



Lee Wallace  
Regional Affairs Manager – Air Quality  
External Relations  
555 West 5<sup>th</sup> Street, GT26G3  
Los Angeles, CA 90013-1044  
213-244-8851

April 17, 2007

Mr. Michael Krause  
c/o Office of Planning, Rule Development, and Area Sources/CEQA  
South Coast Air Quality Management District  
21865 Copley Drive  
Diamond Bar, California 91765  
Fax: (909) 396-3324  
[mkrause@aqmd.gov](mailto:mkrause@aqmd.gov)

**VIA U.S. MAIL, FACSIMILE & EMAIL**

RE: Comments of Southern California Gas Company and San Diego Gas & Electric Company to the Draft Program Environmental Impact Report for the 2007 Air Quality Management Plan

Dear Mr. Krause:

Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) appreciate the opportunity to submit the following comments to the Draft Program Environmental Impact Report (Draft PEIR) prepared for the 2007 Air Quality Management Plan (AQMP).

As you may know, we have a number of concerns about the Draft AQMP, particularly the proposed gas quality measures (CMB-04 and CTY-01). As of the date of this filing, we have been working with District staff for almost four weeks in an attempt to resolve these concerns. Unfortunately, we have not yet been able to agree upon revisions to those measures. Although SoCalGas and SDG&E remain committed to further negotiations, SCAQMD's schedule for AQMP adoption requires that we submit comments on the Draft PEIR no later than today. These comments express concerns about the adequacy of the Draft PEIR under the California Environmental Quality Act (CEQA). As noted below, we believe these concerns can be addressed by changing CMB-04 into a measure that studies the impacts of future importation of natural gas and by deleting CTY-01. Because the District repeatedly has acknowledged the need for further analysis of these measures and that neither measure is required for attainment, we believe our request is wholly reasonable and appropriate.

SoCalGas and SDG&E have previously submitted extensive written comments to the administrative record in connection with the Draft AQMP and Draft PEIR, including comments to the first Draft AQMP submitted on December 1, 2006, comments on the

Notice of Preparation (NOP) submitted on December 13, 2006, and comments on the second draft of the AQMP submitted on March 30, 2007 and April 6, 2007.

We have reviewed the District's responses to our NOP comments contained in the Draft PEIR. We were disappointed by the District's responses, which did not include any factual analysis. Instead, the responses consisted almost exclusively of legal arguments lifted verbatim from the District's lawsuit seeking to overturn the California Public Utilities Commission (CPUC) decision to establish natural gas quality tariff standards for SDG&E and SoCalGas.<sup>1</sup> Neither the Draft AQMP nor the Draft PEIR is an appropriate vehicle for the District to litigate its case against the CPUC. The CPUC has correctly taken the position that its decision to narrow gas quality tariff standards is not a "project" under CEQA. By contrast, the District has taken the position that the adoption of the AQMP *is* a "project" and in connection with that project has prepared the Draft PEIR.<sup>2</sup> Unfortunately, the District's Draft PEIR prepared pursuant to CEQA is flawed and inadequate under CEQA.

We respectfully request, therefore, that the District respond to the comments set forth or referenced herein by providing the "good faith, reasoned analysis" that CEQA requires, rather than "[c]onclusory statements unsupported by factual information", which do not suffice under CEQA. CEQA Guidelines §15088(c). We look forward to reviewing a Final PEIR that includes the District's detailed explanations setting forth the reasons why any of our specific comments and suggestions are not accepted, including any comments and suggestions contained in this letter or in our two most recent sets of comments on the second Draft AQMP, which are attached hereto and incorporated by reference.

In our prior written comments and numerous discussions with District staff, SoCalGas and SDG&E have raised serious concerns about the potential environmental impacts of several of the proposed measures and that CMB-04 is not "feasible" as defined by CEQA.<sup>3</sup> These concerns translate into direct, foreseeable impacts on the environment, which should have been addressed in the Draft PEIR, but were not. In particular:

---

<sup>1</sup> *South Coast Air Quality Management District v. California Public Utilities Commission*, originally filed January 23, 2007 in the California Supreme Court and in the Court of Appeal for the Second Appellate District, and refiled on March 21, 2007.

