

Association of Energy Engineers Southern California Chapter  
Annual Power Lunch

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# Natural Gas Rates, and Regulations impacting the business of SoCalGas

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*Presented by Gary Lenart & Julia Cortez*  
1/24/2019



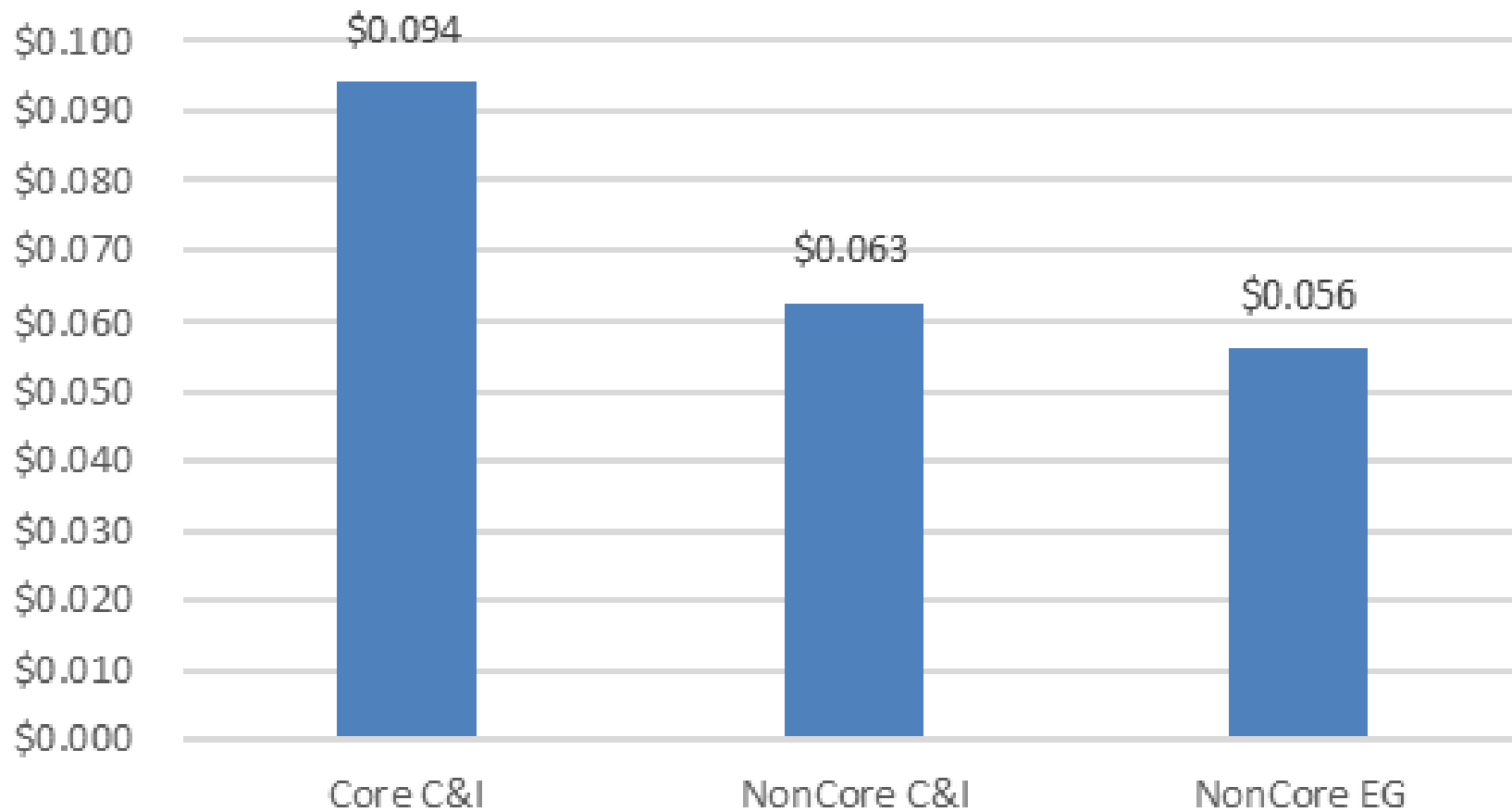
A  Sempra Energy utility

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# Topics to Cover

- Transportation & Surcharge Rate Changes
- Greenhouse Gas Cap and Trade Allowance Prices
- Components of your Natural Gas Bill
- Status of Natural Gas Prices
- Natural Gas Supply
- Renewable Natural Gas
- Proposed core rate for small electric generation

