering greenhouse gas emissions. While energy regulations in California differ from other states' regulations, it is useful to see how CHP benefits utilities and customers in other states.

The Department of Energy, Department of Housing and Urban Development, and Environmental Protection Agency highlighted the many benefits of using CHP for enhancing grid reliability

- Benefits of CHP:⁷
- Reduces energy costs for the user
- Reduces risk of electric grid disruptions and enhances energy reliability for the user
- Provides stability for the user in the face of uncertain electricity prices
- Offers a low-cost approach to new electricity generation capacity
- Provides an immediate path to lower greenhouse gas emissions through increased energy efficiency
- Lessens the need for new transmission and distribution (T&D) infrastructure and enhances power grid security

Another key benefit of CHP is its use as backup generation. In the aftermath of Hurricane Sandy, CHP provided reliable backup generation for many facilities, including hospitals, universities and public agencies.⁸

In conclusion, SoCalGas appreciates the Energy Commission's consideration of these comments and looks forward to its continuing collaboration with the Energy Commission in addressing electric reliability in Southern California.

Yours sincerely,



⁷ DOE/HUD/EPA Report, *Guide to Using Combined Heat and Power for Enhancing Reliability and Resiliency in Buildings*, p. 4.

⁸ DOE/HUD/EPA Report, p. 14.