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Clerk of the Board
California Air Resources Board
Sacramento, CA 95814

RE: Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions

Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) appreciate the opportunity to submit these written comments regarding the Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions (MRR). We appreciate California Air Resource Board's (ARB) staff for their interest in and consideration of stakeholder input and their outreach efforts in developing the proposed amendments of the MRR.

In particular, SoCalGas and SDG&E and our staff appreciate that the MRR's emission inventory reporting deadline has not been changed to August 15 as originally proposed. We are in concurrence with leaving the September 1 reporting date in place, and thank staff for hearing stakeholder comments that an earlier reporting deadline would be hardship for those who put in a tremendous effort to prepare the inventories for submission.

Pipeline Quality Natural Gas Definition - §95102(a)

SoCalGas and SDG&E have previously provided written comments regarding the definition of "Pipeline Quality Natural Gas" and its application within the regulation. While some of our concerns have been addressed, issues remain that we feel require additional consideration.

In MRR Section 95102, Definitions, the use of the word *quality* in the definition of "Pipeline Quality Natural Gas" is used to define a default range for energy content (British thermal Unit – BTU), which determines the methodology for MRR emissions calculation. SoCalGas and SDG&E request the word *quality* be eliminated from the definition of pipeline natural gas to avoid the issues discussed below. Such a change would not affect the meaning or function of the term within the MRR.

SoCalGas and SDG&E request the removal of the word *quality* because it implies a standard or grade having an intrinsic value, characteristic or feature. The word *quality* often implies excellence or grade and conveys a positive connotation, whereas anything not labeled with the word *quality* creates a negative connotation. The use of the word *quality* in the definition of pipeline natural gas may create concern for natural gas customers whose purchased natural gas falls outside of the specified default range in the MRR definition. Because of the MRR definition's implication of *quality*, a customer may think their purchased gas is not *quality* natural gas, despite the fact it meets the California Public Utility Commission's (CPUC) natural gas specifications.

The CPUC establishes natural gas specifications to which California's utilities must adhere for purposes of receiving, transporting, and delivering natural gas to their customers. Because the CPUC has overall State jurisdiction over natural-gas quality issues, ARB should remove the word *quality* from the definition of pipeline natural gas or choose a different term to define the default range for calculation purposes under MRR to avoid the impression that ARB is asserting authority over the CPUC on natural gas quality issues.

Additionally, SoCalGas and SDG&E remain concerned that the definition of pipeline natural gas states that *pipeline quality natural gas* contains at least *ninety percent* methane by volume, and request that this be changed to align with the CPUC specification for methane content. The CPUC has exclusive jurisdiction over the quality and composition of natural gas delivered to utility customers in California. The methane content of at least *ninety percent* methane by volume is in conflict with CPUC's gas specifications that state pipeline natural gas be at least *eighty percent* methane by volume. While the CPUC requires natural gas utilities to provide the BTU content of customer's purchased gas, there is not a similar requirement for methane content. Further, we understand that the methane content portion of the definition for pipeline natural gas originated with the federal Environmental Protection Agency (USEPA). USEPA wrote this definition decades ago and it has not been changed to take into account the fact that our nation's domestic natural gas production, especially California production, may have lower methane content than ninety percent by volume but a higher overall energy content. We believe that the at least ninety percent methane content in the MRR definition of pipeline natural gas has an insignificant effect on the statewide greenhouse gas (GHG) emission inventory, especially considering that methane has a higher GHG warming potential than the carbon dioxide produced from combustion of natural gas. Thus, lower methane content gas may produce overall lower GHGs than gas with a higher methane content.

SoCalGas and SDG&E urge ARB to make the suggested changes below (shown in red highlight and strikeout) to the definitions in the MRR amendments.

Suggested Language Modifications

Section 95102(a)(296) "Natural gas" means a naturally occurring mixture of hydrocarbon and non-hydrocarbon gases found in geologic formations beneath the earth's surface, of which its constituents include methane, heavier hydrocarbons and carbon dioxide. Natural gas may be for field use quality ~~(which varies widely)~~ or pipeline quality natural gas. For the purposes of this article, the definition of natural gas includes similarly constituted fuels such as field production gas, process gas, and fuel gas.

Section 95102(a)(338) "Pipeline quality natural gas" means, for the purpose of calculating emissions under this article, natural gas meeting specifications for natural gas having a high heat value as defined by the California Public Utilities Commission (CPUC), greater than 970 Btu/scf and equal to or less than 1,100 Btu/scf, and which is at least ninety percent methane by volume, and which is less than five percent carbon dioxide by volume.