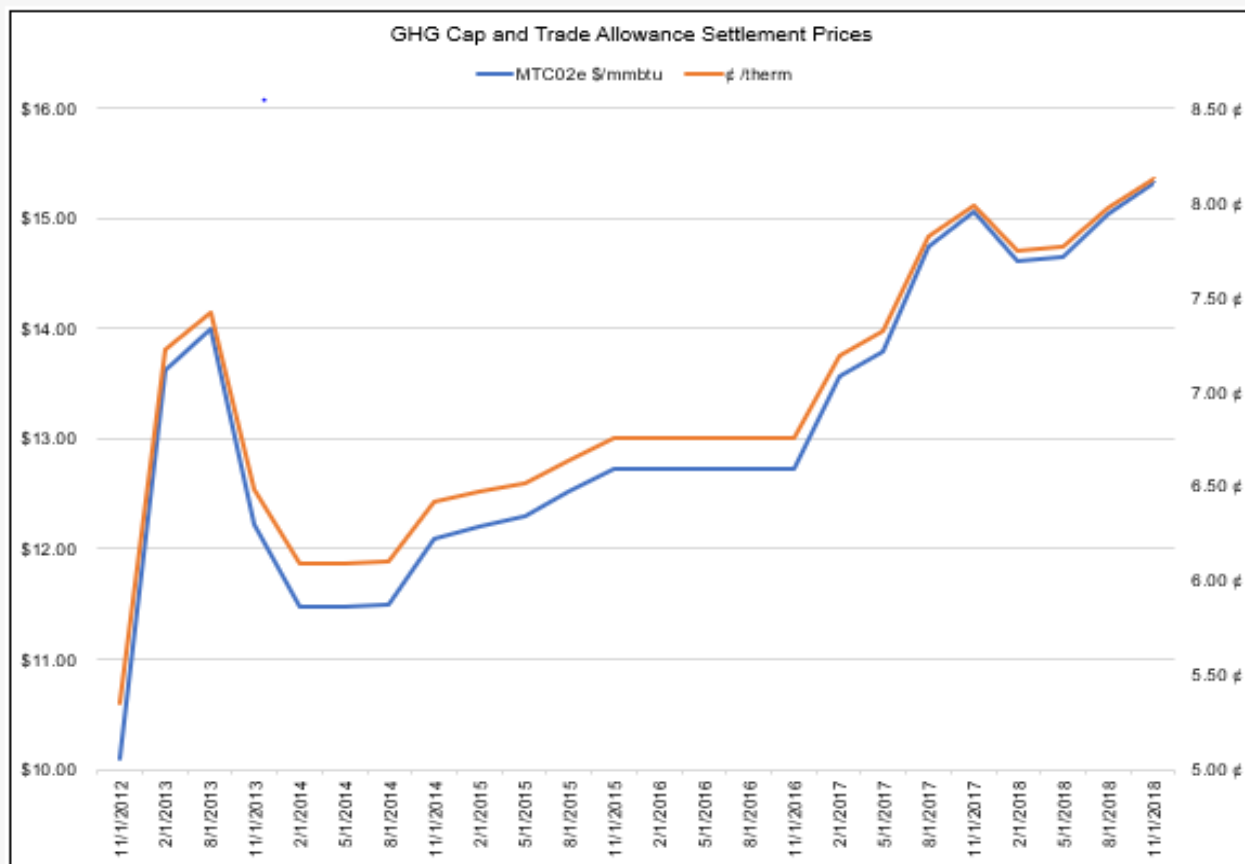
## Effective Transportation & Surcharge Changes for 2019 \$/therm