<sup>2</sup> We note that the AQMP is by definition "a plan to achieve and maintain the state and federal ambient air quality standards for the South Coast Air Basin." Health & Safety Code §40460(a). The District has described the AQMP as "a comprehensive program that will lead the region into compliance with federal 8-hour ozone and PM2.5 air quality standards." Draft PEIR at 2-1. This collection of measures, which includes a proposed control measure to lower the Wobbe Index limit to 1360, is proposed specifically for the purpose of "resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment" (CEQA Guidelines §15378), in this case, "lead[ing] the region into compliance with federal 8-hour ozone and PM2.5 air quality standards" (Draft PEIR at 2-1).

<sup>3</sup> "Feasible" is defined under CEQA as "capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, legal, social, and technological factors." CEQA Guidelines §15364.

- The Draft PEIR does not adequately analyze foreseeable air quality, energy, land use, hazardous materials and other impacts of the proposed control measures.
- The Draft PEIR fails to disclose the potential environmental impacts resulting from the lack of cost-effectiveness and the infeasibility of some proposed control measures.
- The Draft PEIR includes proposed control measures that are not feasible, yet fails to consider feasible alternatives.

Perhaps most important, the District's proposed gas quality measures (CMB-04 and CTY-01) impermissibly conflict with an order issued by a state agency – the CPUC's orders in Decision Nos. 06-09-039 and 07-02-032 – in violation of CEQA. Pub. Res. Code §21154 (*See also*, attached comments submitted on April 6, 2007 describing preemption of gas quality measures). This conflict renders the proposed measures "infeasible" as defined by CEQA due to legal factors. The District is limited to considering measures and alternatives that will not conflict with the CPUC's order, and must revise CMB-04 and CTY-01 accordingly. We further note that the District does not appear to have consulted with the CPUC with respect to CMB-04 and CTY-01, as required under CEQA, which consultation may have resulted in appropriate revisions to those control measures. Pub. Res. Code §21104.

The District currently plans to adopt the AQMP on May 4, 2007, which is less than three weeks from today. We understand that compiling the additional information required to ensure the adequacy of the Draft PEIR within such a short timeframe presents a challenge. To avoid CEQA infirmities, however, we urge the District to provide the requested information to the extent practicable and to revise the proposed measures in the Final PEIR as we have recommended in our prior submittals. More specifically, the District should:

- Provide information about the cost-effectiveness and feasibility of the proposed measures, especially CMB-01 (non-RECLAIM ovens, dryers, and furnaces), CMB-03 (space heaters), and MCS-01 (facility modernization).
- Revise CMB-04 (natural gas fuel specifications) to require further study of gas imported into the Basin, rather than establishing an unsubstantiated and infeasible, absolute limit of 1360 Wobbe Index.
- Delete CTY-01, which would reduce RECLAIM allocations to offset any potential emission increase resulting from the combustion of natural gas with a Wobbe Index higher than 1360.

Mr. Michael Krause

April 17, 2007

Page 4

- Revise CMB-01 (non-RECLAIM ovens, dryers, and furnaces) to require the District to work with stakeholders to ensure cost-effectiveness and to identify appropriate exemptions.

We note that failure to correct the inadequacies of the Draft PEIR or to revise the Draft AQMP as we have suggested will trigger recirculation of the Draft PEIR. CEQA Guidelines §15088.5. We understand that the District is under great pressure to adopt an update to the AQMP. Therefore we urge you to correct the inadequacies of the Draft PEIR in accordance with these comments.

I. **To Comply with CEQA, the Draft PEIR Must Be Revised to Adequately Address Foreseeable Air Quality, Energy, Land Use, Hazardous Materials, And Other Potential Significant Impacts.**

CEQA requires that an EIR include:

... a detailed statement setting forth... All significant effects on the environment of the proposed project... Any significant effects on the environment that cannot be avoided if the project is implemented... Any significant effect on the environment that would be irreversible if the project is implemented... Mitigation measures proposed to minimize the significant effects on the environment, including, but not limited to, measures to reduce the wasteful, inefficient, and unnecessary consumption of energy... Alternatives to the proposed project...

Pub. Res. Code §21100. Unfortunately, the Draft PEIR does not describe all of the potentially significant effects or alternatives as required by CEQA.

A. *The Draft PEIR Acknowledges that Additional Analysis and Study is Required, Particularly With Respect to the Gas Quality Measures.*

In response to comments submitted on the NOP, the District repeatedly acknowledges that additional information – and even legislative authority<sup>4</sup> – is required before the proposed control measures can be adopted. Table 1 lists just some of the references, many of which are in the context of the proposed gas quality measures.

