

December 18, 2017

Director of Research
2017 Public Comment Period
Sustainability Accounting Standards Board
1045 Sansome St., Suite 450,
San Francisco, CA 94115

RE: **SASB Exposure Draft Standards - Infrastructure Sector**
Electric Utilities and Power Generators, and Gas Utilities and Distributors

Dear SASB Director of Research:

I write on behalf of Sempra Energy, a Fortune 500 energy services company headquartered in San Diego, CA, with operations in the U.S., Mexico, Chile and Peru. We build and own energy infrastructure, and own and operate gas and electric utilities. This letter provides our input during the public comment period for SASB's Exposure Draft Standards – Infrastructure Sector, specifically *Electric Utilities and Power Generators, and Gas Utilities and Distributors*.

Industry Standard: Electric Utilities and Power Generators

Disclosure Topic: *GHG Emissions and Energy Resource Planning*

- **Accounting Metric Code:** TA11-01-01
- **Line of Disclosure:** .10 and .11 – GHG emissions associated with power deliveries net of power purchases and sales
- **Comment:** Companies like Sempra Energy engage in two types of activities: 1) we own utilities that purchase power and generate power for distribution to retail customers, and 2) we also own a company that generates power for other utilities under long-term contract and these utilities then distribute this power to *their* customers. Under SASB's "Scope of Disclosure" guidance, consolidated entities are told to make disclosures for the whole entity, which is consistent with current sustainability and GHG reporting protocols and is representative of how companies like ours report GHG emissions and CO2 emissions rates today. However, SASB's current language under TA11-01-01 asks registrants to disclose total GHG emissions associated with power deliveries to *retail customers* resulting from owned generation and purchased power. This implies that we should disaggregate our consolidated GHG emissions and provide an answer that reflects only the generation and purchased power that results from our electric utilities' activities, and not our power generation business (since that power generation is not going directly to retail customers)? Practically this means we would report for our three electric utilities, but leave out some of our power generation, which does fall into Scope 1 emissions. We flag it because as currently stated, total gross GHG emissions associated with electric power and corresponding emissions rate numbers reported under SASB's framework would: 1) not match consolidated GHG emissions or emissions rate disclosures in sustainability reporting, and 2) be inconsistent with SASB's Scope of Disclosure guidance provided on p. 8 of the Exposure Draft Standards for Electric Utilities and Power Generators.

Disclosure Topic: *Water Management*

- **Accounting Metric Code:** IF0101-05
- **Lines of Disclosure:** .39 and .42 – Water withdrawn
- **Comment:** There are methodological challenges regarding use of the metric, “water consumption,” as currently stated. As an example, employee-occupied facilities and buildings typically use municipal water, and there is usually not a discharge meter, so it is not possible to measure water consumed. In other types of facilities like power plants, discharge is usually metered and measured so this is not an issue. SASB might consider limiting the question to total water withdrawn and consumed for power generation, or total water withdrawn and consumed for power generation *and* total water withdrawn for employee-occupied facilities and buildings.

Disclosure Topic: *Energy Affordability*

- **Accounting Metric Code:** TA11-04-01
- **Lines of Disclosure:** .62, .63, .64 – average rates for residential, commercial and industrial customers
Comment: Our concern is with the issue of comparability. The rate (or cost to serve) is affected by a number of things that are not within any individual utility’s control – and often driven by regulatory or legislative structures or mandates. Are the costs of generation included in the rate? Are public purpose program costs embedded in rates? The cost of mandates such as RPS standards, smart meters and smart grid technologies, battery storage, the build out of electrification for transportation, cap and trade compliance, the cost of real estate, rights-of-way and franchise fees, etc., all factor into electricity rates, including the penetration of distributed generation (e.g., rooftop solar) and other factors. How will average rates be comparable across utilities given the myriad of differing factors?
- **Accounting Metric Code:** TA11-04-02
- **Lines of Disclosure:** .65, .66, .67 and .68 – average monthly electric bills for residential customers
Comment: Our concern is with the issue of comparability. The size of the bill is determined by many other factors aside from rates, such as weather, geographical location, and penetration of residential rooftop solar and electric vehicles, which impact usage of electricity in significant ways. How will average bills be comparable across utilities given the myriad of differing circumstances?
- **Accounting Metric Code:** TA11-04-03
- **Lines of Disclosure:** .69 and .70 – number of disconnections for non-payment and percentage of reconnections within 30 days
Comment: Our concern is with the issue of comparability. Service areas in border regions or larger cities for example, may experience higher levels of transient persons arriving in a community, setting up service, moving and then sometimes disconnecting without paying, etc. Also, utilities located in very hot and humid geographies know that air conditioning is a necessity for the survival of some people and there may be some customers unable to afford to pay for it. How will these kinds of differing factors be normalized? The Notes section will help somewhat, but still, how will these be evaluated against one another fairly?

Overall Comment – Energy Affordability: We suggest, at minimum, that a Discussion and Analysis section be added to Energy Affordability to provide utilities with a place to help describe these differences in utility operating conditions.

Disclosure Topic: *Grid Resiliency*

- **Accounting Metric Code:** IF0101-17
 - **Lines of Disclosure:** .108 - .110 – Incidents of non-compliance with NERC
 - **Comment:** NERC represents North American standards and we own electric utilities in South America – one in Chile and one in Peru, which are not subject to these compliance standards. Would a company like ours report under SASB only those electric utilities subject to NERC compliance? If so, it would be inconsistent with SASB’s Scope of Disclosure guidance provided on p. 8 of the Exposure Draft Standards for Electric Utilities and Power Generators, which states that consolidated entities shall report for the whole entity.
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- **Accounting Metric Code:** IF0101-18
 - **Lines of Disclosure:** .111 - .119 – SAIDI, SAIFI, CAIDI
 - **Comment:** Our concern is with the issue of comparability. Reliability is hugely impacted by geographic location, weather, natural and man-made disasters and other such phenomena. How will utilities be compared fairly given the myriad of differing circumstances?