# Changes in Transportation Rates & Surcharges

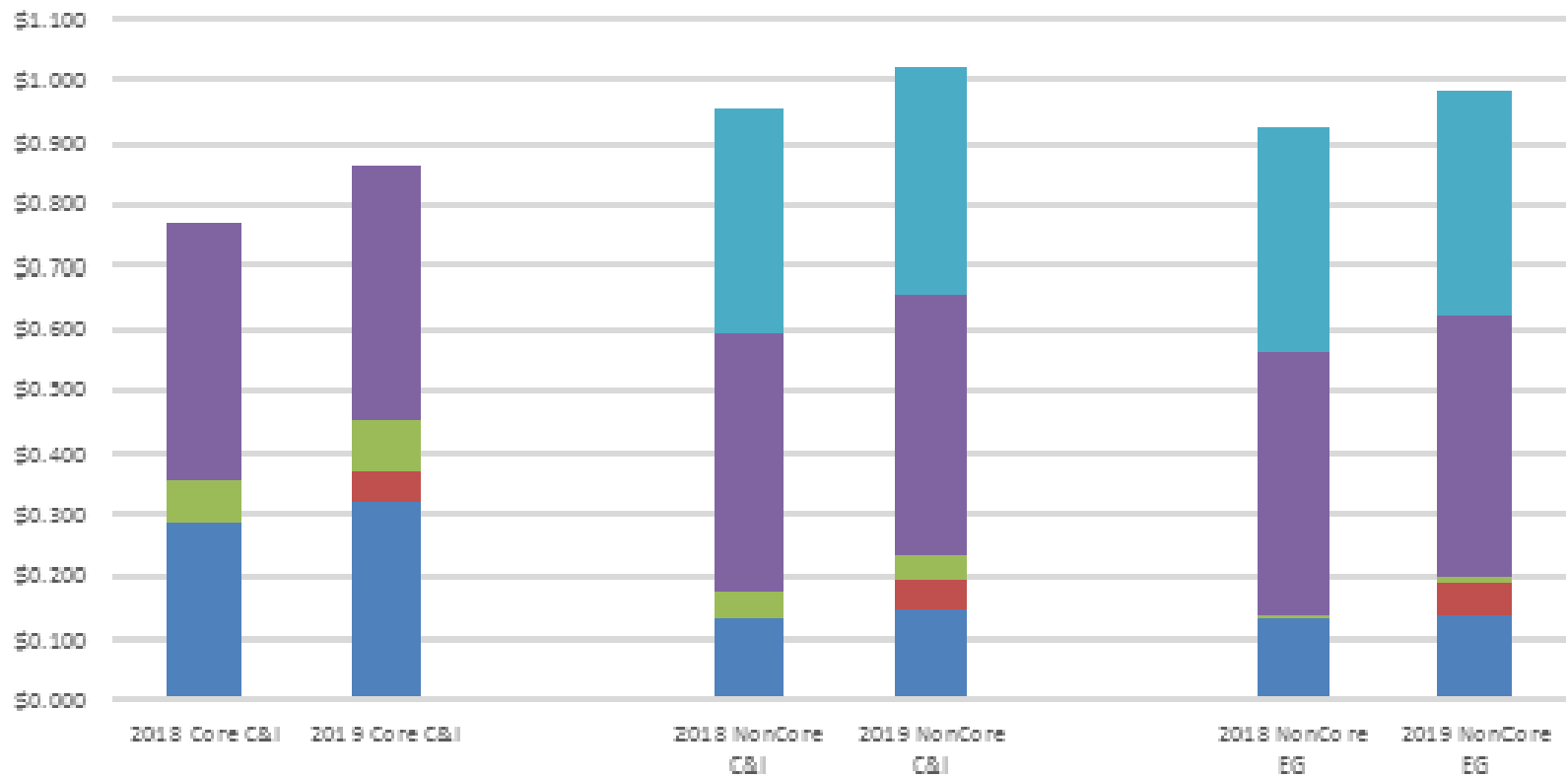
- Costs related to the State's Greenhouse Gas program, referred to as the "Greenhouse Gas Cap and Trade program" will be included in transportation rates at approximately 4.7 ¢/therm
- Under collected costs from the prior year were authorized in Regulatory Account Update filing (Advice Letter 5368 filed in November 2018).
- Higher funding of Public Purpose Programs was authorized in the Public Purpose Program Surcharge filing (Advice Letter 5374 filed in November, 2018) due to an increase in the Energy Efficiency Incentive Programs and the Low-Income Programs.

