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March 26, 2008

Advice No. 3847 (U 904 G)

Public Utilities Commission of the State of California

**Subject**: Revisions to Rule No. 39 – Access to the SoCalGas Pipeline System

Southern California Gas Company (SoCalGas) hereby submits for filing revisions to its Rule No. 39 tariff filed with the California Public Utilities Commission (Commission), applicable throughout its service territory, as shown on Attachment B.

#### <u>Purpose</u>

This Advice Letter submits revisions to Rule No. 39, Access to the SoCalGas Pipeline System. San Diego Gas & Electric Company (SDG&E) is concurrently filing an Advice Letter seeking similar revisions to its Rule No. 39.

### Background

A comprehensive legislative and regulatory framework is currently in place in California to support major expansion of the supply of renewable electric resources and facilities within the State. Companion legislation, Senate Bills 1078 and 107, establish the renewable portfolio standard (RPS) program, which promotes renewable electric energy as a means of meeting the environmental goals of the State and, in particular, of reducing greenhouse gas (GHG) emissions.<sup>1</sup>

The State has also acknowledged the important role to be played by biofuels in meeting GHG emission reduction goals. In Executive Order S-06-06, Governor Schwarzenegger established targets to increase the production and use of bioenergy. The Order directs the State to produce a minimum of 20% of its biofuels within California by 2010, 40% by

Senate Bill (SB) 107, Sec. 1, § 25620.1(b)(1) and (3) (Stats. 2006, Ch. 464); Senate Bill (SB) 1078, Sec. 1, § 387(a) (Stats. 2002, Ch. 516).

2020, and 75% by 2050. The Bioenergy Action Plan issued by the Bioenergy Interagency Working Group<sup>2</sup> in July 2006, declared that "California has large untapped biomass resources, including residues from forestry, urban, and agricultural wastes. Using these resources to produce transportation fuels, electrical energy and biogas will benefit California." The Bioenergy Action Plan recommends mechanisms designed to increase production and use of biomass energy, noting that "[t]he production and use of the state's considerable biomass resources can achieve progress toward meeting the state's petroleum reduction, climate change, and renewable energy goals, while providing strategic social, economic, and environmental benefits to California."

In September 2006, Governor Schwarzenegger signed Assembly Bill (AB) 32, which set forth the State's intent in the effort to reduce GHG emissions. AB 32 also intended to stimulate investment, "in the development of innovative and pioneering technologies [that] will assist California in achieving the statewide limit on emissions of greenhouse gases." Most significantly, AB 32 set the ambitious goal of reducing statewide GHG emissions to 1990 levels by 2020 and required the California Air Resources Board (CARB), in consultation with stakeholders, including the Commission, to implement by January 2012, "emission reduction measures...to achieve the maximum technologically feasible and cost-effective reductions in greenhouse gases in furtherance of achieving the statewide greenhouse gas emission limit." SoCalGas believes in the mission of AB 32 and is fully committed to supporting the efforts of the State of California to reduce GHG emissions.

To that end, SoCalGas and SDG&E filed their Joint Climate Action Initiative (A.07-08-031) that builds on current successes and establishes a foundation for long-term progress towards reducing GHG emissions in California. The Climate Action Initiative describes several actions that can be taken in the near term so that in the long term renewable energy facilities could be made available at cost levels that are competitive with conventional resources and will require less legislative and regulatory push than is required today. One of the recommendations provided in A.07-08-031 is that the Commission should approve modifications to SoCalGas Rule No. 39 to provide an interconnect allowance in order to increase access to biofuel resources generated from acceptable biofuel sources such as dairies, biomass, and wastewater treatment facilities.

There are more than 1.7 million dairy cows in the state of California. Approximately 40% of these cows are located within the SoCalGas or SDG&E service territory. Collectively, manure from dairies has the potential to produce up to 18 billion cubic feet of methane per

<sup>&</sup>lt;sup>2</sup> The Bioenergy Interagency Working Group is comprised of the California Air Resources Board, the California Energy Commission, the California Environmental Protection Agency, the California Dept. of Food and Agriculture, the California Dept. of Forestry and Fire Protection, the California Dept. of General Services, the Integrated Waste Management Board, the California Public Utilities Commission and the Water Resources Control Board.

<sup>&</sup>lt;sup>3</sup> Bioenergy Action Plan, page 1.

<sup>4</sup> Ibid.

<sup>&</sup>lt;sup>5</sup> Assembly Bill (AB) 32, Part 1, Ch. 2 § 38501 (e) (Stats. 2006, Ch. 488).

