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October 16, 2024

Clerk's Office
California Air Resources Board
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Submitted electronically via upload to https://ww2.arb.ca.gov/lispub/comm/bclist.php

SUBJECT: SDG&E Comments on Proposed Second 15-Day Changes to the Low Carbon Fuel Standard Regulation

Dear Chair Randolph and Honorable Board Members:

SDG&E appreciates the opportunity to provide comments in response to the California Air Resources Board (CARB) Proposed Second 15-Day Changes to the Low Carbon Fuel Standard (LCFS) regulation.[1] The LCFS plays a vital role in reducing greenhouse gas (GHG) emissions in the transportation sector and improving air quality in the State. SDG&E strongly supports the LCFS program for this reason.

SDG&E is pleased to offer its general support for the direction of the Proposed Second 15-Day Changes and a few limited comments on the proposed changes below.[2]

I. **SDG&E supports the proposed updates to the Electric Distribution Utility (EDU) definition, which reflect current electric sales and promote equal treatment across similarly sized utilities.** As was discussed in SDG&E's previous comments on the first 15-day regulatory changes,[3] the definition of EDU that is currently used in the effective regulation relies on outdated 2017 data. Updating the EDU definition to reflect more current 2022 electric sales data ensures that similarly sized utilities have comparable contributions to the statewide Clean Fuel Reward Program.

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[1] CARB's Proposed Second 15-Day Changes to Proposed Regulation Order are available at: https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2024/lcfs2024/2nd_15day_atta-1.pdf.
[2] SDG&E also aligns with the comments submitted by California Electric Transportation Coalition in response to the 2nd 15-day package.
[3] See San Diego Gas & Electric Company's August 27, 2024, comments at: 7429-lcfs2024-UzJUJ1M1VHILfgN3.pdf (ca.gov).

II. **SDG&E supports the proposed changes to parameters surrounding the implementation of EDU Holdback Credit Equity Projects.** These include changes proposed to preserve the existing 10% cap on administrative costs to ensure appropriate resources are available to implement programs; clarify that medium-sized investor-owned utilities must spend 50% of holdback credit proceeds on equity projects as opposed to 75%; allow for rollover of unspent funds to future year budgets; and expand the acceptable uses of holdback equity spending to include various "make-ready" improvements that facilitate zero-emission vehicle adoption. The proposed changes will provide greater flexibility for utilities to support their customers with a more affordable transition to ZEVs.

III. **SDG&E is encouraged by the provisions that would continue to provide needed support for the use of hydrogen and renewable natural gas (RNG).** The proposed amendments include key elements that will help accelerate the adoption of these important fuels but could go further to ensure that hydrogen production is not being held to higher standards than other technologies given its important role in advancing medium- and heavy-duty zero-emission vehicle goals.[4]

- **Hydrogen Infrastructure and Incentives:** The inclusion of provisions that enhance zero-emission vehicle infrastructure eligibility and increase support for zero-emission vehicle fueling is crucial. These changes will facilitate the expansion of hydrogen refueling stations, making hydrogen fuel cell vehicles more accessible to consumers and businesses alike. While the proposed changes to hydrogen feedstocks that can qualify for credit generation is better aligned with hydrogen renewable content requirements across the LCFS regulation, the program would still benefit from more focused alignment with the renewable requirements for the electricity grid. SDG&E supports the intent of CARB's changes to allow more time for renewable hydrogen to scale up and effectively displace fossil hydrogen used in California, though recognizes that further technical refinements to the regulation may be needed to realize that vision.

- **RNG Utilization and Sustainability:** The proposed refinements to feedstock sustainability provisions and the continued support for RNG projects are commendable. By maintaining incentives for RNG, the amendments ensure that RNG remains a viable and attractive option for reducing carbon intensity in the transportation sector. As SDG&E previously noted, providing regulatory certainty for projects utilizing avoided methane

[4] SDG&E supports the technical issues the California Hydrogen Business Coalition has detailed in their letter, outlining how the LCFS program can encourage investment in clean fuels.

crediting pathways is critical for maintaining the financial viability of existing projects.[5]

Thank you for your consideration of these comments. SDG&E looks forward to continuing to support the LCFS and the important role it plays in advancing zero-emission vehicles and infrastructure in California. Further, SDG&E is interested in collaborating with CARB and stakeholders to explore opportunities to create similar structures/programs that could help achieve GHG emissions reductions in the industrial sector by incentivizing the use of clean fuels. We welcome further discussion on this topic.

Sincerely,

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[5] See SoCalGas' and SDG&E's August 27, 2024, Comments on CARB's Proposed Amendments to the LCFS at: https://www.arb.ca.gov/lists/com-attach/7573-lcfs2024-UyAHbgdlUGIGbFUy.pdf.