

Application No: A.16-12-  
Exhibit No.: \_\_\_\_\_  
Witness: R. Prince

In the Matter of the Application of Southern  
California Gas Company (U 904 G) Requesting  
Reauthorization of the Customer Incentive Program.

Application 16-12-\_\_\_\_\_  
(Filed December 21, 2016)

**CHAPTER I**

**POLICY**

**PREPARED DIRECT TESTIMONY OF**

**RASHA PRINCE**

**ON BEHALF OF**

**SOUTHERN CALIFORNIA GAS COMPANY**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

December 21, 2016

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1 **I. INTRODUCTION**

2 Southern California Gas Company (SoCalGas) requests approval from the California  
3 Public Utilities Commission (Commission or CPUC) in this Application for SoCalGas’  
4 Customer Incentive Program (CIP). This is a program in which SoCalGas will offer a  
5 shareholder funded incentive to existing or new customers when they commit to install natural-  
6 gas technology that will be more energy efficient or improve greenhouse gas (GHG) or criteria  
7 air pollutants emissions than a baseline standard. The mechanics of the CIP, including the  
8 redesigned elements of the program, and the baseline standard, are discussed in greater detail in  
9 Chapter II, and the regulatory accounting is discussed in Chapter III. The purpose of this  
10 testimony is to provide a discussion of how certain components of the CIP have been designed to  
11 support and to align with current California policies.

12 **II. POLICY FOUNDATIONS FOR PROPOSED SERVICE**

13 The CIP is designed to support the State’s effort to transform California’s energy  
14 economy to cleaner solutions, to give consumers cleaner and more efficient energy technology  
15 choices, and to improve the State’s energy resiliency.<sup>1</sup> Additionally, the CIP is designed to  
16 provide opportunities for existing or new customers seeking to improve their operations by  
17 developing clean and efficient projects.

18 **A. The CIP Will Support the Legislative Intent of Existing Laws and Enhance**  
19 **Existing Energy Policy**

20 California has taken systematic measures to pursue and promote energy efficiency, GHG  
21 emissions reductions and criteria pollutant reductions. SB 350 is a recent example of  
22 California’s continued call for increased energy efficiency, which requires the State to double

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<sup>1</sup> CARB 2030 Target Scoping Plan, at 7-8. Available at [https://www.arb.ca.gov/cc/scopingplan/document/2030\\_sp\\_concept\\_paper2016.pdf](https://www.arb.ca.gov/cc/scopingplan/document/2030_sp_concept_paper2016.pdf).

1 statewide energy efficiency savings in electricity and natural gas end uses by 2030. The  
2 proposed CIP can help to increase adoption of advanced energy systems that will help support  
3 the increased energy efficiency savings consistent with law and policy. In addition, the proposed  
4 CIP will provide ratepayers with environmental benefits<sup>2</sup> through criteria requiring customers to  
5 save energy or reduce emissions as further described in Mr. Nguyen’s Chapter II Testimony.

6 The Legislature has long considered natural gas technologies, such as, for example,  
7 combined heat and power (CHP), a tool to advancing the fight against Climate Change. Even as  
8 recently as 2015, the 2015 Integrated Energy Policy Report (IEPR) identified CHP as a resource  
9 that can provide energy savings while simultaneously providing secondary benefits for business  
10 owners and operators.<sup>3</sup> In addition to specifying CHP as a highly efficient resource, the State  
11 law expressly supports and encourages the development of CHP. In 2004, the Legislature  
12 amended Public Utilities Code (PUC) Section 372(a) and this section states:

13 **“It is the policy of the state to encourage and support the development of**  
14 **cogeneration [i.e., CHP] as an efficient, environmentally beneficial,**  
15 **competitive energy resource** that will enhance the reliability of local generation  
16 supply, and promote local business growth.” (Emphasis added.)

17 In addition, the State earmarked 6.7 million metric tons of GHG emission reductions  
18 through the use of CHP by 2020.<sup>4</sup> As a way to accomplish that, the State had originally  
19 established a goal to develop 6,500 MW of additional CHP capacity by 2030 but according to a  
20 2012 California Energy Commission (CEC) study, the State is now only expected to develop

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<sup>2</sup> Public Utilities Code § 740.8

<sup>3</sup> 2015 IEPR, at 151.

<sup>4</sup> See California Energy Commission Tracking Progress Report, October 2015, at 1. Available at [http://www.energy.ca.gov/renewables/tracking\\_progress/documents/combined\\_heat\\_and\\_power.pdf](http://www.energy.ca.gov/renewables/tracking_progress/documents/combined_heat_and_power.pdf)

1 1,499 MW of CHP capacity by 2020.<sup>5</sup> The First Update to the Climate Change Scoping Plan  
2 (approved by CARB on May 22, 2014) confirms that California is falling short of the stated CHP  
3 goals, i.e., the goal of developing 6,500 MW additional CHP capacity by 2030.<sup>6</sup> This, in turn,  
4 means that California is losing some avoided emissions benefits associated with CHP.<sup>7</sup> As  
5 discussed in greater detail in Chapter II, the CIP will promote California policy concerning CHP  
6 by incentivizing customer-owned CHP, one of the technologies that is eligible to receive the CIP  
7 incentive.