CEQA generally does not permit deferral of environmental analysis, particularly when the required additional analysis can be readily performed. Proposed control measure CMB-04 would impose a *specific, known* maximum Wobbe Index (WI) limit. Because the proposed upper limit is known at this time (1360 WI), the Draft PEIR must look at the potential environmental impacts of such a limit. By contrast, a measure that requires future study rather than set a specified maximum Wobbe Index could be adopted without any additional analysis at this time.

---

<sup>4</sup> The District has acknowledged that it may need to seek additional legislation to implement CMB-04. We agree that the District does not have the legal authority to adopt CMB-04. This lack of authority renders CMB-04, as currently drafted, legally “infeasible”.

<b>Table 1: Sample of Statements in PEIR Acknowledging Need for Additional Analysis, Information or Legal Authority</b>	
Page B-42	“Currently, there is very limited technical information on the amount of ROG and toxic emissions from burning high WI gas.”
Page B-43	“The testing conducted by the SCAQMD was limited...”
Page B-44	“Further analyses are required to establish inventory and emission reductions (such as determining the population that could potentially receive gas with a WI greater than 1,360, and emission estimates to determine the level of emission increase from various groups of combustion equipment).”
Page B-45	“The District however may need to seek additional legislation to implement Control Measure CMB-04.”
Page B-46	“Because of these uncertainties in the real world experience, staff proposes to preserve the status quo until further studies have been completed.”
Page B-46	“If rule development is warranted, staff will conduct additional research and surveys to refine and adjust the baseline emissions if necessary and determine the emissions reduction associated with this control measure.”
Page B-47	“There are no technical studies, reports, or evidences [sic] that demonstrate the differential increase in NOx emissions from combustion of gas with a maximum WI of 1385 [sic] versus 1,360... Additional analyses are required to develop inventory, emissions reduction, and costs associated with this control measure.”
Page B-47	“The SCAQMD staff will develop a staff report and socioeconomic assessment during rule development.”
Page B-47	“A more detailed analysis of costs and cost effectiveness will be prepared during rule development.”
Page B-49	“Whether Control Measure MCS-01 ultimately applies BACT that is current at future dates, or applies a less current version of BACT at future dates will require further evaluation during the rulemaking process.”
Page B-49	“During the rulemaking process, the SCAQMD staff will work with stakeholders and further evaluate control strategy options.”
Page B-49	“This issue [useful life of equipment] will be more thoroughly analyzed during the rulemaking process.”
Page B-51	“Consequently, SCAQMD staff is not prepared to provide the level of details requested by the commenter. This type of information would be developed and made available during rulemaking.”
Page B-52	“The SCAQMD will develop a detailed technology, environmental and socioeconomic assessment during rule development. 2007 AQMP control measures are preliminary assessments used to estimate emission reductions and cost effectiveness.”

The District acknowledges that more information is required in connection with the proposed control measures. Unfortunately, in the absence of this information, the Draft PEIR is flawed and inadequate. In light of the stated need for additional information regarding gas quality specifications, the District should at a minimum convert CMB-04 into a study measure and delete CTY-01 altogether. The specific timetable (January 2008) and RECLAIM allocation reductions cannot be supported if further study is required for either.

*B. The Draft PEIR Fails to Analyze Foreseeable Significant Environmental Impacts.*

A more detailed analysis of the proposed control measures would reveal significant environmental impacts. In light of these impacts, a number of the proposed control measures must be reconsidered.

For example, the Draft PEIR does not adequately address the potential impacts of CMB-04. The Draft PEIR concludes that CMB-04, as currently proposed, will have no significant adverse environmental impacts. The Draft PEIR arrives at that erroneous conclusion without including any estimate of the environmental impacts of the measures that would be necessary to comply with the regulation contemplated by CMB-04. The Draft AQMP specifically lists four control strategies to be employed in limiting the “assumed” increase in NO<sub>x</sub> creation by raising the Wobbe number. The Draft PEIR also states that because of various options to comply with control measures, it is difficult to determine impacts of the control measures. While this statement may be true for other control measures, CMB-04 sets a specified Wobbe maximum and the Draft AQMP identifies four options for complying with the proposed control measure. Thus, it is possible to conduct the required analysis.

The Draft AQMP identifies four options for complying with a 1360 Wobbe limit: blending of lower Wobbe index natural gas, importing a high-methane LNG such as the 99+% methane gas proposed by BHP Billiton, nitrogen injection and hydrocarbon stripping. Based on our experience as California public utilities providing natural gas transmission and distribution service pursuant to regulation by the CPUC, SoCalGas have identified a number of potential impacts associated with the compliance options, as well as factors that render these options infeasible under CEQA. Those impacts are described in greater detail below.