Overall Comment – Grid Resiliency: In our view, non-compliance with NERC and reliability metrics (SAIDI, SAIFI and CAIDI), really only address aspects of cybersecurity and reliability, and not necessarily the comprehensive issue of grid resiliency. Grid Resiliency includes many other factors that reduce the risks of service interruptions: the penetration of smart grid technology; the utility’s ability to facilitate the integration of intermittent renewables; the use of utility scale battery storage; upgrades to physical infrastructure such as wood-to-steel power pole replacement programs, which help utility infrastructure withstand hurricane-force winds; the ability to proactively shut off power when weather conditions (e.g., firestorms) merit such an action; the ongoing monitoring of physical changes such as sea level rise, which may impact utility assets and infrastructure in coastal zones, or the employment of meteorologists to help predict weather and plan for difficult operating conditions, etc. We suggest, at minimum, that a Discussion and Analysis section be added to Grid Resiliency to provide utilities with a place to help describe the activities they are undertaking to prepare for extraordinary weather conditions and climate-related impacts on physical infrastructure.

Industry Standard: Gas Utilities and Distributors**Disclosure Topic:** *End-Use Efficiency and Demand*

- **Accounting Metric Code:** TA11-09-01
- **Lines of Disclosure:** .01 (bullet 3) and .03 (bullet 2) – references to the EEI’s 2015 paper on “Alternative Regulation for Emerging Utility Challenges”; .05 – revenues resulting from the provision of electricity to retail customers by regulated utilities?
- **Comment:** Since this represents guidance for Gas Utilities and Distributors, we raise this in case these references represent an error?

Disclosure Topic: *Integrity of Gas Delivery Infrastructure*

- **Accounting Metric Code:** IF0102-04
- **Lines of Disclosure:** .24 - .27 – percentage of distribution pipeline that is cast or wrought iron, or unprotected steel

Comment: The integrity of gas distribution systems is often monitored on a segment-by-segment basis and replacement of any given segment may depend on many operational variables, including the type of pipeline material. As an example, pipelines originally constructed from bare steel vary widely, and while this material generally has a faster rate of replacement, focusing only on pipeline materials (in this case, iron or unprotected steel) does not seem to consider the more holistic pipeline-safety and system integrity-focused approach which may prioritize replacement where abnormalities or leaks are found.

- **Accounting Metric Code:** TA11-07-01
- **Lines of Disclosure:** .28 - .30 – percentage of pipelines inspected
- **Comment:** Our concern is with comparability since no guidance is given concerning inspection time period? Inspected in the last five years? Last year? Last ten years? Over its lifetime? Without a time component there won't be a way for information to be normalized or comparable? Also, should geography and size of utility service territory be considered as well?
- **Accounting Metric Code:** A11-07-02
- **Lines of Disclosure:** .37 - .39 – Discussion of efforts to manage the integrity of gas delivery infrastructure, including risks related to safety and emissions
- **Comment:** We agree it is good to have a section for Discussion and Analysis, but do wish to point out that when it comes to measuring fugitive emissions leakage, it is important to note that today, gas pipeline emissions are calculated by multiplying the miles of pipeline (specifying type of pipeline) by an emissions factor. Emissions “reductions” are therefore only achieved when 1) the type of pipeline changes, or 2) the emissions factor changes. This means that all of the efforts underway relating to methane capture and enhanced leak detection are not and will not be reflected in *actual* fugitive emissions totals, since they are estimated based on formulas.

Disclosure Topic: *Energy Affordability*

- **Accounting Metric Code:** A11-08-01
- **Lines of Disclosure:** .40 - .45
- **Comment:** Our concern is with comparability. The rate (or cost to serve) is affected by a number of things that are not within any individual utility's control – regulatory mandates, public purpose program costs, advanced metering infrastructure, renewable natural gas efforts, etc. How will rate information be normalized to account for these differences?
- **Accounting Metric Code:** A11-08-02
- **Lines of Disclosure:** .46 - .48 – typical monthly gas bill for residential customers
- **Comment:** Our concern is with comparability. The size of the bill is determined by many other factors aside from rates: weather, geographical location, and so forth? How will adjustments be made to normalized against things like weather?
- **Accounting Metric Code:** A11-08-03
- **Lines of Disclosure:** .69 - .70 – number of residential customer gas disconnections for nonpayment and percentage connected within 30 days
- **Comment:** Our concern is with comparability. Service areas in border regions or larger cities for example, may experience higher levels of transient persons arriving in a community, setting up



service, moving and then sometimes disconnecting without paying, etc. Geographically, areas with milder climates (like So. California) will have lower usage, lower bills and likely, lower rates of disconnection – vs. areas where winter temperatures drop below freezing. How will this be normalized? The Notes section will help somewhat, but still, how will these be evaluated against one another fairly?

Overall Comment – Energy Affordability: We suggest, at minimum, that a Discussion and Analysis section be added to Energy Affordability to provide utilities with a place to help describe these differences in utility operating conditions.

On behalf of Sempra Energy, thank you for the opportunity to provide input and feedback to SASB concerning proposed changes to the provisional standards, exposure draft for the Infrastructure Sector. As the owner of electric utilities and power distributors, and gas utilities, we appreciate the opportunity to provide feedback and input.

If you have any questions or wish to discuss, I can be reached at (619) 696-4211.

Sincerely,

A handwritten signature in blue ink that reads "Molly Cartmill".

Molly Cartmill
Director – Corporate Responsibility & Sustainability

cc: Amy Eekhout, Sempra Energy
Brian Esterly, SASB