<sup>&</sup>lt;sup>6</sup> AB 32, Part 4 § 38562 (a).

year (approximately 50 MMcf/d) in the combined service territories. Although this represents less than 2% of the average system demand, it offers significant incremental resource potential because it is renewable. Moreover, use of this resource would improve the poor air quality in the San Joaquin Valley, where the majority of dairy product production occurs. Although this segment is already attracting significant private development, SoCalGas proposes to further support market development for dairy and other larger-scale pipeline biomethane producers by facilitating interconnection to its system.<sup>7</sup> For that purpose, SoCalGas proposes that if a biomethane supplier commits to deliver, for at least five (5) years, biogas volumes exceeding an average of 500 Mcf/d, then certain interconnection costs, as described below, would be recovered through current rates paid by all customers. SoCalGas will not seek any incremental cost recovery during the current rate case period.

Since the Commission's consideration of A.07-08-031 has been delayed, SoCalGas is seeking approval of this Advice Letter. This action is consistent with A.07-08-031 where SoCalGas indicated that it would be filing its proposed Rule No. 39 revisions through a separate Advice Letter.<sup>8</sup> SoCalGas believes its proposed changes to Rule No. 39 would promote the development of substantial and cost-effective biomethane supplies and thus should be expeditiously considered by the Commission.

### Rule No. 39

The proposed additions to Rule No. 39 provide an interconnect allowance for a producer and/or supplier of biogas seeking an interconnection point with SoCalGas. SoCalGas believes this change will aid the overall efforts of increasing renewable gas supplies by providing incentives for producers and/or suppliers of biogas to interconnect to the SoCalGas system to deliver biogas to end use customers.

Specifically, if the interconnector is a producer and/or supplier of biogas, contracted and expected to deliver, for at least five (5) years, biogas volumes exceeding an average of 500 Mcf/d into the SoCalGas system, SoCalGas proposes to construct/install all the facilities, as described in Section 3(b) of Form 6430, Interconnect Collectible System Upgrade Agreement (ICSUA), to receive from the interconnection point biogas volumes in an amount up to the interconnection capacity. All the costs of such facilities, excluding any equipment that is unique for receiving biogas supplies at the interconnection point, will be recovered through the rates paid by all customers. The interconnector shall pay SoCalGas for all of its costs (including, but not limited to, SoCalGas' income tax liability) associated with the construction and installation of any equipment that is unique for receiving biogas supplies at the interconnection point. If the interconnector is not contracted and expected to deliver, for at least five (5) years, into the SoCalGas system biogas volumes exceeding an average of 500 Mcf/d, then the interconnector shall either construct/install all of the above-mentioned facilities meeting SoCalGas' specifications or pay SoCalGas for all of its costs (including, but not limited to, SoCalGas' income tax liability) associated with the construction/installation of all of the above-mentioned facilities at the interconnection point.

<sup>7</sup> Direct Testimony of Jeffrey Reed (A.07-08-031), page III-10.

<sup>&</sup>lt;sup>8</sup> Direct Testimony of Jeffrey Reed (A.07-08-031), page III-20.

Regardless of the amount of contracted and expected biogas volumes, the interconnector shall:

- 1) Pay SoCalGas for all operations and maintenance expenses and future equipment upgrades associated with all of the above-mentioned facilities for receiving biogas supplies at the interconnection point.
- 2) Construct/install/maintain, at its own cost, all the facilities necessary, as described in Section 3(b) of Form 6430, ICSUA, on the interconnector's system to deliver at the interconnection point, biogas volumes in an amount up to the interconnection capacity.
- 3) Construct/install/maintain, at its own cost, any pipeline facilities that may be necessary to transport biogas from the production facilities to the interconnection point.
- 4) Obtain firm and/or interruptible receipt point access rights to the SoCalGas system under the provisions of SoCalGas' Schedule No. G-RPA.

#### **Protest**

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date this Advice Letter. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division Attn: Tariff Unit 505 Van Ness Avenue San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of both Maria Salinas (<a href="mailto:mas@cpuc.ca.gov">mas@cpuc.ca.gov</a>) and to Honesto Gatchalian (<a href="mailto:inj@cpuc.ca.gov">inj@cpuc.ca.gov</a>) of the Energy Division. A copy of the protest should also be sent via both e-mail <a href="mailto:and">and</a> facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Sid Newsom Tariff Manager - GT14D6 555 West Fifth Street Los Angeles, CA 90013-1011 Facsimile No. (213) 244-4957

E-mail: snewsom@SempraUtilities.com

## **Effective Date**

SoCalGas believes this Advice Letter is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. SoCalGas respectfully requests that this filing be approved on April 25, 2008, which is 30 calendar days after the date filed.