*CMB-04: Blending is Not a Feasible Compliance Option.*

Blending is not a feasible or reliable compliance option for a number of physical and operational reasons. SoCalGas and SDG&E operate an integrated gas transmission and distribution system covering a service territory of approximately 20,000 square miles. This integrated system includes numerous interconnects to interstate pipelines, storage fields and California production within the service territory (and within the South

Coast Air Basin), and in the future will include a receipt point at its southern boundary. For these reasons, blending to ensure a 1360 Wobbe Index maximum within the South Coast Air Basin cannot be guaranteed. Even in geographically isolated locations, it is unreasonable to expect that the Wobbe Index of natural gas supplies available for blending will remain constant.

SoCalGas and SDG&E do not direct gas flows; gas flows are determined by many factors, such as the supply sources (including local production), the pipeline infrastructure, system pressure and customer demand, which varies during the day and over the year. The CPUC-approved tariffs and the rules under which the utility operates and which have been in place for many years clearly and appropriately provide allowable ranges for gas quality specification. Although SoCalGas is able to blend a small amount of gas supply in isolated locations for compliance with NGV standards, it is not possible for SoCalGas to deliver gas supplies with a Wobbe Index below 1360 to all SCAQMD customers through natural pipeline blending. Such blending cannot be done on a wide scale throughout the complex delivery network in the SCAQMD without compromising the reliability of the delivery system as a whole, reducing overall system supply and causing other gas customers not to have adequate gas supply volume, at any WI.

More importantly, SoCalGas and SDG&E operate an “open access” system pursuant to the orders of the CPUC. As such, the utilities are *required* to accept customer gas at various receipt points, so long as the gas complies with the gas quality specifications established by the CPUC, which in the case of non-California production means accepting 1385 WI gas.<sup>5</sup> Consequently, interstate pipelines will be required to deliver supplies meeting the 1385 WI limit. Additionally, the ability to blend California production even in isolated areas is vulnerable to forces outside the utilities’ control. For example, in 2005, a rain-related landslide caused a pipeline rupture that affected SoCalGas’ ability to deliver blended supplies in Ventura County.

For all of these operational and physical constraints, blending is simply not feasible or reliable and would create serious problems. Blending alone cannot achieve the desired Wobbe index because of the variety of the producer sources. There may be situations in which additional measures may need to be undertaken to reduce the index, and these cases have not been adequately analyzed or considered. Moreover, because of the prevalence of repair and maintenance activities and the limited number of natural gas transmission lines necessary for blending, consistent and reliable blending is simply not “feasible” as defined by CEQA.

---

<sup>5</sup> Importantly, CEQA requires that “whenever any state agency, board, or commission issues an order which requires a local agency to carry out a project which may have a significant effect on the environment, any environmental impact report which the local agency may prepare shall be limited to consideration of those factors and alternatives which will not conflict with such order.” Pub. Res. Code §21154.



*CMB-04: Importation of High-Methane LNG is Speculative and Therefore Infeasible.*

Another compliance option identified by the District is importation of high-methane LNG, such as the 99+% methane gas proposed by BHP Billiton. This compliance option, however, is highly speculative and therefore infeasible.

To illustrate, the BHP Billiton project cited by the District has been rejected by two State agencies and cannot be expected to produce any high-methane LNG in the near-term. As of last week, necessary permits for that project had been denied by both the State Lands Commission and the California Coastal Commission. The District's reliance on this project is therefore misplaced. Moreover, according to the Sempra LNG website, the only LNG receipt facility on the West Coast, Energía Costa Azul, is fully contracted for the foreseeable future: "On Oct. 12, 2004, Sempra LNG announced the signing of a 20-year sales-and-purchase agreement with BP and its Tangguh LNG partners for 500 million cubic feet of natural gas a day. This agreement will cover half the capacity of the Energía Costa Azul receipt terminal. A few days later, Sempra LNG announced the signing of another 20-year agreement that provides Shell with the remaining half of the terminal's initial capacity."<sup>6</sup>

SoCalGas is not aware of *any* other sources of high methane LNG that could be made available within the Basin, let alone any other sources that could provide sufficient high methane LNG to meet customer demands. In the absence of high-methane LNG supplies, this compliance alternative is not feasible.