# Cap and Trade Allowance Prices

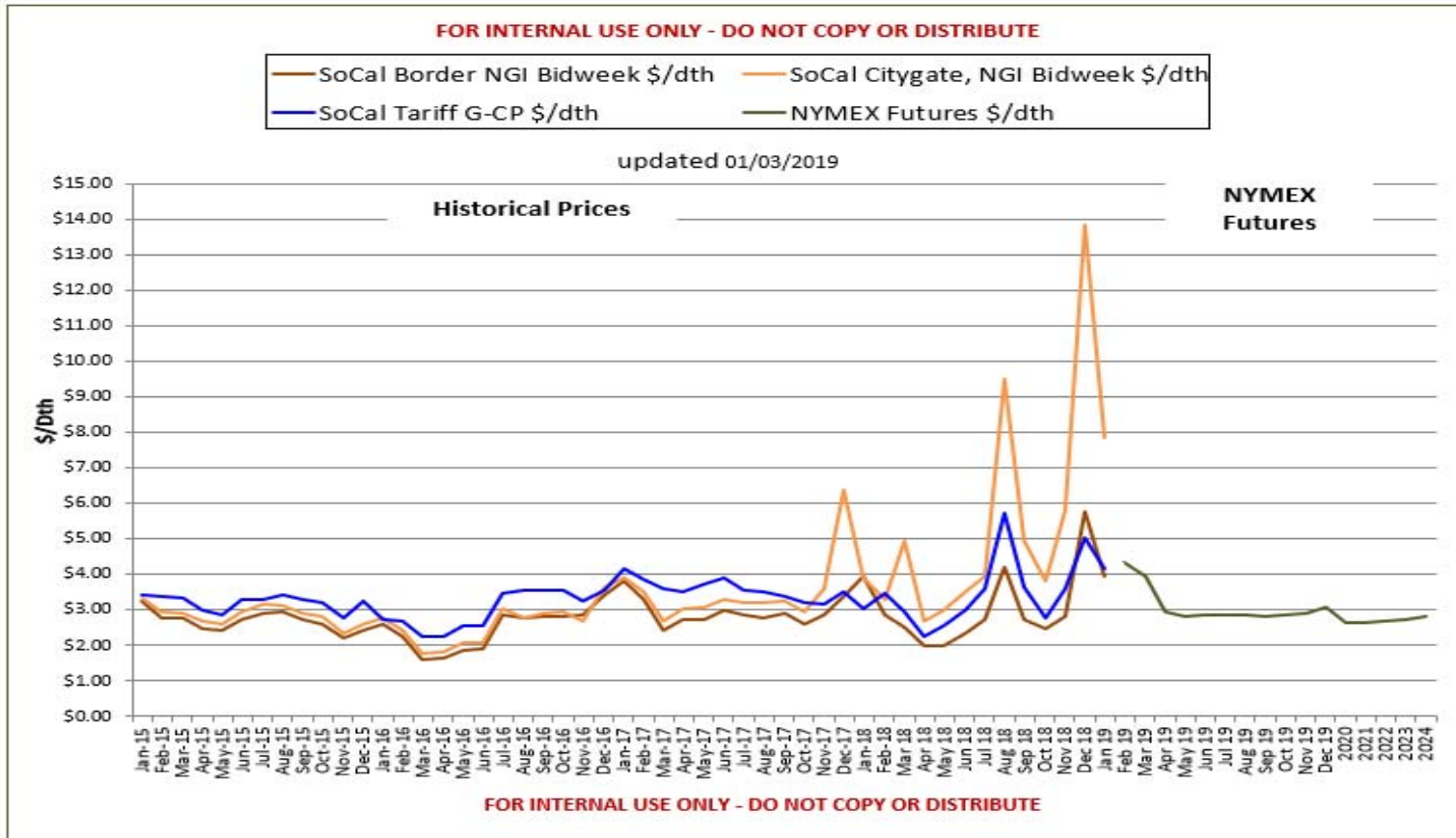


## Components of Natural Gas Bill \$/therm

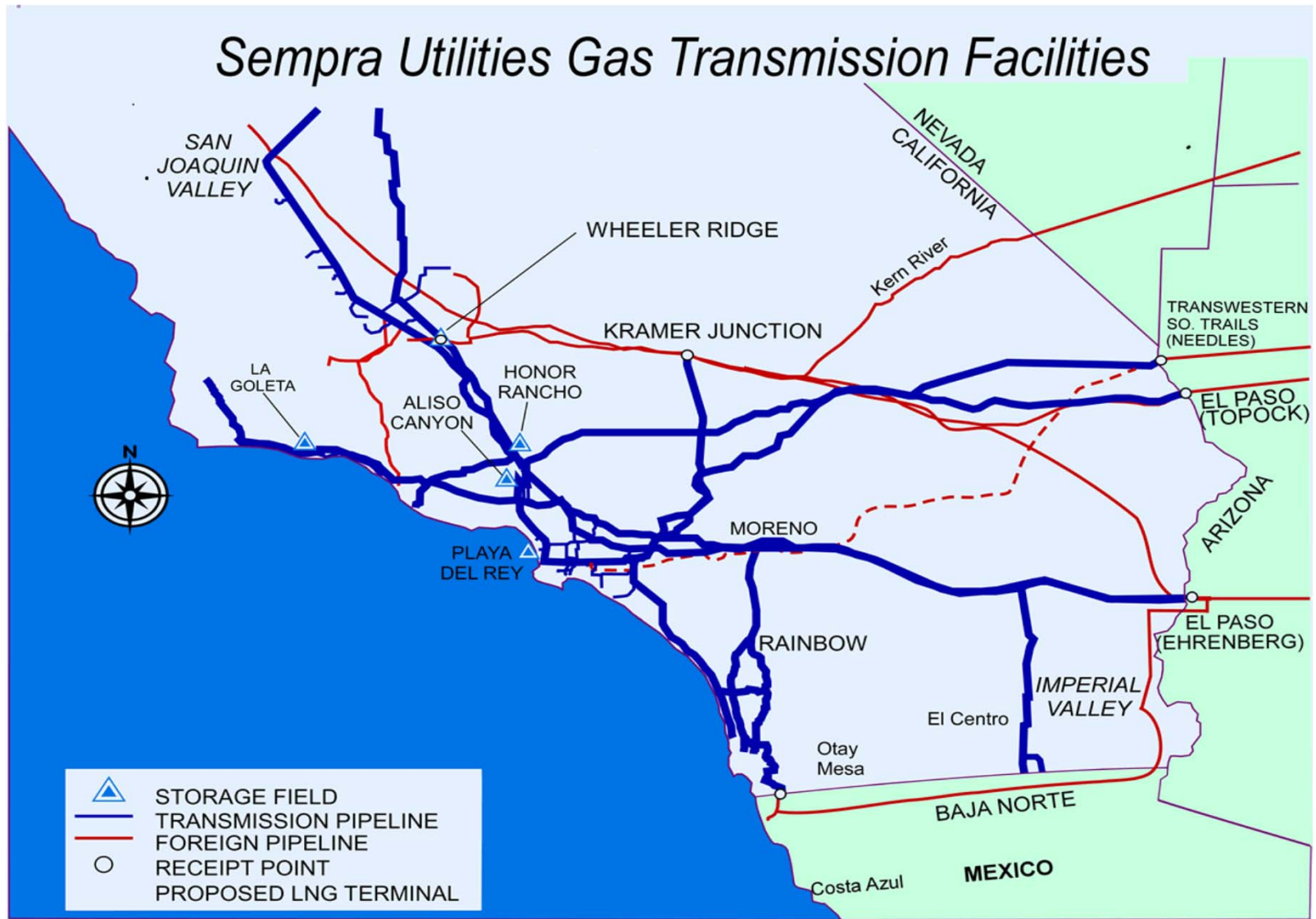
■ Transport
 ■ Cap and Trade
 ■ Surcharges
 ■ Gas Cost
 ■ Citygate