8 To further support GHG reduction goals, SB 1383 requires a 40% methane reduction below  
9 2013 levels by 2030.<sup>8</sup> The legislation focuses on capturing waste methane from organic sources  
10 such as livestock, dairies, and landfills (methane from these sources is also referred to as biogas,  
11 biomethane, renewable natural gas or RNG),<sup>9</sup> and then putting the captured methane to use.  
12 When the biomethane is injected into common carrier pipelines, it can be used by a variety of  
13 applications including CHP installations, natural gas vehicle refueling stations, and fuel cells.  
14 The CIP includes a RNG adder for biomethane injected into SoCalGas' pipelines, which is an  
15 incentive on top of the offered incentives as discussed in Mr. Nguyen's testimony in Chapter II.  
16 By offering this RNG adder incentive, SoCalGas can support achievement of the SB 1383  
17 methane reduction goals by helping to create increased demand for RNG.

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<sup>5</sup> CEC-200-2012-002 Report, February 2012, at 6. *Available at*  
<http://www.energy.ca.gov/2012publications/CEC-200-2012-002/CEC-200-2012-002-REV.pdf>.

<sup>6</sup> First Update to Climate Change Scoping Plan, at 42. *Available at*  
[https://www.arb.ca.gov/cc/scopingplan/2013\\_update/first\\_update\\_climate\\_change\\_scoping\\_plan.pdf](https://www.arb.ca.gov/cc/scopingplan/2013_update/first_update_climate_change_scoping_plan.pdf).

States that with retirements, CHP capacity may be lower than it was in 2008.

<sup>7</sup> As renewables are nondispatchable, CHP offsets natural gas fired plants. Data obtained from the Energy Information Administration (EIA) shows that natural gas grid generation is 40% efficient.

<sup>8</sup> See SB 1383 (Statutes 2016, Chapter 395).

<sup>9</sup> As discussed further in Chapter II, the RNG incentive adder only applies to directed pipeline renewable gas.

1 Certain geographical areas in California are also falling short of their goals concerning  
2 criteria pollutants, like nitrogen oxide (NOx). According to the U.S. EPA, NOx are a family of  
3 poisonous, high reactive gases, which play a major role in producing ozone (smog).<sup>10</sup> Ozone  
4 levels are a measure of whether an air quality zone is within attainment. SoCalGas' service  
5 territory contains the only two extreme nonattainment zones in the United States.<sup>11</sup> Despite  
6 efforts to mitigate the impacts of NOx, the South Coast Air Quality Management District  
7 (AQMD) has stated that an additional 55% reduction of NOx is needed to reach the AQMD's  
8 NOx reduction goal and reduce NOx to 100 tons/day by 2031.<sup>12</sup> The ability of the AQMD (and  
9 the State) to achieve the NOx reductions remains uncertain. In addition, there are customers who  
10 continue to use diesel fuel to pump water in places, such as the San Joaquin Valley, and diesel  
11 fuel emits about 10% more NOx as compared to natural gas.<sup>13</sup>

12 Under the CIP, customers can receive an incentive to convert their fuel usage (e.g.,  
13 diesel) to natural gas. Since natural gas is a cleaner fuel than diesel, reductions will occur simply  
14 by customers converting their fuel usage.<sup>14</sup> With the emission reductions needed to meet both  
15 state-wide GHG reduction goals and regional air pollution reduction goals, the CIP can play a  
16 role in this sector by providing customers an incentive to use a fuel that simultaneously addresses  
17 both state and local environmental goals.

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<sup>10</sup> See <https://www3.epa.gov/region1/airquality/nox.html>.

<sup>11</sup> See <https://www3.epa.gov/airquality/greenbook/ancl.html>.

<sup>12</sup> See 2016 Air Quality Management Plan (AQMP) Fact Sheet. Available at [http://www.aqmd.gov/docs/default-source/clean-air-plans/air-quality-management-plans/2016-air-quality-management-plan/2016aqmp\\_factsheet.pdf?sfvrsn=8](http://www.aqmd.gov/docs/default-source/clean-air-plans/air-quality-management-plans/2016-air-quality-management-plan/2016aqmp_factsheet.pdf?sfvrsn=8).

<sup>13</sup> 2015 Climate Registry Emissions Factor, at 42.

