

Lee Wallace

7-7-7

9/27/07

**Statement of Southern California Gas Co. and San Diego Gas &
Electric Co.
In Support of
Agenda Item No. 07-7-7: Approval of the Proposed State Strategy for
California's State Implementation Plan (SIP) for the Federal 8-Hour
Ozone and PM2.5 Standards
And
Agenda Item No. 07-9-4: Approval of the 2007 Air Quality
Management Plan for Attaining the Federal 8-hour Ozone and PM2.5
Standards in the South Coast Air Basin and the Coachella Valley**

Madam Chair and Members of the Board

I am Lee Wallace and I am representing Southern California Gas Co. and San Diego Gas & Electric. We support your approval of both of these measures and congratulate you and the South Coast AQMD upon working together to reach this comprehensive agreement.

A healthy economy is important to Southern California, but we cannot compromise our residents' health to achieve it. The measures included here today will directly address the air quality consequences of our region's growing economy, by specifically focusing attention on the ports and inland trucking hubs. We congratulate ARB for strengthening its control measures adding a comprehensive modernization of private and port heavy-duty truck fleets in the region. The measures will reduce 27 tons per day of NOx by 2014.

We also want to express our support for the inclusion of significant incentive programs in this plan. The use of vehicle registration fees to reduce pollution from heavy-duty trucks and other equipment can be used for the benefit of all the residents of this air basin. It would reduce NOx emissions by about 4 tons per day.

At The Gas Company and SDG&E we recognize that the responsibility for innovative action must also fall on the business community. We have recently announced an integrated program, which we call the Climate Action Initiative, which builds on our current successful efforts and establishes a foundation for longer term progress towards reducing greenhouse gas

emissions in California. As this SCAQMP recognizes, there will be collateral criteria pollutant benefits too.

The SoCalGas/SDG&E Climate Action Initiative is a \$75 million program over the next five years that will result in a reduction of one million tons of CO₂e per year. Our Climate Action Initiative includes proposals to do the following:

-- Clean Energy Facilities, which are projects involving renewable electric generation, low-carbon electric generation, bio-methane production and carbon sequestration.

-- Clean Transportation, which includes initiatives designed to expand the use of natural gas and electricity as clean transportation fuels.

The Clean Transportation portion of our Climate Action Initiative has the potential for CO₂e reduction ~ 230,000 - 280,000 metric tons/yr. This will of course result in significant reductions of criteria pollutants. This will come from several different areas:

We want to partner with both SCAQMD and CARB to demonstrate:

- Municipal Fleet CNG Infrastructure
- Small Scale LNG Demonstration Project
- Hythane (Hydrogen CNG blend) fuel demonstration
- Cummins HD ISL G platform demonstration
- CNG Hybrid demonstration

We believe that fleets around the ports and at inland trucking hubs offer an excellent opportunity to demonstrate these innovative approaches.

Unfortunately we have had less than a week to review this agreement, and therefore must reserve judgment and further comment until the actual rulemaking process. For example according to the summary, the wood burning and charbroiler portion of the new measures has increased by three fold (from 0.7 TPD NO_x to 2.1 TPD NO_x). It is unclear what changes were made, and we will have more comments at a later date.

In conclusion, we urge your adoption of this agreement by the SCAQMD and CARB. While we cannot support at this time every detail, and we look forward to actively participating in the rulemaking process to assure that the

rules are cost effective and support the growth of our southern California economy, so that all residents may enjoy a better quality of life.