# Status of Natural Gas Prices

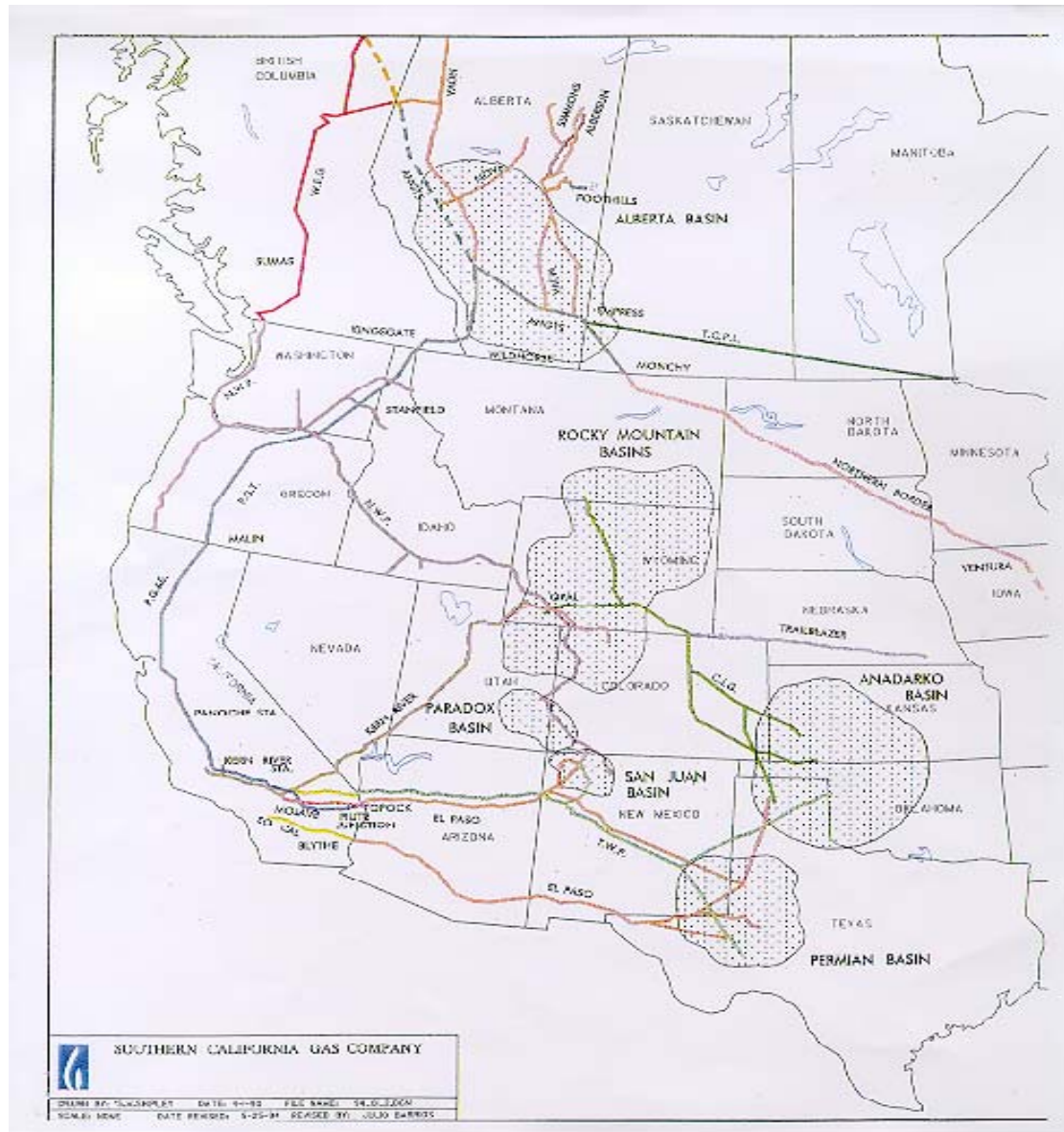


# Natural Gas Supply





# Western US Supplies & Pipelines

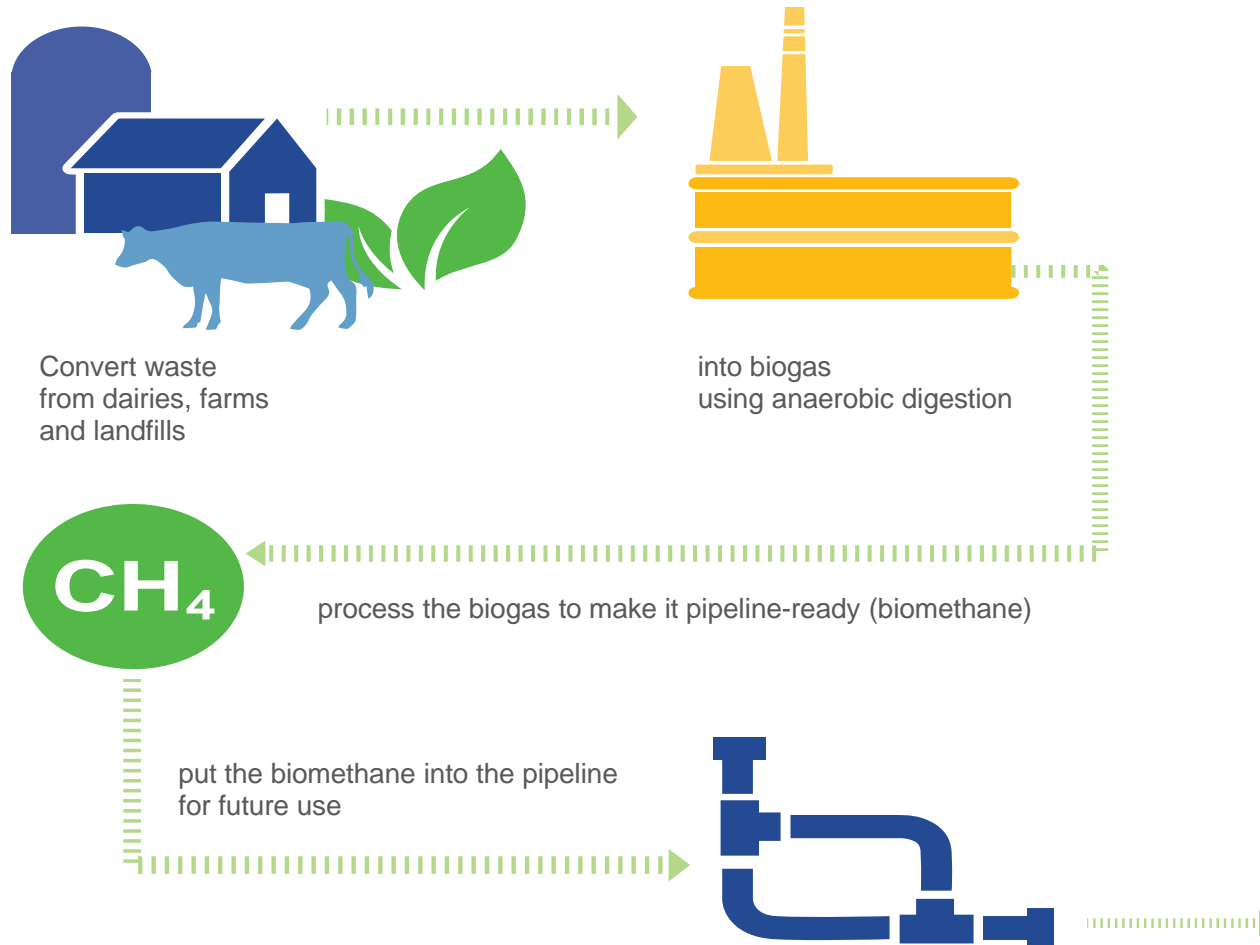


# Natural Gas Supply

- Los Angeles/Orange County are at the center of the SoCalGas transmission system.
- Access of supplies through
  - 14 receipt points into the SoCalGas system
  - Includes Local and Off Shore production
  - Includes access to Liquefied Natural Gas (LNG) input Terminal
- 4 storage fields
  - Aliso Canyon at partial operations.