<sup>14</sup> Game Changer Technical White Paper - "Next Generation Heavy-Duty Natural Gas Engines Fueled By Renewable Natural Gas", Gladstein, Neandross and Associates, page 9, May 3, 2016 (renewable natural gas "...provide[s] deep GHG reductions (80 percent or greater)..." and "...90 percent (or greater) reductions in NOx emissions..." than diesel)

1           **B.     CIP Supports California’s Economy While Assisting SoCalGas’ Customers**  
2           **Develop Clean and Efficient Projects**

3           As discussed above, California has set ambitious goals for reducing the State’s energy usage  
4 and emissions profile. While customers may agree with the policy goals of reducing emissions  
5 and increasing efficiency, they are bound by the practical and economic reality of operating a  
6 business within the State and the nation. In 2015, Forbes ranked California as the 8<sup>th</sup> highest  
7 state in terms of cost of doing business.<sup>15</sup> In comparison, the immediate surrounding states all  
8 have lower business costs, with Oregon leading the pack at the 8<sup>th</sup> lowest. Nevada (16), Arizona  
9 (26), Idaho (24), and Utah (5) are all identified as having lower business costs compared to  
10 California. The cost of doing business in California poses potential challenges to customers,  
11 especially those competing with other businesses located in neighboring states. Although the  
12 costs to do business in California are high, Forbes concurrently indicated that California has high  
13 growth and economic potential. In light of this business environment, SoCalGas continually  
14 searches for creative and innovative ways to help its in-state customers cut their costs and remain  
15 competitive in the marketplace.

16           The use of energy efficient technology enables customers to remain more competitive in the  
17 ever expanding global marketplace by lowering their production and operating costs when  
18 considering a technology’s life cycle. However, the high initial cost of investment in energy  
19 efficient and cleaner technology can often make it prohibitive to invest in these types of  
20 technologies and cause the customer to choose less expensive, less efficient or dirtier options. If  
21 the up front cost of cleaner and more energy efficient technology was on par with a less efficient  
22 option, there would likely be no hesitation on a customer’s part to select the cleaner, more  
23 efficient choice. The CIP is designed to bridge the gap so that when customers are presented

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<sup>15</sup> See <http://www.forbes.com/best-states-for-business/list/#tab:overall>.

1 with a choice between a cleaner or more efficient option or a cheaper, dirtier one, customers will  
2 have a cost incentive to choose the former.

3 **C. CIP Can Fill the Gap that Is Created by Underutilized or Sunsetting**  
4 **Incentives**

5 SoCalGas recognizes that the Legislature and the federal government offer other incentives  
6 but customers have not been or will not be able to take advantage of them. For example, the  
7 Legislature passed AB 1613 (Feed-In Tariff) in recognition of the monetary support that was  
8 needed to support and facilitate business-owned CHP (and to reduce wasteful consumption of  
9 energy).<sup>16</sup> However, to date the Feed-In Tariff program has received very little participation.<sup>17</sup>

10 SoCalGas recognizes that with the disappearance of incentives such as the Federal  
11 government's investment tax credit (ITC) which is sunsetting in 2017, it can become harder for  
12 customers to invest in cleaner technologies. As such, customers are likely to continue using  
13 dirtier fuels and hold off on business improvements simply because the initial investment  
14 remains too high for them to consider a more efficient or cleaner solution. SoCalGas' proposed  
15 CIP intends to fill that gap by providing customers with incentives to help offset the diminishing  
16 number of programs available to them, so they can install clean and energy efficient technology.

17 **III. CONCLUSION**

18 SoCalGas has developed a shareholder funded program that benefits ratepayers, supports  
19 customers, improves the environment, and assists the state in meeting energy policy goals and  
20 mandates. This program will help customers install clean and efficient technologies, thus

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<sup>16</sup> Only six customers in the State were certified with two being fully interconnected. *See*, AB 1257 Natural Gas Report, at 36. Available at [http://docketpublic.energy.ca.gov/PublicDocuments/15-IEPR-04/TN206470\\_20151030T160233\\_STAFF.pdf](http://docketpublic.energy.ca.gov/PublicDocuments/15-IEPR-04/TN206470_20151030T160233_STAFF.pdf).

<sup>17</sup> 2015 IEPR, at 152.



1 providing greater opportunities for customers and developers<sup>18</sup> to competitively grow and retain  
2 their business. This program utilizes shareholder funds, isolating ratepayers from risk, and  
3 invests in technologies which have proven for many years to provide clean resilient, and  
4 affordable energy. For all the reasons stated above, SoCalGas encourages the Commission to act  
5 expeditiously and approve their new CIP.

6 **IV. WITNESS QUALIFICATIONS**

7 My name is Rasha Prince. My business address is 555 West 5<sup>th</sup> Street, Los Angeles,  
8 California 90013-1011. I am employed by SoCalGas as Director of Commercial & Industrial  
9 Services. I received a Master of Business Administration degree from Woodbury University and  
10 a Bachelor of Science degree in Petroleum Engineering from the University of Texas at Austin.  
11 I joined SoCalGas in 1988 as a reservoir engineer in the Underground Storage Department and  
12 have held positions of increasing responsibility in the Marketing, Regulatory Affairs, and  
13 Customer Solutions departments. I have been in my current position since April of 2015. In my  
14 current position, I manage service to the largest non-electric generation commercial and  
15 industrial customers of SoCalGas. As such, I am responsible for ensuring that large business  
16 customers of SoCalGas receive excellent service and support, including leading and directing a  
17 team to manage the relationship with the business customers, customer project coordination,  
18 energy efficiency project delivery and business customer outreach.

19 I have not previously testified before the Commission.

20 This concludes my prepared testimony.

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<sup>18</sup> Developers include, but are not limited to, technology manufacturers, project developers, and contractors.