*CMB-04: Nitrogen Injection Would Trigger Significant Impacts Not Analyzed in the Draft PEIR.*

Injection with inert gases, primarily nitrogen, cannot reliably achieve the desired Wobbe index. The CPUC limits the amount of inert gases allowed in natural gas to 4% by volume, and interstate pipeline tariffs limit inerts to 3%. As a practical matter, these limits preclude injection. Even if the proposed control measure were feasible, based on the current draft of the proposed control measure, SoCalGas and SDG&E would have to permit and construct injection system facilities in at least five locations. Siting the injection facilities would trigger potential impacts to land use. The injection system facilities would include nitrogen production facilities and compressors to inject the nitrogen into the natural gas pipelines. The injection systems would have to be independently powered to avoid potential impacts to safety and utility services. Each of these components would result in air quality, energy, land use and other environmental impacts that are not analyzed in the Draft PEIR. Moreover, the injection system facilities would likely generate waste, which would need to be transported off-site and taken to an appropriate disposal site. The Draft PEIR does not consider the associated impacts to air

---

<sup>6</sup> See <http://www.sempralng.com/Pages/Terminals/Energia/default.htm>.

quality and hazards. Constructing these nitrogen facilities is simply not a feasible approach.

*CMB-04: Hydrocarbon Stripping is Not Feasible and Would Trigger Environmental Impacts Not Previously Analyzed.*

The District has also identified hydrocarbon stripping as a possible means to achieve its desired Wobbe Index. Hydrocarbon stripping uses a cryogenic process, which would require construction of at least two costly stripping facilities for SoCalGas and SDG&E. Siting the stripping facilities would trigger potential impacts to land use and would most likely trigger CEQA review. Each of the cryogenic facilities would require compressors and other equipment in order to operate safely and cleanly, and would create new emissions and waste products. Like the injection facilities, the stripping facilities would also have to be independently powered, because of safety and reliability needs. These public service requirements would increase emissions due to the installation of continuously operating equipment. The stripping facilities would also require flares for process upsets, tanks to store waste products, wastewater systems, loading racks for waste products, and vapor recovery systems for storage tanks and wastewater system. Each piece of equipment required for stripping would have associated fugitive emissions. Like the injection facilities, the stripping facilities would also generate emissions from trucking waste materials from each facility, which materials in turn would need to be properly disposed.

Table 2a, below, summarizes the potential emissions associated with operating five nitrogen production and injection plants and two stripping plants. We note that the actual number of facilities needed to comply with CMB-04 has not yet been determined and could exceed what is included in the table.

As shown in Table 2a, assuming only seven stations are required, the compliance alternatives identified by the District could result in more than 129 tons per year of NO<sub>x</sub>, 106 tons per year of VOC, 86 tons per year of CO, and 4 tons of PM per year.

<b>Table 2a: Projected Emissions Generated by Compliance with CMB-04</b>									
		<b>lbs/day</b>				<b>tons/yr</b>			
<b>Locations</b>	<b>Compliance Method</b>	<b>NOX</b>	<b>VOC</b>	<b>CO</b>	<b>PM</b>	<b>NOX</b>	<b>VOC</b>	<b>CO</b>	<b>PM</b>
SCAB Gate Stations (3)	Injection	9	9	36		2	2	7	
Interstate/Interutility (2)	Injection	20	20	81		4	4	15	
Temecula	Injection & Stripping	110	28	128		20	5	23	
Blythe	Injection & Stripping	115	16	84		21	3	15	
Temecula Transportation*		109	9	34	5	20	2	6	1
Blythe Transportation*		343	27	107	16	63	5	20	3
Fugitives from stripping plants**			471				86		
<b>Totals</b>		<b>707</b>	<b>581</b>	<b>471</b>	<b>21</b>	<b>129</b>	<b>106</b>	<b>86</b>	<b>4</b>

\*Assumes 40 truck trips per day per facility or 14,600 trips per year. Heavy Duty Diesel truck emission factors are from the EFMAC 2007 (v2.3) On-Road Emission Factors posted on the SCAQMD website.  
 \*\*Use similar emissions from similar sized facility in SCAQMD

Table 2b, below, compares the projected emissions associated with complying with CMB-04 against the District's CEQA significance thresholds. As shown in Table 2b, the projected emissions far exceed the District's CEQA thresholds for NOx and VOC, thus resulting in significant impacts. The potential emissions directly resulting from compliance with CMB-04 are not analyzed in the Draft PEIR.