# Future Supply Source Renewable Natural Gas aka Bio-Methane

- Decomposition of organic waste results in BIOGAS
- BIOGAS is composed primarily of CO<sub>2</sub> and Methane
- Historically, this has been vented into the atmosphere
- Methane has a greenhouse gas effect over 20x that of CO<sub>2</sub>
- Capturing BIOGAS and removing the CO<sub>2</sub> results in a pipeline quality gas called BIO-METHANE
  - Chemically the same as regular natural gas
- Burning BIO-METHANE from dairy waste can result in a NEGATIVE greenhouse gas impact
  - Due to eliminating all of the methane that would normally occur



Navigant Consulting, "Gas Strategies for a Low-Carbon California Future," 2018  
 Bioenergy Association of California, "Decarbonizing The Gas Sector: Why California Needs A Renewable Gas Standard," 2014.

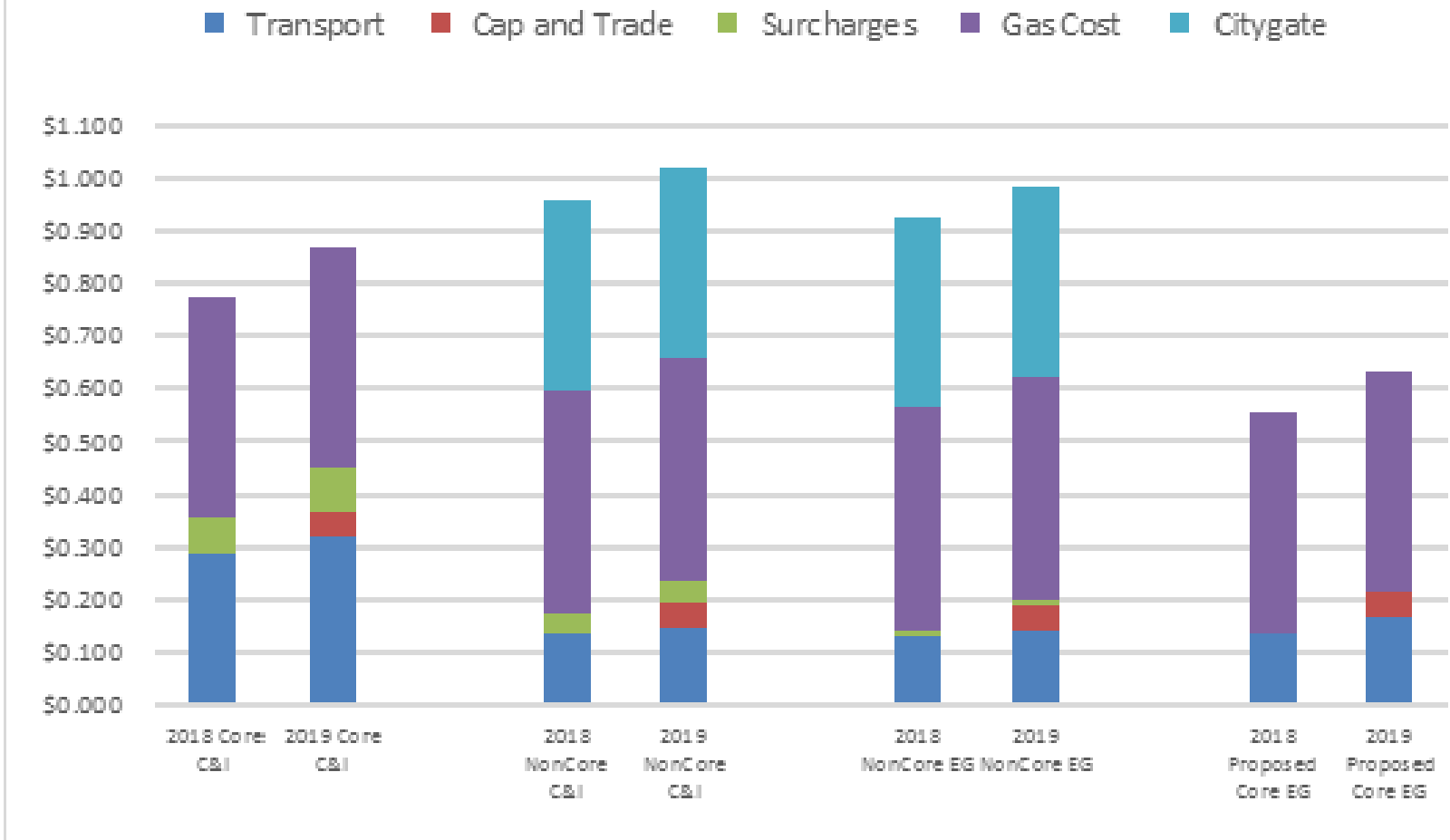
## Future Supply Source Renewable Natural Gas aka Bio-Methane