## **Notice**

A copy of this advice letter is being sent to the parties listed on Attachment A, which includes parties to the Greenhouse Gas Proceeding, R.06-04-009.

KEN DEREMER
Director
Tariffs and Regulatory Accounts

Attachments

# CALIFORNIA PUBLIC UTILITIES COMMISSION

# ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLE	TED BY UTILITY (At	tach additional pages as needed)			
Company name/CPUC Utility No. SOUTHERN CALIFORNIA GAS COMPANY (U 904-G)					
Utility type:	Contact Person: <u>Sid Newsom</u>				
☐ ELC ☐ GAS	Phone #: (213) <u>244-2846</u>				
☐ PLC ☐ HEAT ☐ WATER	E-mail: snewsom@semprautilities.com				
EXPLANATION OF UTILITY TY	PE (Date Filed/ Received Stamp by CPUC)				
ELC = Electric GAS = Gas PLC = Pipeline HEAT = Heat V	VATER = Water				
Advice Letter (AL) #: 3847					
Subject of AL: Revision to Rule	e No. 39 – Access t	o SoCalGas Pipeline System			
Keywords (choose from CPUC listing)	: Rules				
_					
AL filing type:   Monthly   Quarter	rly 🗌 Annual 🛛 C	ne-Time 🗌 Other			
If AL filed in compliance with a Comm	nission order, indi	cate relevant Decision/Resolution #:			
Does AL replace a withdrawn or reject	eted AL? If so, idea	ntify the prior AL <u>No</u>			
Summarize differences between the A	AL and the prior w	ithdrawn or rejected AL¹:N/A			
D AT	.0.10				
Does AL request confidential treatme	ent? If so, provide 6	explanation: No			
Resolution Required? $\square$ Yes $\boxtimes$ No		Tier Designation: 1 2 3			
Requested effective date: 4/25/08		No. of tariff sheets: <u>3</u>			
Estimated system annual revenue eff	fect: (%): <u> </u>	<u>e</u>			
Estimated system average rate effect	(%):None				
When rates are affected by AL, include	de attachment in A	L showing average rate effects on customer			
classes (residential, small commercia					
Tariff schedules affected: Rule, TOCs					
Service affected and changes proposed <sup>1</sup> : N/A					
Pending advice letters that revise the same tariff sheets: None					
Protests and all other correspondence regarding this AL are due no later than 20 days after the date of					
this filing, unless otherwise authorized by the Commission, and shall be sent to:  CPUC, Energy Division  Southern California Gas Company					
Attention: Tariff Unit		Attention: Sid Newsom			
505 Van Ness Ave.		555 West Fifth Street, GT14D6			
San Francisco, CA 94102		os Angeles, CA 90013-1011			
mas@cpuc.ca.gov and jnj@cpuc.ca.gov	, s	newsom@semprautilities.com			

 $<sup>^{\</sup>mbox{\tiny 1}}$  Discuss in AL if more space is needed.

# **ATTACHMENT A**

Advice No. 3847

(See Attached Service Lists)

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# ATTACHMENT B Advice No. 3847

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Original 43181-G	Rule No. 39, ACCESS TO THE SOCALGAS PIPELINE SYSTEM, Sheet 4	
Revised 43182-G	TABLE OF CONTENTS	Revised 41996-G*
Revised 43183-G	TABLE OF CONTENTS	Revised 43136-G

LOS ANGELES, CALIFORNIA CANCELING

Original

CAL. P.U.C. SHEET NO. CAL. P.U.C. SHEET NO.

43181-G

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### Rule No. 39 ACCESS TO THE SOCALGAS PIPELINE SYSTEM

Sheet 4

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(Continued)