<b>Table 2b: CMB-04 Emissions in Excess of SCAQMD Air Quality Significance Thresholds</b>		
<b>Pollutant</b>	<b>SCAQMD Air Quality Significance Thresholds (Operation)</b>	<b>CMB-04 Projected Emissions (Operation)</b>
NOx	55 lbs/day	707 lbs/day
VOC	55 lbs/day	581 lbs/day

Some of these new facilities may even have to be sited *outside* the District's jurisdiction, which means the District would not have any authority to require mitigation for associated impacts. The concept of one air district imposing impacts upon another air district to permit the construction and operation of a source solely to comply with a rule in that first air district is a highly problematic one, if not unprecedented. Indeed, this unusual and irregular set of consequences and the associated potential environmental impacts are not even contemplated in the Draft PEIR.

Because these impacts are direct, foreseeable and significant, the Draft PEIR should be revised to address these impacts and recirculated for public comment.

C. *The Draft PEIR Fails to Analyze Foreseeable Impacts Resulting from Discrepancies with Applicable State Policies and Impermissibly Considers Measures that Conflict with the CPUC's Order in Decision 06-09-039.*

Under CEQA Guidelines sections 15125 and 15126, an EIR must discuss any discrepancies between a proposed project and applicable plans. The Draft PEIR, however, ignores energy policies that have been adopted by the state – including the state's Energy Action Plan and the CPUC order establishing a 1385 Wobbe Index limit – and fails to analyze the potential impacts of the proposed control measures on the ability to comply with these adopted energy policies.

In 2003, the three key state agencies charged with setting energy policy came together to adopt an “Energy Action Plan” for the state. Authored by the California Energy Commission (CEC), the California Power Authority (CPA), and the CPUC and updated in October 2005, Energy Action Plans I and II identify the future actions needed to meet California's future energy needs.<sup>7</sup> More specifically, the Energy Action Plans “describe[ ] a coordinated implementation plan for state energy policies that have been articulated through the Governor's Executive Orders; Energy Policy Report (IEPR); CPUC and CEC processes; the agencies' policy forums; and legislative direction.” Energy Action Plan II, October 2005, page 1.

The state Energy Action Plans articulate the state's “overarching goal”: “for California's energy to be adequate, affordable, technologically advanced, and environmentally-sound.” Energy Action Plan II, October 2005, page 2. To ensure reliable, long-term natural gas supplies to California at reasonable rates, the Energy Action Plan calls for “diversify[ing] supply sources to include liquefied natural gas (LNG).” Energy Action Plan II, October 2005, page 13. The Energy Action Plan goes on to identify key actions to achieve these goals, including: “Evaluate the appropriateness of current rules for natural gas quality.”

Consistent with the state's adopted Energy Action Plan, on September 21, 2006, the CPUC adopted Decision 06-09-039, which in part establishes a Wobbe Index limit of 1385.<sup>8</sup> Among other things, the CPUC expressly found that “[d]iversifying California's gas supply sources is a state policy adopted in the EAP II” (Decision 06-09-039, page 176) and identified numerous potential energy supply and cost impacts that would result from an unnecessarily low Wobbe limit of 1360: “We agree with the proponents of a 1400 Wobbe Index that a 1360 maximum Wobbe would unnecessarily constrain California's natural gas supplies... At the very least, the need to condition gas for the

---

<sup>7</sup> The 2003 Energy Action Plan and 2005 Energy Action Plan II, which are available on the CPUC and CEC websites, are hereby incorporated by reference.

<sup>8</sup> Decision 06-09-039 is hereby incorporated by reference.

California market will add costs... We believe that the costs associated with additional conditioning will have cost impacts on California gas consumers..." Decision 06-09-039, page 156. Noting that "[p]olicies that increase natural gas supply and lower natural gas costs help to address many of California's most critical environmental challenges," the CPUC went on to describe the role that a sound natural gas policy plays in addressing the threat of climate change and implementing such transportation policies as the California Hydrogen Highway Blueprint, which "recognizes the important role of natural gas to promote use of hydrogen in the state," and promoting the use of natural gas vehicles. Decision 06-09-039, pages 156-157. Importantly, the CPUC also expressly found that a Basin-only Wobbe maximum was inappropriate, noting that "[a] regional standard in the South Coast Air Basin may be impossible to effect." *Id.*

Despite the clear state policy and order to the contrary, the District's proposed gas quality control measures would set a conflicting Wobbe limit of 1360. The District, however, is foreclosed from taking such action, and any environmental impact report prepared by the District necessarily "shall be limited to consideration of those factors and alternatives which will not conflict with such order." Pub. Res. Code §21154. The Draft PEIR must acknowledge these discrepancies and identify revisions to the Draft AQMP that will resolve these conflicts. CEQA Guidelines §§15125 and 15126.