- 2 Bio-Methane producers have interconnected
- 1 more is near completion
- Several more under engineering study
- 3 recently approved as part of a pilot program for dairy cluster

# Proposed core rate for small electric generation

- A cost based rate determined by the usage characteristics of small EG customers
  - High usage factor compared to average core C&I customer results in lower effective rate
  - Current tariff only allows core service under the existing core C&I rate which is not based on the costs incurred by a small EG customer
- Allows core gas supplies unlike noncore service
- If approved will be implemented 1/1/2020
- Filed as part of transportation rates in the Triennial cost allocation proceeding application A.18-07-024

## Proposed Core EG Rate



Questions?



# SoCalGas Transportation Rates

inclusion of Cap and Trade costs and  
Annual Regulatory Account Balance Update  
\$/therm

	11/01/2018 Rates \$/therm	1/01/2019 Rates \$/therm	Estimated Rate Change	Estimated Rate Change %
<b>Core Rates Class</b>				
C&I Tier 1 (First 250 therms/Month)	\$0.55413	\$0.64088	\$0.08674	16%
C&I Tier 2 (250-4,167 therms/Month)	\$0.30219	\$0.38190	\$0.07971	26%
C&I Tier 3 (Above 4,167 therms/Month)	\$0.13327	\$0.20827	\$0.07500	56%
Natural Gas Vehicle	\$0.12853	\$0.17830	\$0.04976	39%
Gas A/C	\$0.13475	\$0.20845	\$0.07370	55%
Gas Engine	\$0.14080	\$0.17720	\$0.03640	26%
<b>Core Average</b>	<b>\$0.6064</b>	<b>\$0.6893</b>	<b>\$0.08291</b>	<b>14%</b>
<b>Non-Core Rate Class</b>				
C&I-Distribution Tier 1 (0-20,833 therms/month)	\$0.16266	\$0.22553	\$0.06287	39%
C&I-Distribution Tier 2 (20,834-83,333 therms/month)	\$0.10345	\$0.16169	\$0.05824	56%
C&I-Distribution Tier 3 (83,334-166,667 therms/month)	\$0.06558	\$0.12085	\$0.05527	84%
C&I-Distribution Tier 4 (Over 166,667 therms/month)	\$0.03852	\$0.09167	\$0.05315	138%
EG-Distribution Tier 1 (Less than 3 Mil therms per year)	\$0.12824	\$0.18436	\$0.05612	44%
EG-Distribution Tier 2 (3 Mil therms or more per year)	\$0.05646	\$0.10762	\$0.05116	91%

# Public Purpose Surcharge

Energy efficiency programs and Low Income Assistance  
\$/therm

	2018 PPPS Rates \$/therm	2019 PPPS Rates \$/therm	PPPS Impact \$/therm	% Change
Core Residential	\$0.094	\$0.101	\$0.007	7%
Core C&I	\$0.064	\$0.079	\$0.015	23%
Core Gas A/C	\$0.097	\$0.124	\$0.028	29%
Core Gas Engine	\$0.062	\$0.076	\$0.014	23%
Core Natural Gas Vehicle	\$0.024	\$0.025	\$0.001	3%
Non-Core C&I	\$0.028	\$0.031	\$0.002	8%

# Future Supply Source Renewable Natural Gas aka Bio-Methane

- Federal and State programs are encouraging the use of BIO-METHANE as a transportation fuel (ie NGVs and natural gas buses)
  - Federal Program - Renewable Identification Number & Renewable Fuel Standards (RIN & RFS)
  - State Program – Low Carbon Fuel Standard LCFS
- Fuel suppliers (ie. refineries) are required to reduce the “CARBON INTENSITY” of their products.
- May accomplish by purchasing carbon offsets (ie RIN and LCFS Credits)
- A Renewable Natural Gas producer will create carbon offsets (ie RIN & LCFS credits) when they sell RNG to a transportation end-use

