



Jayne Parker
State Agency Relations

(650) 801-9028
jayne.parker@pge.com

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Jennifer Elwell
Bay Area Air Quality Management District
375 Beale Street, Suite 600
San Francisco, CA 94105

RE: Pacific Gas and Electric Comments on Regulation 9: Rules 4 and 6

Pacific Gas and Electric Company (PG&E) appreciates this opportunity to comment on the Bay Area Air Quality Management District's (BAAQMD) draft amendments to Regulation 9: Rules 4 and 6 as proposed to be amended on May 19, 2022. PG&E would like to thank BAAQMD for its efforts in reducing residential NOx emissions through these proposed amendments and offers the following comments to facilitate BAAQMD's development of a robust NOx reduction plan that is comprehensive in nature and wide-ranging in approach and application.

As the State's largest energy provider, PG&E embraces our foundational role in transitioning California to a decarbonized and more climate-resilient economy. In June 2022, PG&E issued our *Climate Strategy Report*¹, which established our commitment to achieve a net zero energy system in 2040—five years ahead of the California carbon neutrality goal established in Executive Order B-55-18—and be climate and nature positive by 2050. PG&E recognizes the importance that building decarbonization must play in meeting these carbon goals and the specific leadership role that PG&E can serve in advancing zonal electrification as a part of a broader building decarbonization strategy. As E3 notes in their report *The Challenge of Retail Gas in California's Low-Carbon Future*, "Such a managed gas transition would likely require some amount of targeted or zonal electrification, to enable a reduction in the gas distribution infrastructure. Without a managed gas transition and without any effort to target electrification, it would be difficult to reduce the size or scale of gas system investments and costs."² It is with commitment to 2040 zero net energy in mind that PG&E offers these comments to support BAAQMD's NOx reduction efforts and suggest additional policies to broaden the impact of amendments to Rules 4 and 6.

As PG&E seeks to define how the gas system can continue to provide safe, affordable, reliable service while meeting California decarbonization goals, we have met with a number of BAAQMD staff and board members this spring, speaking with them on our early progress and

¹ PG&E Climate Strategy Report, available at: www.pge.com/climate

² E3, *The Challenges of Retail Gas in California's Low Carbon Future*, p. 6

investigation into potential geographic zones where electrification may mitigate future gas customer rate impacts by decommissioning portions of the gas system. Through this approach—often termed “zonal electrification”—we can both decrease NOx and carbon emissions in California and also reduce the long-run costs of the gas system addressing affordability for those customers continuing to use gas.

The California Air Resources Board (CARB) also discussed the need to shrink the natural gas system in their 2022 Draft Scoping Plan Update (SPU). As staff states in Appendix D, the inability to provide comprehensive (i.e.: whole-building or zonal based) decarbonization solutions to customers presents a key challenge in long-term gas rate affordability. Staff writes, “As more households move away from using natural gas, those remaining on the natural gas system are likely to pay an increasingly larger share of systemwide costs, which could further widen the affordability gap between households that are able to decarbonize early and those that are not.”³ From an equity and affordability standpoint, PG&E urges BAAQMD to prioritize comprehensive building decarbonization opportunities that achieve both building emission reductions and gas system cost reductions. This could be done through the expansion of appliance-based regulations to *all* gas appliances in a building or by using zonal electrification as a tool to electrify whole communities while retiring gas infrastructure assets. While cooktops, dryers, or decorative fireplaces do not have considerable NOx emissions when compared to furnaces or water heaters, there is both a financial and environmental benefit to customers in being able to fully electrify their homes or businesses. BAAQMD can, and should, be a leader in this space.

In closing, PG&E applauds the efforts of BAAQMD to amend Rules 9-4 and 9-6. To promote further decarbonization and affordability for all Bay Area residents, we urge BAAQMD to work towards extending these rules to *all* gas appliances. Furthermore, we ask that BAAQMD work closely with PG&E, its member cities, towns, and counties, to prioritize zonal electrification solutions in tandem with the role out of Rules 9-4 and 9-6. We look forward to working together with BAAQMD on solutions that achieve our decarbonized future.

Thank you,

Jayne Parker

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³ CARB, Draft 2022 Scoping Plan Update, May 10, 2022, Appendix D, p. 19.