As noted in our previous comments, the SCAQMD actively participated in the CPUC proceeding that led to D.06-09-039, having urged the CPUC to adopt a Wobbe Index of 1360. The CPUC carefully considered and balanced a broad range of concerns and policies before expressly rejecting the District's proposal and setting a Wobbe Index of 1385. Under CEQA, the District may not adopt CMB-04 and CTY-01 as currently drafted because those measures directly conflict with the CPUC's order by attempting to establish an already-rejected, more stringent maximum Wobbe limit.

Furthermore, the Draft PEIR does not disclose the environmental impacts that occur outside of District boundaries as a result of the abrogation of the CPUC-established Wobbe limit. As we have stated before, the SDG&E and SoCalGas transmission and storage system is operated on an integrated basis. The system of pipelines delivering natural gas to the Basin does not begin and end at the Basin's boundaries. Compliance with a stricter limit within the Basin would effectively require bringing all natural gas in the system – including natural gas that passes through the District but is consumed outside of the District's geographic jurisdiction – to a level below the District's maximum Wobbe limit of 1360. The resulting impacts on gas supplies in areas beyond the South Coast Air Basin must be analyzed.

The potential impacts associated with these measures are significant. As noted in our previous comments, 20 to 30 percent of SoCalGas' current natural gas supplies have a Wobbe Index over 1360. Thus, CMB-04 could adversely affect 20 to 30 percent of SoCalGas' existing natural gas supplies. This severe constraint on natural gas supplies is not analyzed in the Draft PEIR.

*D. The Draft PEIR Fails to Analyze Foreseeable Impacts to Solid/Hazardous Waste and Hazards/Hazardous Materials.*

The Draft PEIR fails to analyze the impacts associated with the facility and equipment modernization requirements on waste generation and hazards. The proposed facility modernization control measure (MCS-01) requires the replacement of equipment at the end of a pre-determined life of a piece of equipment, without regard to whether the piece of equipment actually needs to be replaced. Imposing replacement requirements regardless of wear will generate a significant amount of waste, including hazardous waste and materials that must be analyzed in the Draft PEIR.

**II. In Order for the Final PEIR to Comply with CEQA, the Draft PEIR Must be Revised To Disclose and Evaluate the Potential Environmental Impacts Resulting from the Lack of Cost-Effectiveness and from Infeasibility.**

As noted elsewhere in our comments, the District is deferring most of the cost-effectiveness and feasibility analysis of the proposed control measures until the rulemaking phase. Deferring this important analysis, however, deprives the public of a meaningful opportunity to evaluate the putative benefits of the proposed control measures, the potential environmental impacts associated with the economic burdens imposed by the control measures, and the feasibility of potential alternatives.

“Feasible” is defined under CEQA as “capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, legal, social, and technological factors.” CEQA Guidelines §15364. Under both CEQA and the Health and Safety Code, the District’s proposed control measures must be evaluated through the prism of “feasibility” and “cost-effectiveness.” Measures that are not feasible or cost-effective must be rejected.

Cost-effectiveness and feasibility are especially critical in the context of regulated utility services, where costs are passed on to consumers pursuant to CPUC order, and where limited energy supplies will be stretched and supplemented to meet growing future demand.

The Draft PEIR does not examine whether any of the costs associated with the proposed control measures will translate into environmental impacts, even though it is apparent that they will. For example, the proposed equipment modernization measure imposes retrofit or replacement requirements on facility equipment that has reached the end of a pre-determined “useful life,” regardless of whether the equipment actually requires an upgrade. Imposing arbitrary equipment replacement requirements on facility operators will constrain their ability to pay for other, more needed upgrades and voluntary retrofits, which will in turn result in potential environmental impacts that must be quantified. As another example, compliance with the proposed gas quality measure (CMB-04) would require costly capital investments that will be borne by consumers. The

Draft PEIR must look at the environmental impacts associated with the proposed economic burdens. The proposed costs must be justified by the projected environmental benefits. The District has already acknowledged that with respect to CMB-04, no emission reductions are being claimed, despite the high costs.