Section 95102(a)(464) "Transmission pipeline" means a high pressure cross country pipeline transporting sellable quality natural gas from production or natural gas processing to natural gas distribution pressure let-down, metering, regulating stations where the natural gas is typically odorized before delivery to customers.

Increase in Facility Criteria Pollutant and Toxic Air Contaminant Emissions - §95104(e)

SoCalGas and SDG&E request that MRR Section 95104(e) be removed in its entirety from the regulation. While we understand this section was added with the intent to support the Adaptive Management Plan for the Cap-and-Trade regulation, we believe there has not been adequate stakeholder involvement to consider the most appropriate data, data sources, and methodology to collect data for ARB's stated need. California's Cap-and-Trade covered entities already work with our state's local air districts to provide data and report emissions for their many emission inventory purposes. Local air district permits include levels for "permitted emissions" that already account for the often de minimis fluctuation of emissions due to business cycles. Thus it is likely a facility will have annual fluctuations of emissions, up and down, but within permitted levels. It also is not clear how concurrent increases and decreases of multiple criteria or toxic air contaminants would be reported. For example, the relationship between two criteria pollutants, oxides of nitrogen (NOx) and carbon monoxide (CO) from internal combustion engines are inversely related, thus operation is a balancing act as emissions of one goes down emissions of the other goes up.

We believe ARB should work with stakeholders (covered entities) to identify appropriate data, data sources, a process to collect consistent statewide data, and a mutual understanding of how data will be used in a reasonable manner not burdensome and unduly time consuming for all involved parties. To highlight the need for special consideration as to potential added work load for this type of reporting, the definition of toxic air contaminants in the MRR, cites CA Health and Safety Code section §39655(a), which defines toxic air contaminants via a reference to hazardous air pollutants defined in subsection (b) of Section 112 of the federal Clean Air Act-42 United States Code (U.S.C.) Section 7412(b). There are 190 hazardous air pollutants, thus toxic air contaminants, defined in just the initial list of 42 U.S.C. §7412(b). And this does not take into account pollutants that may have been added since publication of the initial list.

System Power and System Power Supplier Definitions - §95102(a)

SDG&E respectfully requests removal of the definitions for system power and system power supplier, §95102(a)(451) and (452) respectively, and associated provisions contained in sections 95111(a)(12), 95911(b)(5), and 95911(g)(6). These proposed changes to the MRR require an importer that obtains power from a supply entity akin to an asset controlling supplier, but having a higher emissions factor than the default emissions factor, to use ARB's published emissions factor for that supply entity rather than the default emissions factor. Section 95911(a)(12)(B) allows for electricity purchased as unspecified through a hub transaction to be reported as power unspecified, which conflicts with the above described requirement to use ARB's published emissions factor. It is unclear how an importer would prove the purchase as unspecified if the entity's e-tag shows up in a purchase. These provisions are confusing, would make verification extremely difficult, and should be deleted.

Measurement Accuracy Requirement - §95103(k)

SDG&E and SoCalGas find some of the field accuracy assessment requirements in §95103(k)(6) excessive when applied to natural gas utilities. As regulated California utilities, SoCalGas and SDG&E have adhered for decades to strict CPUC measurement standards with more stringent accuracy intervals than those in the MRR. Based on our gas standards covering field meter accuracy tests to assure compliance with CPUC orders, and an audit services department that evaluates internal controls including review of system-wide gas measurement records, we believe additional exemptions should be afforded to California's regulated utilities. Specifically, the requirement [95103(k)(6)(A)(1)(b)] to photograph both sides of the primary element (such as an orifice plate) of pressure differential devices is

unnecessary. We request this requirement be eliminated for measurement flow devices operated and maintained by natural gas utilities.

Requirements for Verification Services - §95131

SoCalGas and SDG&E have concerns that verifiers are afforded too much power to dictate what actions must be taken regarding fixing all correctable errors, 95131(b)(9). One of our verifier's insisted that staff correct every single error including one as small as resulting in a change of approximately one metric ton, which constituted a very small fraction of a percent of the total reported emissions. Staff was also directed to correct an emission factor that was not used for reporting purposes. Hours were spent on this exercise because no one wants to risk any type of negative reaction from a verifier who wields the power of a positive verification statement. We request that language be modified in 95131(b)(9) as suggested below red highlight and strikeout:

Section 95131(b)(9) Emissions Data Report Modifications. As a result of data checks by the verification team and prior to completion of a verification statement(s), giving the covered entity at least two weeks' notice prior to the verification deadline, the reporting entity must shall attempt to fix all correctable errors that result effect in a one percent or greater change in covered emissions, non-covered emissions, or covered product data in the submitted emissions data report. The covered entity shall, and submit a revised emissions data report to ARB. Failure to do so will result in an adverse verification statement. Failure to make a reasonable effort to fix correctable errors that do not affect covered emissions, non-covered emissions, or covered product data represents a non-conformance with this article but does not, absent other errors, result in an adverse verification statement. The reporting entity shall maintain documentation to support any revisions made to the initial emissions data report. Documentation for all emissions data report submittals shall be retained by the reporting entity for ten years pursuant to section 95105.