### C. Interconnection with Biogas Producer/Supplier

- 1. If the Interconnector is a producer and/or supplier of biogas (governed by the Utility's Rule No. 30) and is contracted and expected to deliver, for at least five (5) years, into the Utility system, biogas volumes exceeding an average of 500 Mcf/d, then the Utility shall construct/install all the facilities, as described in Section 3(b) of Form 6430, Interconnect Collectible System Upgrade Agreement (ICSUA), to receive from the interconnection point biogas volumes in an amount up to the interconnection capacity. All the costs of such facilities, excluding any equipment that is unique for receiving biogas supplies at the interconnection point, will be recovered through the rates paid by all customers. The Interconnector shall pay the Utility for all of its costs (including, but not limited to, the Utility's income tax liability) associated with the construction and installation of any equipment that is unique for receiving biogas supplies at the interconnection point.
- 2. If the Interconnector is not contracted and expected to deliver, for at least five (5) years, into the Utility system, biogas volumes exceeding an average of 500 Mcf/d, then the Interconnector shall either construct/install all of the above-mentioned facilities meeting the Utility's specifications or pay the Utility for all of its costs (including, but not limited to, the Utility's income tax liability) associated with the construction/installation of all of the above-mentioned facilities at the interconnection point.
- 3. Regardless of the amount of contracted and expected biogas volumes, the Interconnector shall:
  - a) Pay the Utility for all operations and maintenance expenses and future equipment upgrades associated with all of the above-mentioned facilities at the interconnection point.
  - b) Construct/install/maintain, at its own cost, all the facilities necessary, as described in Section 3(b) of Form 6430, ICSUA, on the Interconnector's system to deliver at the interconnection point, biogas volumes in an amount up to the interconnection capacity.
  - c) Construct/install/maintain, at its own cost, any pipeline facilities that may be necessary to transport biogas from the production facilities to the interconnection point.
  - d) Obtain firm and/or interruptible receipt point access rights to the Utility system under the provisions of the Utility's Schedule No. G-RPA.

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(TO BE INSERTED BY UTILITY) ADVICE LETTER NO. 3847 DECISION NO.

4R14

ISSUED BY
Lee Schavrien
Senior Vice President
Regulatory Affairs

 $\begin{array}{c} \text{(TO BE INSERTED BY CAL. PUC)} \\ \text{DATE FILED} \qquad Mar~26,~2008 \end{array}$ 

EFFECTIVE

RESOLUTION NO.

Revised

CAL. P.U.C. SHEET NO. CAL. P.U.C. SHEET NO. 43182-G 41996-G\*

### TABLE OF CONTENTS

(Continued)

RULES (conti	inued)
26	Consumer Responsible for Equipment for
	Receiving Gas
27	Service Connections Made by Company's
	Employees
28	Compensation to Company's Employees
29	Change of Consumer's Apparatus or Equipment
30	Transportation of Customer-Owned Gas
	36319-G,30588-G,30589-G,36320-G
	41166-G,41167-G,41168-G,41994-G,41170-G
31	Automated Meter Reading
32	Core Aggregation Transportation
	30022-G,36723-G,36724-G,39585-G,39586-G,30027-G
	30028-G,30029-G,30030-G,30031-G,30032-G,30033-G
	39587-G,30035-G,39588-G,39589-G,36623-G,30039-G
33	Electronic Bulletin Board (EBB)
	39336-G,39337-G,39338-G
34	Provision of Utility Right-of-Way Information
	33301-G,33302-G,33303-G
35	Contracted Marketer Transportation 27068-G,27069-G,27070-G,27071-G
	36325-G,27073-G,36326-G,27075-G
36	Interstate Capacity Brokering
37	Hub Service 26589-G,26590-G,26591-G,26592-G,26593-G,26594-G
38	Commercial/Industrial Equipment
	Incentive Program
39	Access to the SoCalGas

(TO BE INSERTED BY UTILITY) 3847 ADVICE LETTER NO. DECISION NO.

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(TO BE INSERTED BY CAL. PUC) Mar 26, 2008 DATE FILED

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**EFFECTIVE** RESOLUTION NO.

43183-G

43136-G

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### TABLE OF CONTENTS

The following listed sheets contain all effective Schedules of Rates and Rules affecting service and information relating thereto in effect on the date indicated thereon.

<u>GENERAL</u>	Cal. P.U.C. Sheet No.
Title Page	43183-G,42901-G,42779-G 
PRELIMINARY STATEMENT	
Part I General Service Information	24333-G,24334-G,24749-G
Part II Summary of Rates and Charges	
Part III Cost Allocation and Revenue Requirement 27024-G,37920-G,	27026-G,27027-G,42637-G
Part IV Income Tax Component of Contributions and Advances	43036-G,24354-G
Part V Balancing Accounts  Description and Listing of Balancing Accounts  Purchased Gas Account (PGA)  Core Fixed Cost Account (CFCA)  Noncore Fixed Cost Account (NFCA)  Enhanced Oil Recovery Account (EORA)  Noncore Storage Balancing Account (NSBA)  California Alternate Rates for Energy Account (CAREA)  Brokerage Fee Account (BFA)  Hazardous Substance Cost Recovery Account (HSCRA)  Natural Gas Vehicle Account (NGVA)  El Paso Turned-Back Capacity Balancing Account (EPTCBA)  Gas Cost Rewards and Penalties Account (GCRPA)  Pension Balancing Account (PBA)	42612-G 41658-G 41659-G 40870-G 40871-G 40872-G,40873-G 40875-G, 40876-G,40877-G 40878-G,40879-G 40880-G 40881-G

(Continued)

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