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Transmitted via eCommenting: lcfs18

Re: Second 15-Day Comment Period for the Proposed Amendments to the Low Carbon Fuel Standard Regulation

Dear Mr. Wade:

Thank you for the opportunity to comment on the Second 15-Day Comment Period for the Proposed Amendments to the Low Carbon Fuel Standard (LCFS). As noted in previous comment letters, the LCFS has been successful in reducing carbon emissions in the state and has been a catalyst for alternative and renewable fuels. Below are SoCalGas' comments on the latest proposed LCFS Amendments.

Exemption for Small Fossil Compressed Natural Gas Users

In previous comment letters, SoCalGas asked for an exemption for small fossil compressed natural gas (fossil CNG) users that have yet to opt in to the LCFS Program. The purpose of an exemption would be to ensure small CNG station operators do not transition back to gasoline or diesel if required to immediately become regulated parties. This will provide industry time to develop products and services for these small CNG station operators that do not have the time or resources to perform additional regulatory tasks and to transition these customers to using renewable natural gas (RNG). You and your staff understood the SoCalGas recommendation and have worked closely with our team to find a solution. The latest changes to the proposed LCFS Amendments includes an exemption for fossil CNG users that use less than 150,000 gasoline gallon equivalent annually. This is a step in the right direction and would help accomplish the goals of an exemption. SoCalGas commends you and your staff on being receptive and open to determining a mutually agreeable exemption threshold.

SoCalGas recently conducted a survey of CNG station operators served by both SoCalGas and SDG&E that have not yet opted in to the LCFS Program. Of those interviewed, two-thirds either "never heard of it" or "only heard of" the LCFS program. Since many of these small CNG station operators lack even basic awareness of the LCFS Program, there will likely be an issue with requiring them to become regulated parties by the proposed January 2019 mandatory reporting requirement. When asked why they had not opted in to the LCFS Program to date, a majority of the customers stated they don't have the "resources to commit to it" or the program was "too complicated" or "difficult to understand". Lastly, 80 percent of those interviewed would prefer to enter the LCFS program under a utility-based assistance program to ease the administrative burden and perceived complexity. A two-year implementation delay

would provide time to raise awareness of the program and potentially develop utility-based assistance programs to help users participate.

RECOMMENDATION: While the proposed exemption is a step in the right direction, we also recommend a two-year delayed implementation of mandatory reporting for all fossil CNG users as fossil CNG would not become a deficit generating fuel until 2024. This would ease the administrative burden for users that are already voluntarily using a low carbon fuel and provide a pathway for these customers to begin using RNG.

Synthetic Methane Production

With the increase in intermittent renewable energy production, the state has created a scenario where there is over generation of electricity during non-peak hours, when sources such as solar are highest generating. This has resulted in significant generation curtailment, which is expected to grow over time. One potential solution to this is using that excess electricity to create gaseous fuel such as hydrogen to store that energy. When hydrogen is not in demand, the stored hydrogen can be combined with carbon dioxide (CO₂) to create low carbon, synthetic renewable natural gas. Companies such as HZI ETOGAS have the experience and capabilities to do these projects having built the largest power-to-methane plant (6.3 MW) in Germany.

Using available technologies to create renewable natural gas from excess renewable energy would reduce the carbon intensity of transportation fuels, help to alleviate stress on the grid caused by over generation issues, and reduce criteria pollutants as new natural gas engine technologies are certified to reduce nitrogen oxide emissions by 90 percent.

RECOMMENDATION: SoCalGas recommends that the LCFS Amendments be modified to explicitly state that synthetic methane produced from renewable or low carbon electricity and CO₂ is eligible as an opt-in fuel for credit generation under the LCFS program.

Thank you again for the opportunity to comment on the proposed regulatory language. If you have any questions, please feel free to contact me.

Respectfully submitted,



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