The verification team shall use judicious professional judgment in the determination of correctable errors as defined in section 95102(a), including whether differences are not errors but result from truncation or rounding or averaging.

The verification team must document the source of any difference identified, including their professional judgment as to whether the difference results in a correctable error.

Section 95131(e) makes identification of an error a trigger for re-verification within 90 days by a different verification body. SoCal Gas and SDG&E appreciate the added language that provides ARB the ability to not require a full set aside of emissions for minor errors. We would additionally request the ability to appeal an ARB audit finding that a verification statement failed. To minimize ARB workload impact, these appeals could be handled through the regional district hearing boards. We therefore propose the following additional language modification to Section 95131(e):

Section 95131(e) If the Executive Officer finds a high level of conflict of interest existed between a verification body and a reporting entity, an error is identified, or an emissions data report that received a positive or qualified positive verification statement fails an ARB audit, the Executive Officer may set aside the positive or qualified positive verification statement issued by the verification body, and require the reporting entity to have the emissions data report re-verified by a different verification body within 90 days. This paragraph applies to verification statements for emissions and product data. In instances where an error to an emissions data report is identified and determined by ARB to not affect the emissions or covered product data, the change

may be made without a set aside of the positive or qualified positive verification statement. A reporting entity may appeal an ARB audit finding that a verification statement failed through a regional district hearing board. The appeal petition must be filed within 30 days of the negative ARB audit, with a hearing scheduled 30 days after the petition is filed. While the appeal is pending, the 90 day clock to obtain a new verification is to be stayed pending the outcome of the appeal.

Stationary combustion

SoCalGas and SDG&E believe regulatory clarification is needed to confirm that Local Distribution Companies (LDCs) will receive a written notification from ARB as to which LDC facilities will have the reporting obligation for an entity who “passed through” natural gas to a separate facility when the natural gas was originally delivered by the LDC.

Lower threshold for LDC reporting end-user volume from 25,000 CO₂e to 10,000 CO₂e and require ARB ID of end-user facility

Lowering the threshold will not result in a more inclusive or accurate greenhouse gas (GHG) inventory. Data will be used as a double check to verify facilities are reporting accurate emissions and to determine if facilities are subject to mandatory or abbreviated reporting. Reporting of a facilities’ data is done manually, and it is very time-consuming to enter a facilities’ data into the reporting tool, which includes facility name, address, meter number, and amount of natural gas delivered. The lowered threshold will include many more facilities than those for which we currently report. If ARB decides to adopt the lower reporting threshold, then SoCalGas and SDG&E strongly recommend, for the sake of time efficiency and workload effectiveness, LDCs should be allowed to upload a spreadsheet with all of the required customer data instead of manual input.

Protection of Privacy

Section 95103(a)(1) states the following:

Facility name, assigned ARB identification number, physical street address including the city, state and zip code, air basin, air district, county, geographic location, natural gas supplier name, natural gas supplier customer identification number, natural gas supplier service account identification number or other primary account identifier, and annual billed MMBtu (10 therms = 1 MMBtu).

Please note, however, individual customer information including customer name and account number is considered private and must be handled as confidential information pursuant to Public Utilities Code Sections 581 and 583, General Order 66-c and Public Utilities Code section 8380. Any public disclosure by ARB of individual customer information would, therefore, be prohibited. SoCalGas and SDG&E recommend removing the requirement to provide service account identification number.

SoCalGas and SDG&E recommend removing the requirement to provide the ARB ID for end user facilities. SoCalGas and SDG&E have the ARB ID # for the facilities with $\geq 25,000$ CO₂e emissions, but do not have the ARB ID Nos. for the facilities with $< 25,000$ CO₂e. The only way to collect this data would be to call the end-user directly and ask them for that number, which is a time-consuming and duplicative task considering ARB already has the ARB ID #s for all reporting facilities.

SDG&E and SoCalGas appreciate the opportunity to comment and look forward to discussing these comments with ARB Staff.

Sincerely,

Tamara Rasberry