**III. The Draft PEIR Includes Proposed Control Measures that are Not Feasible, Yet Fails To Consider Feasible Alternatives.**

Although not disclosed in the Draft PEIR, several of the proposed control measures are not “feasible” as defined by CEQA, as explained above. SoCalGas and SDG&E have proposed feasible alternatives that should be considered in the Draft PEIR. All of the revisions requested by SoCalGas and SDG&E are feasible. For example, we have proposed that CMB-04 be revised to require further study of gas imported into the Basin. We have also requested minor revisions to CMB-01 (non-RECLAIM ovens, dryers, and furnaces) to require the District to work with stakeholders to ensure cost-effectiveness and to identify appropriate exemptions. We have also requested deletion of CTY-01, which is a contingency measure that is not required and will not affect attainment. The District should revise the Draft AQMP and Draft PEIR to reflect the modifications requested by SoCalGas and SDG&E in the attached comments, submitted on March 30 and April 6.

**IV. The District Has Not Consulted with the CPUC and Other Agencies as Required Under CEQA.**

Public Resources Code §21153 requires that “every local lead agency shall consult with, and obtain comments from, each responsible agency, trustee agency, and any public agency that has jurisdiction by law with respect to the project, and any city or county that borders on a city or county within which the project is located...” Although clearly required under CEQA, the Draft PEIR does not contain any evidence that the District consulted with or obtained comments from the CPUC, which is the public agency that has jurisdiction by law over gas quality and the proposed Wobbe Index limit of 1360. Nor is there evidence that every City and County within the Basin’s borders was consulted in connection with the Draft PEIR. The District’s obligation to consult with other agencies is a duty to do so affirmatively and actively. If the District has not had the opportunity to consult with all relevant agencies, then adoption of the Draft AQMP should be delayed until public agencies are afforded sufficient opportunity to comment.

**V. Unless the District Revises or Deletes CMB-04 and CTY-01, the Draft PEIR Must Be Revised and Recirculated for Public Comment.**

As discussed above, the Draft PEIR fails to analyze the potential impacts of the proposed gas specification measures (CMB-04 and CTY-01) and is therefore inadequate under CEQA. As such, the District must either revise or delete the measures from the

Draft AQMP as we have recommended or it must revise and recirculate the Draft PEIR so that it contains the required analysis.

If CMB-04 and CTY-01 remain unchanged, the District must revise and recirculate the Draft PEIR. CEQA Guidelines §15088.5 states that:

A lead agency is required to recirculate an EIR when significant new information is added to the EIR after public notice is given of the availability of the draft EIR for public review under Section 15087 but before certification. As used in this section, the term “information” can include changes in the project or environmental setting as well as additional data or other information. New information added to an EIR is not “significant” unless the EIR is changed in a way that deprives the public of a meaningful opportunity to comment upon a substantial adverse environmental effect of the project or a feasible way to mitigate or avoid such an effect (including a feasible project alternative) that the project’s proponents have declined to implement.

Our comments have raised several potential environmental impacts of the proposed gas quality measures that have simply not been considered in the Draft PEIR. Because the Draft AQMP proposes clear wording for both CMB-04 and CTY-01, it is inappropriate for the District to defer the environmental analysis of these proposed control measures until the rulemaking phase. Such deferral is not permitted under CEQA— not even in the “Program EIR” context. CEQA Guidelines §15168(a) allows for Program EIRs to be prepared generally “on a series of actions that can be characterized as one large project and are related... in connection with issuance of rules, regulations, plans or other general criteria to govern the conduct of a continuing program.” The Draft AQMP, however, contemplates action that is within the near term and proposes precise parameters for CMB-04 and CTY-01. For example, even though CTY-01 is a contingency measure, it states, “[b]eginning in 2008, the RECLAIM allocations will be reduced which will offset any potential emission increases due to the introduction of natural gas with a Wobbe Index greater than 1360.” Similarly, CMB-04 proposes to establish a defined Wobbe Index limit of 1360 on future natural gas supplies. As a result, the District can and should evaluate the impacts of those proposed control measures at this time, rather than in a subsequent environmental impact report.

Nonetheless, the Draft PEIR fails to analyze the potential environmental impacts associated with taking the proposed actions. Without the missing analysis, the public has been deprived of a meaningful opportunity to comment on the significant impacts of the proposed control measures. Thus, the Draft PEIR must be revised and recirculated if it is to serve as the environmental clearance for CMB-04 and CTY-01.



Mr. Michael Krause  
April 17, 2007  
Page 17

**VI. Conclusion**

We appreciate the opportunity to provide these comments. Should you have any questions regarding our comments or require additional information, please do not hesitate to contact me at 213-244-8851.

Sincerely,

*Lee Wallace*